



U GRO Capital | Q2FY22 & H1FY22 Investor Presentation

Catalysing the future of credit access for MSMEs

NSE: UGROCAP | BSE: 511742

November 2nd , 2021

'To Solve the Unsolved'

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

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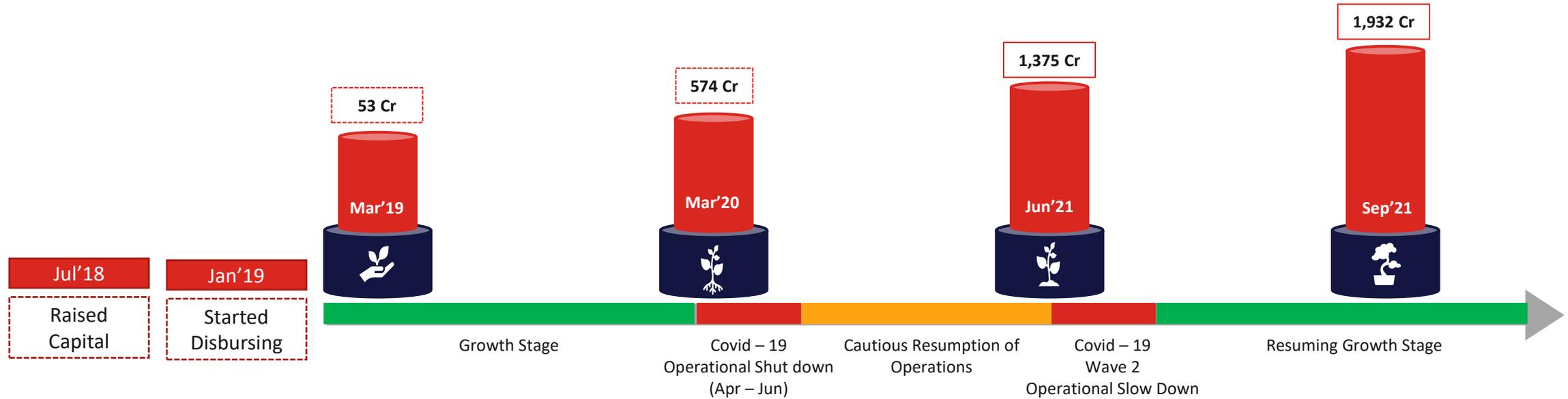


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Executive Summary

UGRO Capital – Journey since inception

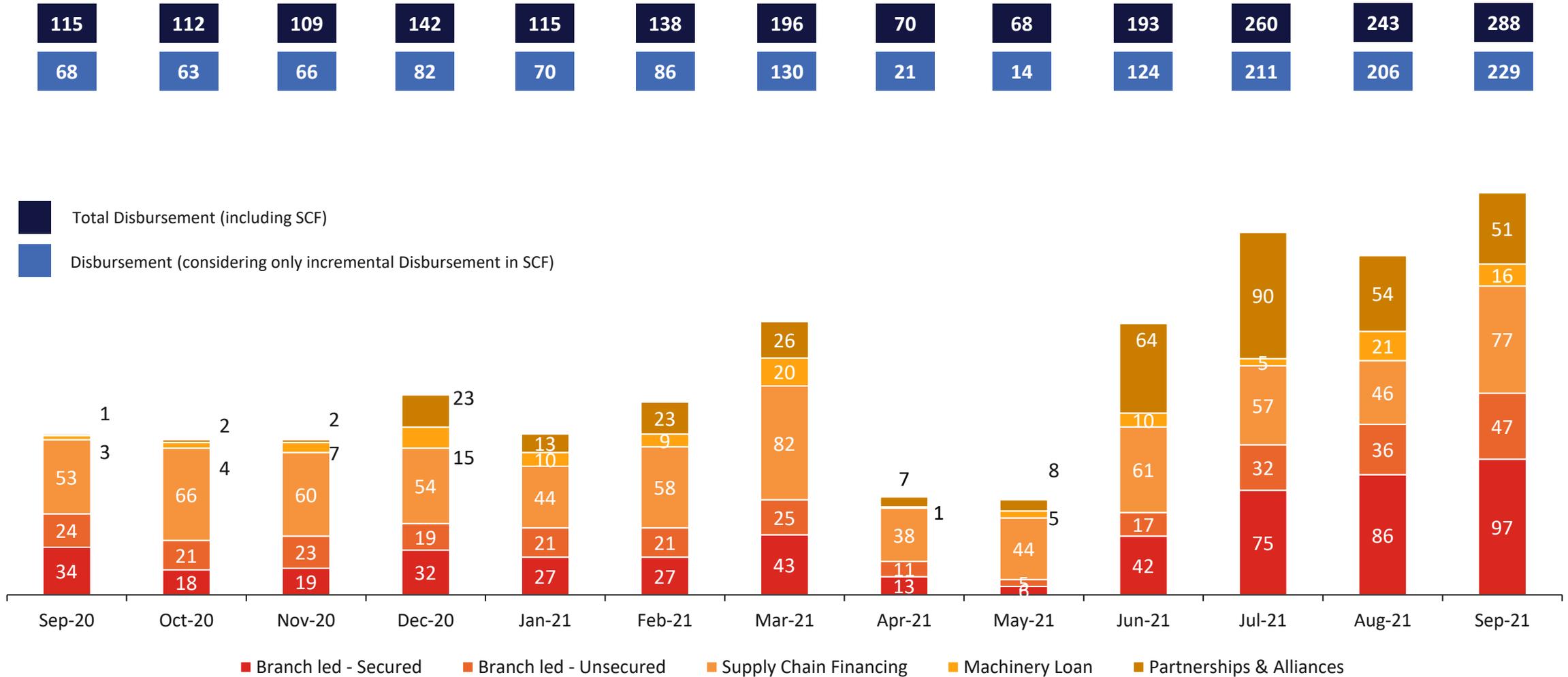


Jul'18 – Mar'19	Mar'19 – Apr'20	During Covid – 19 Wave 2	Post Resuming Growth Stage
<ul style="list-style-type: none"> ❖ Gro Score 1.0 ❖ Sector and Subsector Selection ❖ Initial hiring ❖ LOS design and Go Live ❖ Prime Loan Branches (9) 	<ul style="list-style-type: none"> ❖ SCF Launch ❖ D2C Pilot ❖ Credit Rating 	<ul style="list-style-type: none"> ❖ Products : Sanjeevani, Saathi ❖ Machinery Finance ❖ Micro Loan Branches (25) ❖ Video PD and KYC ❖ Digital Agreement 	<ul style="list-style-type: none"> ❖ Gro Score 2.0 ❖ Co-Lending ❖ Partnerships and Alliances ❖ GeM Sahay ❖ 5 Prime Loan Branches & 16 Micro Loan Branches

Period end AUM

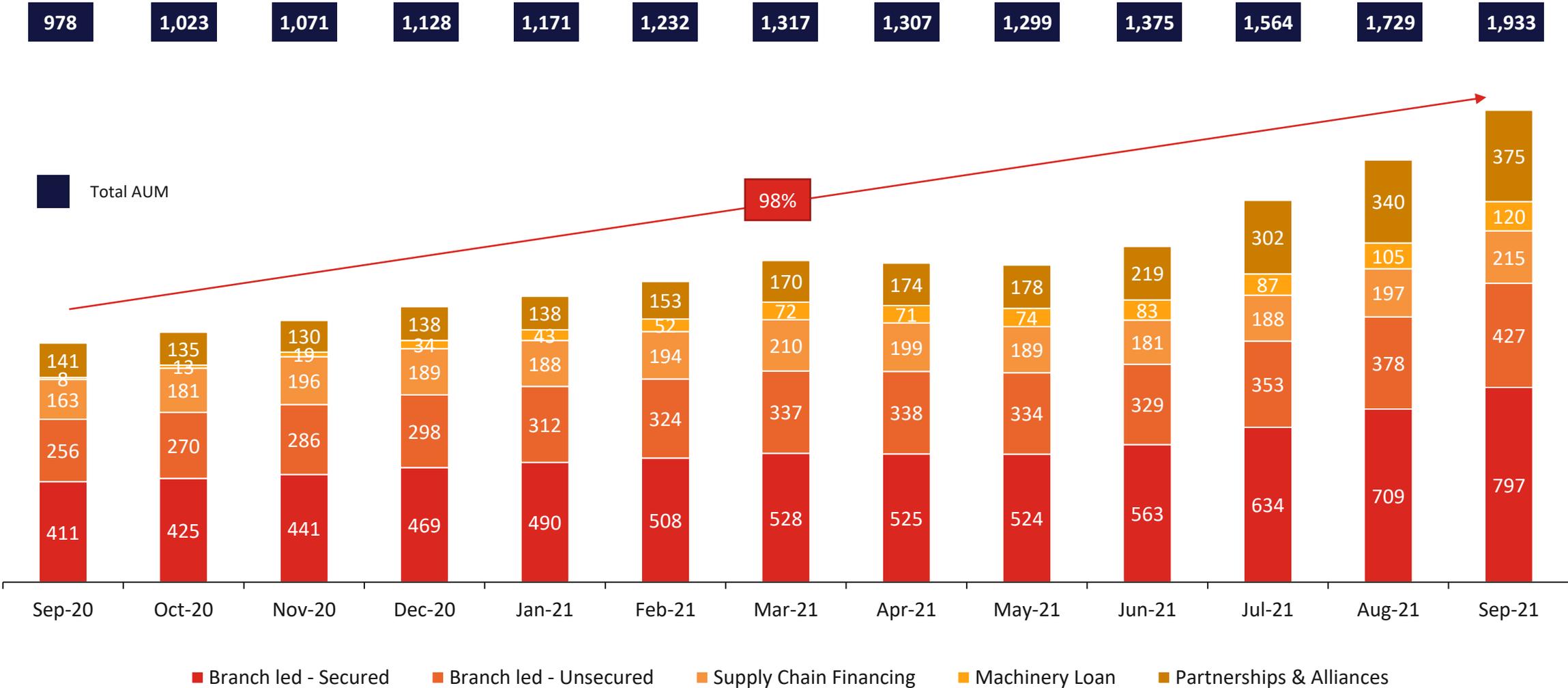
Disbursement Trend (Segment wise M-o-M)

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



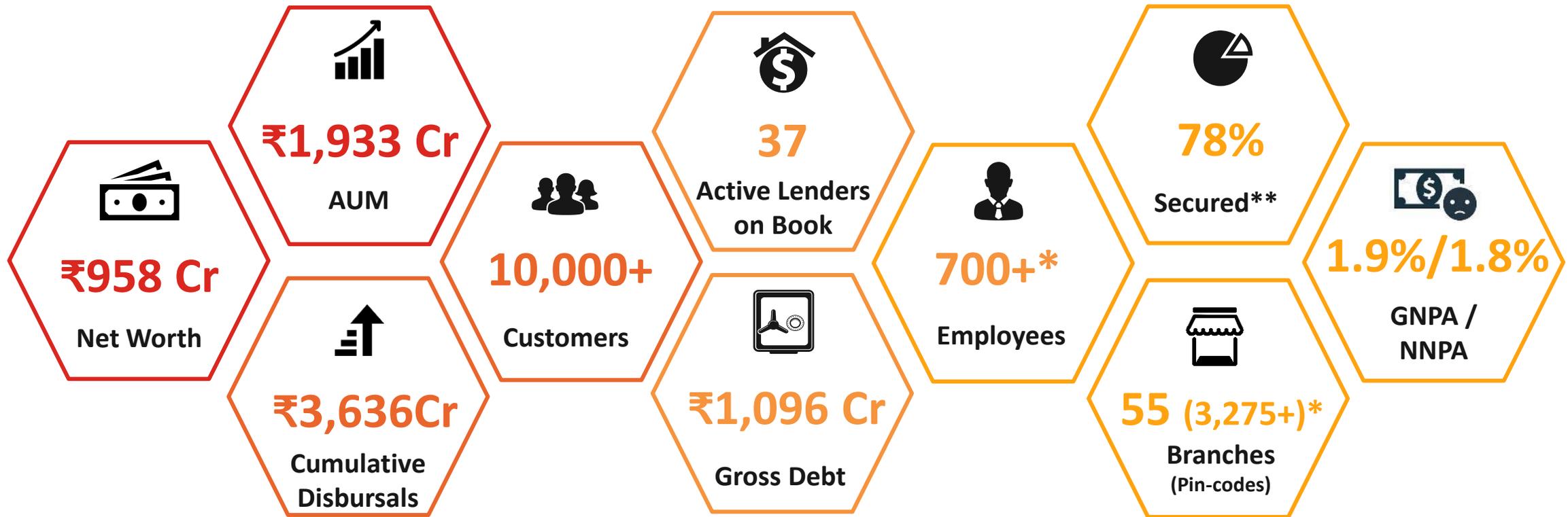
AUM Trend (Segment-wise MoM)

AUM M-o-M Trend till Sep-21 (in ₹Cr)



We continue to build as per plan

Q2 gained momentum on the back of overall economic recovery post Covid 2nd wave



Data as of 30th Sep 2021

*Data as of Oct 2021

**Includes quasi-secured portfolio

Executive Summary – Scale is showing up

All Fig in ₹ Cr	Q2FY22	Q2FY21	H1FY22	H1FY21
AUM	1,933	978	1,933	978
Net worth	958	944	958	944
Branches	55	9	55	9
Lenders	37	14	37	14
Employees	580	194	580	194
Interest Income	58.6	30.3	105.5	57.8
Interest Expense	26.9	9.6	49.3	16.5
NII	31.7	20.7	56.1	41.3
Operating Expense	25.1	18.5	46.8	37.2
Credit Cost	5.9	3.9	10.8	5.1
PBT	4.7	2.7	7.1	6.9
Portfolio Yield	15.7%	14.4%	15.7%	14.4%
Borrowing Cost	10.2%	10.6%	10.4%	10.9%

AUM and Disbursement

- AUM stood at ₹1,933 Cr as on Sep'21 (₹978 Cr as on Sep'20). ~98% increase on Y-o-Y basis
- Total Gross Disbursement for Q2FY22 / H1FY22 was ₹790 Cr / ₹ 1,122 Cr and Disbursements (considering only incremental AUM in SCF¹) was ₹645 Cr / ₹805 Cr

Net Interest Income

- NII for the year Q2FY22 / H1FY22 stood at ₹31.7 Cr / ₹ 56.1 Cr compared to ₹20.7 Cr / ₹41.3 Cr in Q2FY21 / H1FY21.
- On Y-o-Y basis, an increase of ~53%

Liability Management

- Diversified lender base of 37 active lenders with addition of 23 new lenders in last 12 months
- Borrowing costs on a sequential downtrend; average cost of debt stood at ~10.2% / 10.4% in Q2FY22 / H1FY22 compared to ~10.6% / 10.9% in Q2FY21 / H1FY21

Operating Expense

- Cost to Income ratio decreased in Q2FY22 to 70% from 74% in Q2FY21
- Cost to Income ratio for H1FY22 dropped to 74% compared to 76% in H1FY21
- For Q2FY22 / H1FY22, Opex has risen by 36% / 26% but the interest income has risen by 93% / 82% on a Y-o-Y basis

Credit Costs

- GNPA stood at 1.9% and NNPA stood at 1.8%
- Collection efficiencies was at 93% in Branch-led channel, 95% in Machinery Finance and 94% for Partnership & Alliances channel in Sep-21
- Selectively restructured around 7.2% of our portfolio for fundamentally sound businesses with short term cash flow issues

Profitability

- PBT stood at ₹4.7 Cr / ₹7.1 Cr in Q2FY22 / H1FY22 compared to ₹2.7 Cr / ₹6.9 Cr in Q2FY21 / H1FY21
- For Q2FY22 there was an increase of ~74% On Y-o-Y basis
- H1FY22 PBT marginally increased by 3% as compared to H1FY21 on account of a muted Q1FY22 which was impacted by second wave of Covid-19

Net Worth

- Net worth stood at ₹958 Cr in Sep-21 and CRAR was ~47%
- Debt-to-equity ratio stood at 1.14x indicating a long runway for growth as we leverage our balance sheet

¹ Supply Chain Financing

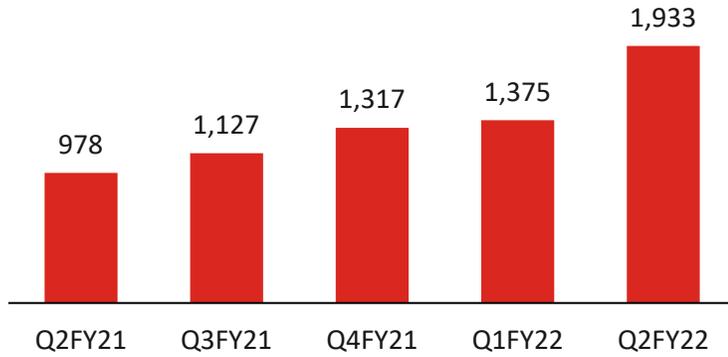


Operating & Financial Metrics

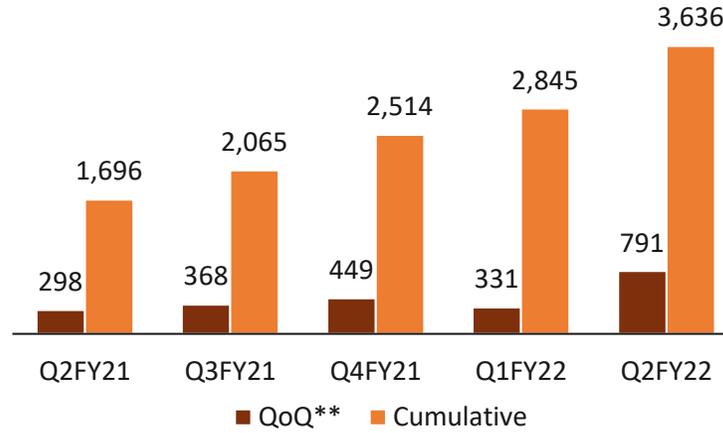
Operating & Financial Metrics (1/2)

Consistent expansion of AUM with strong Equity & Debt support

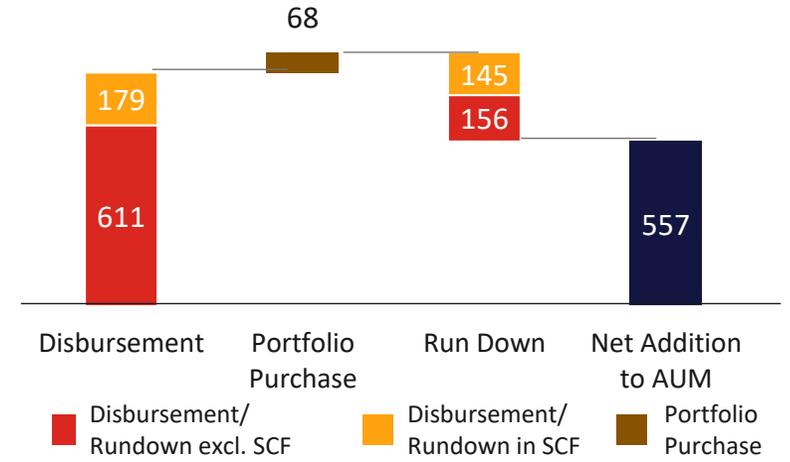
AUM (₹ Cr)*



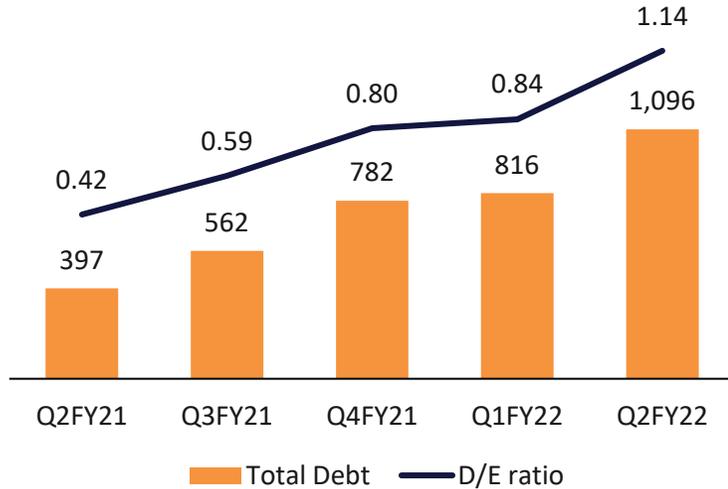
Disbursals (₹ Cr)*



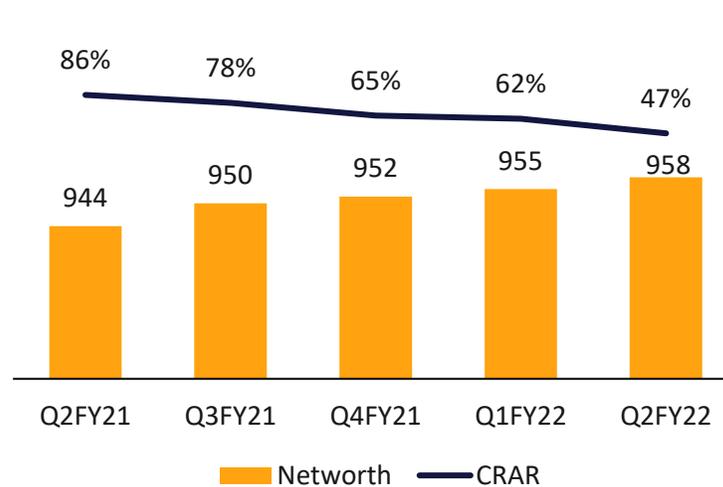
Gross to Net Disbursement Bridge (₹ Cr)



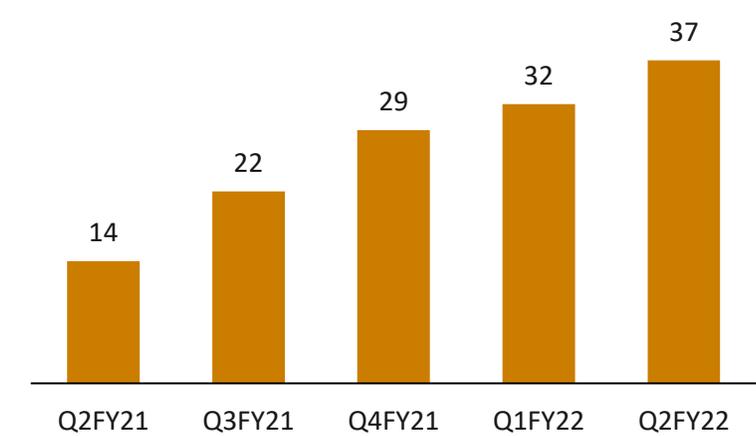
Debt (₹ Cr) & Leverage Ratio



Net Worth (₹ Cr) & CRAR (%)



Number of Lenders

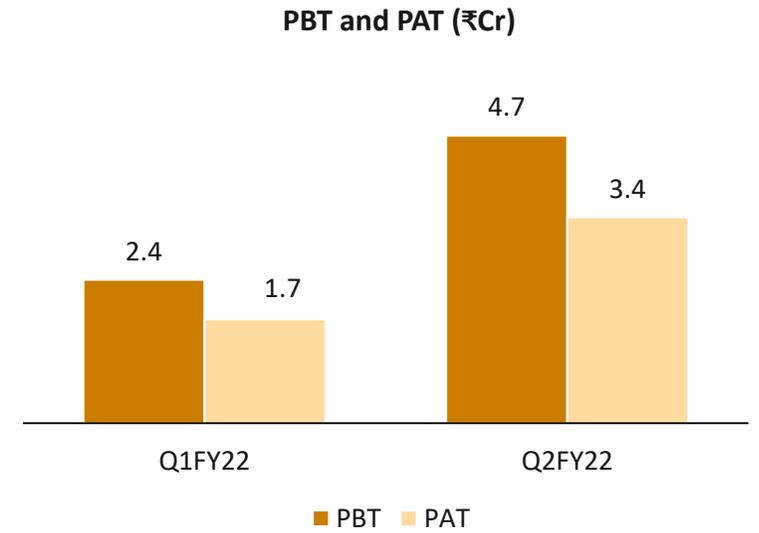
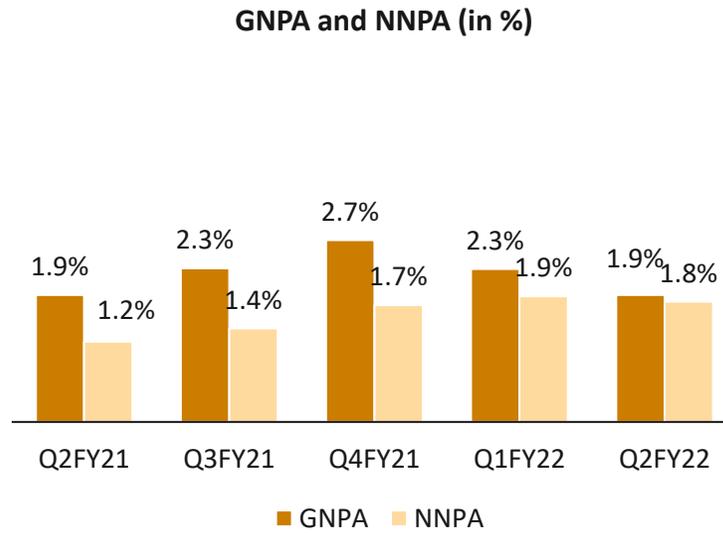
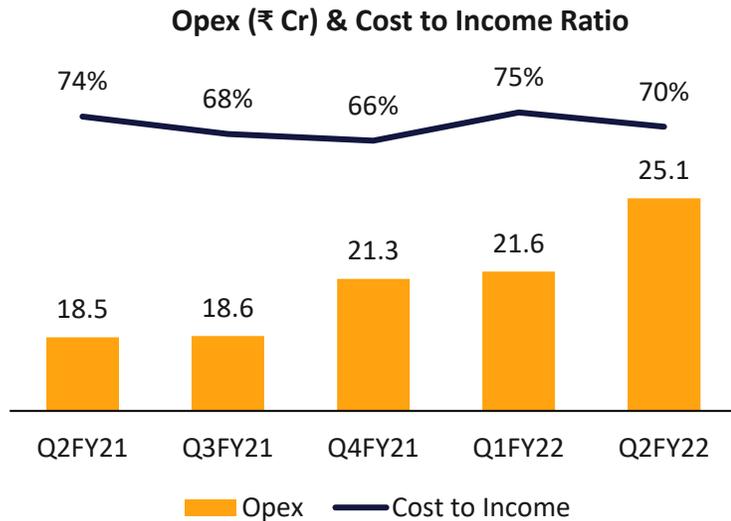
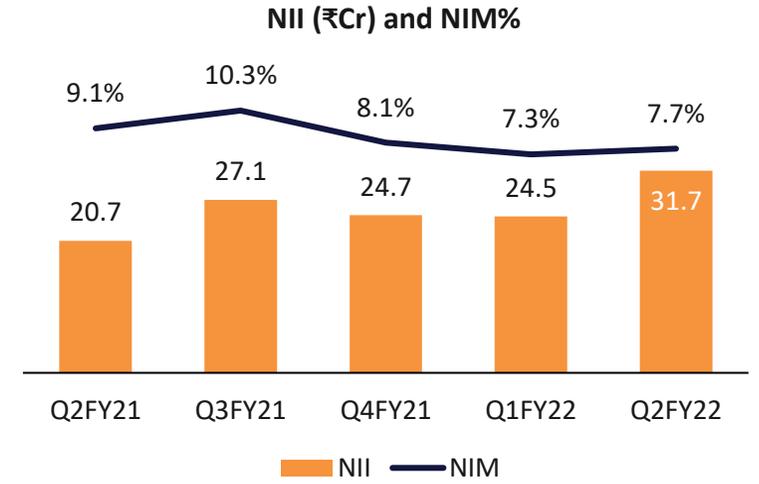
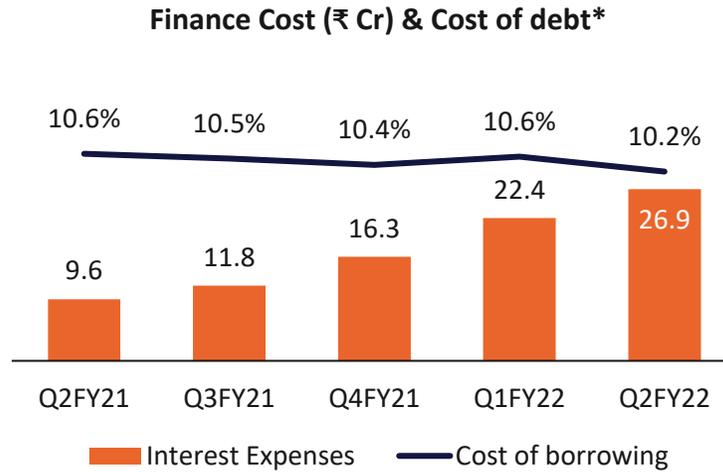
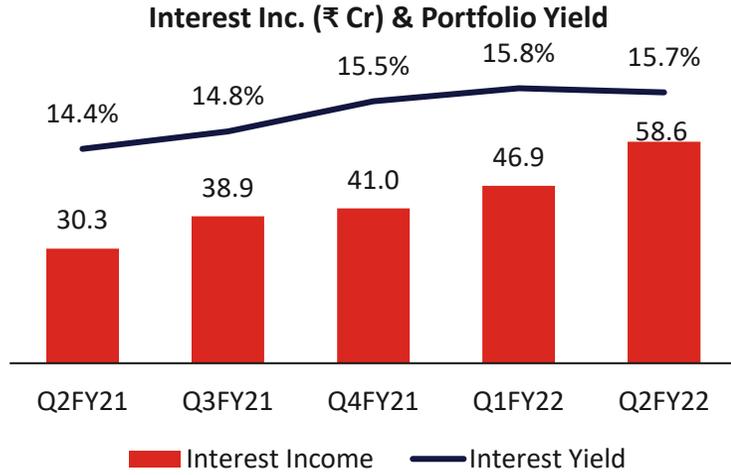


*AUM^{T1} = AUM^{T0} + Gross Disbursement of all channels (including SCF) – Collection across all channels (including SCF)

**Includes Gross disbursement in SCF

Operating & Financial Metrics (2/2)

Operating & financials ratios continue to improve with scale



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

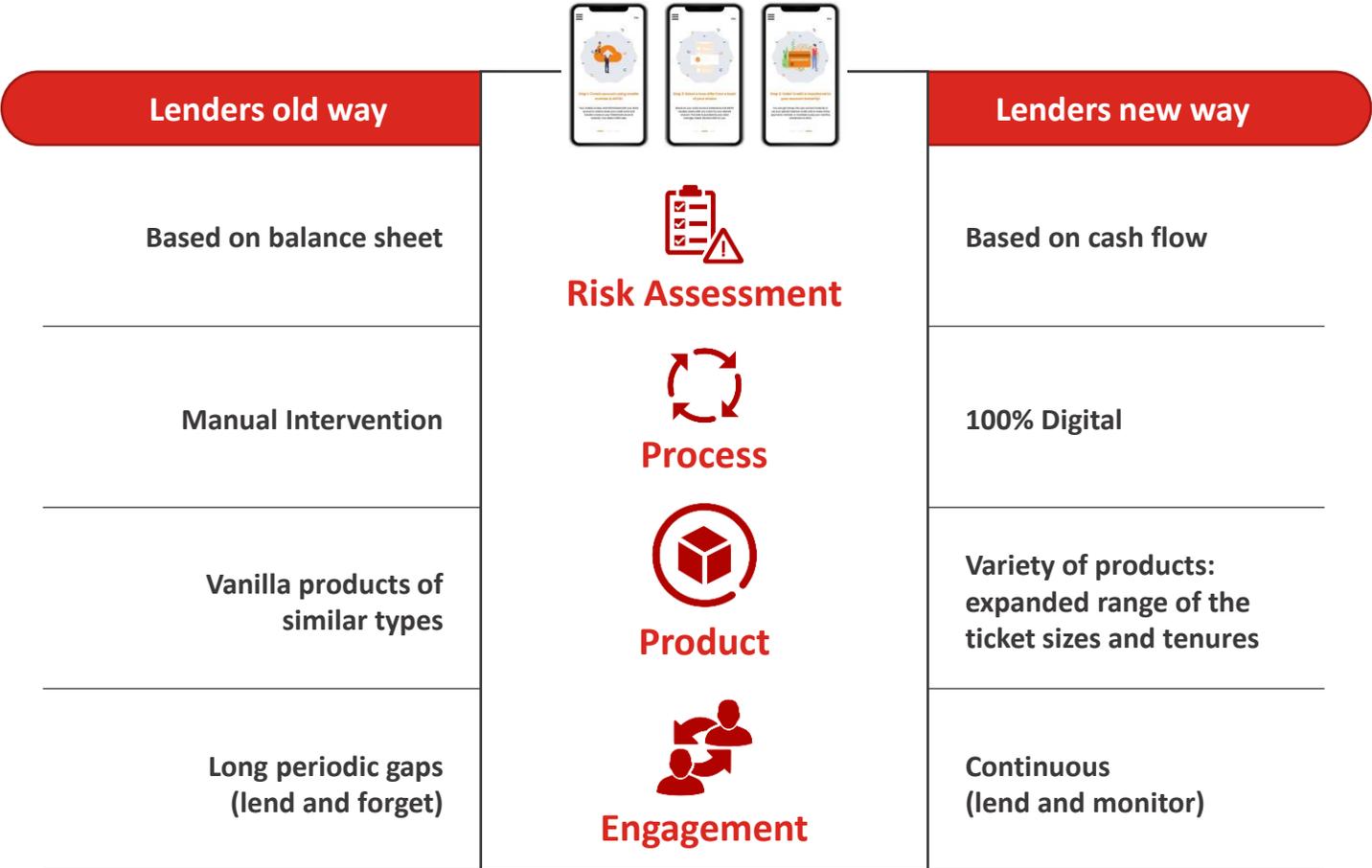


Changing landscape in MSME underwriting

Underwriting in MSME space is moving from collateral based to cashflow based

OCEN Framework disrupts lending models...

...and helps overcome



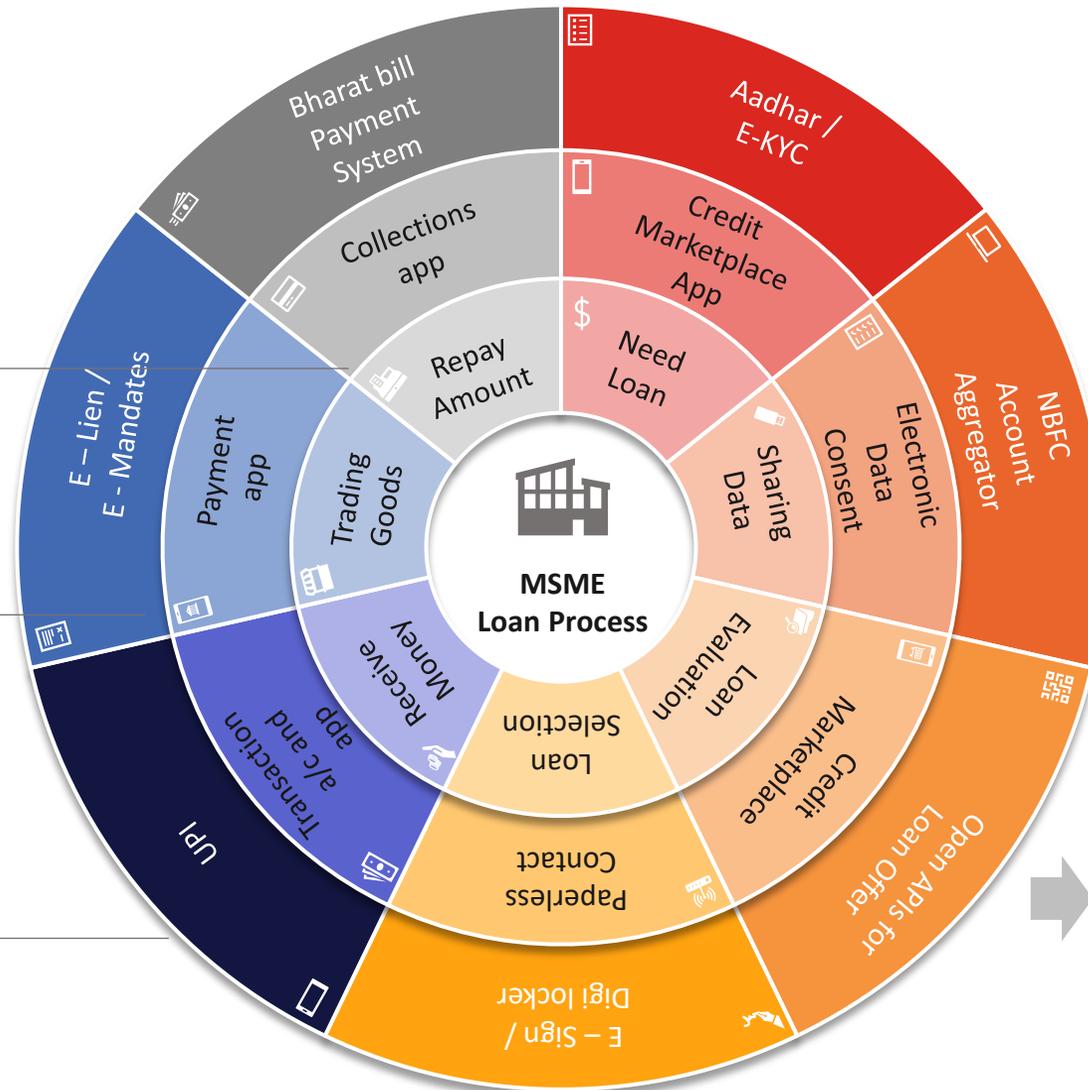
OCEN Puts in place a set of Framework and Protocols that can enable credit democratization

Digitization is taking place across the value chain in MSME Lending

Inner Layer - Represents the physical loan activities for a borrower

Middle Layer - Represents the digitized solutions built by Fintech (Innovative Service Offerings)

Outer Layer - Digital Public Infrastructure (India Stack) acting as an enabler for Innovative Fintech Solutions

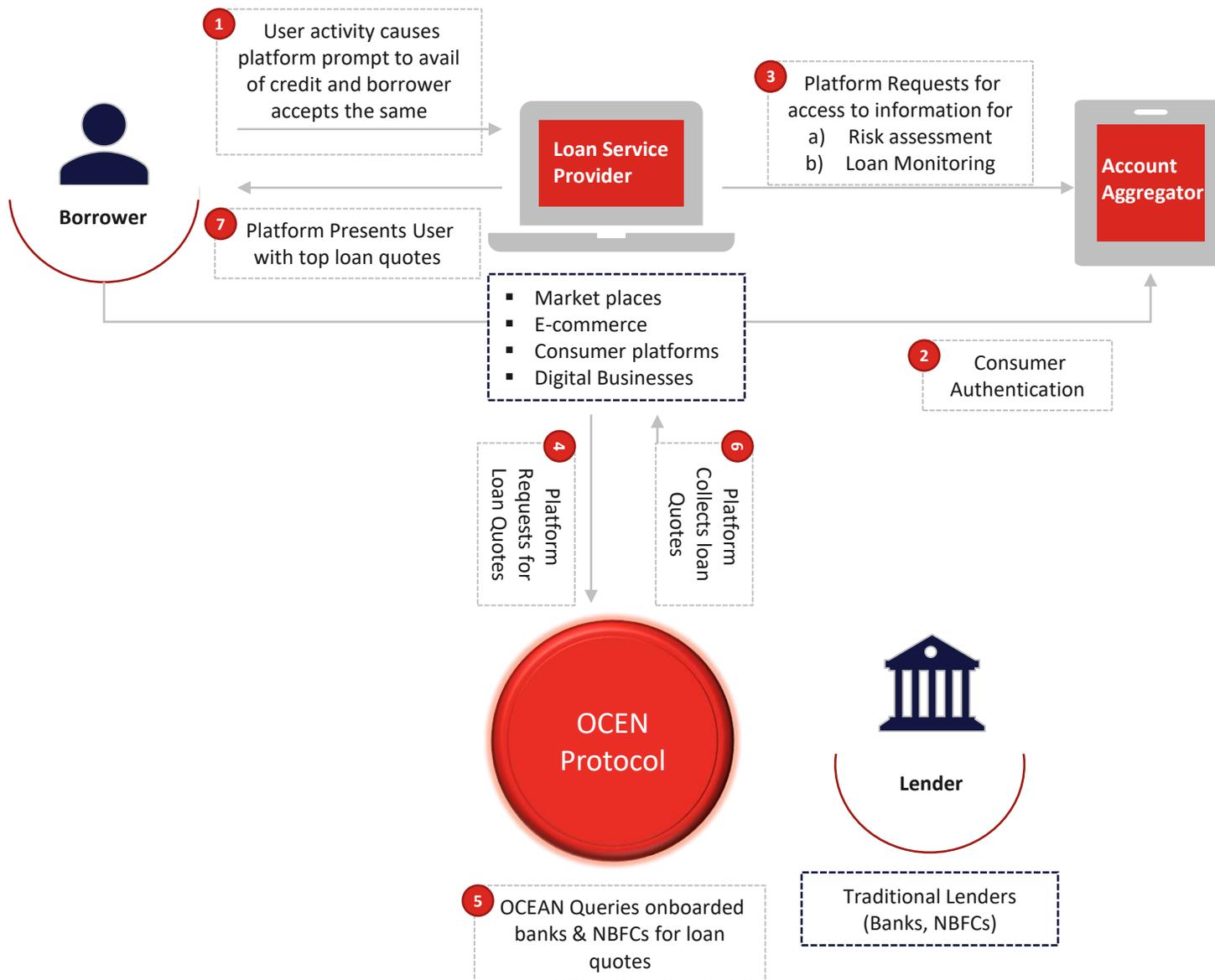


Account Aggregator Model
To manage electronic data consent and facilitate data exchange between lenders and borrowers

OCEN Framework
A common language for lenders and marketplaces to build innovative, financial credit products at scale

A complete solution needs an integrated network that enables seamless flow of verified data, it needs digital processes to substitute for physical paperwork and needs a mechanism that enables instant and efficient flow of money from lenders to borrowers and vice versa

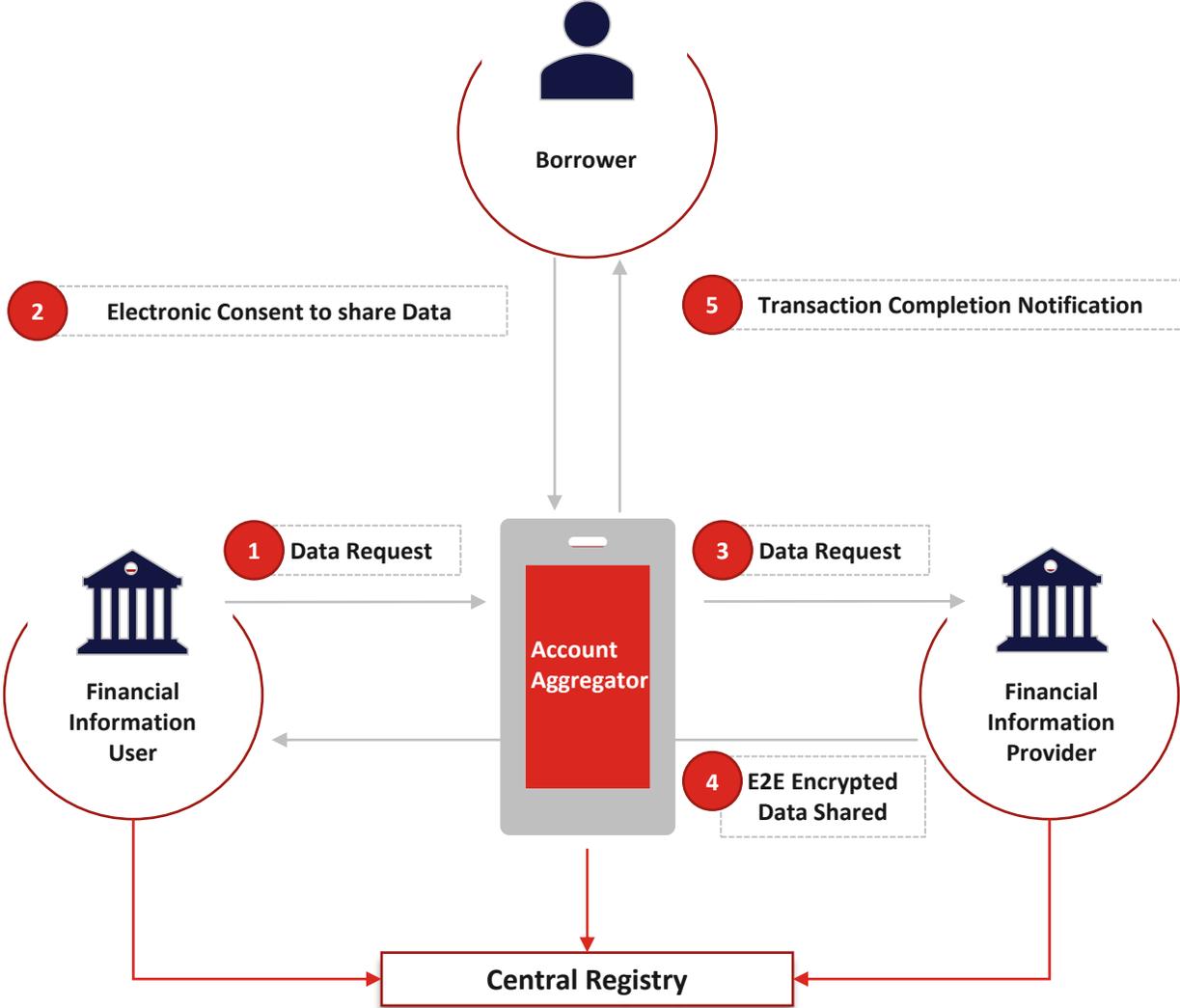
OCEN Framework would enable seamless flow of credit to MSMEs



OCEN's Value Proposition

- Borrowers**
 - Widest Range of loan Quotes
 - Retain Data Sovereignty
 - Completely digital process enabling quick access to funds
- Loan Service providers**
 - Supplied with widest range of loan quotes
 - Single API for Credit
 - Can embed lender's credit product as part of their core offering
- Lenders and NBFCs**
 - Single Integration for loan disbursal
 - Leveraging existing digital infrastructure and getting access to verified data from borrowers
 - Continuous data flow of data to monitor credit

Account Aggregation (AA) Model would facilitate credit underwriting of MSMEs



Account Aggregator Model Benefits

- Account Aggregator model would allow the borrower to consent and share data in real time
- Account Aggregator is a registered third-party company which will securely share financial information with lenders
- Financial Information will be used by lenders for generating loan offers
- Enables monitoring of Borrower accounts
- Facilitates loan disbursement within minutes

OCEN and AA Models are Shifting Colors of MSME Lending



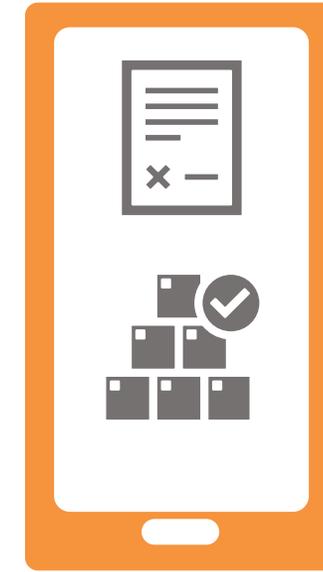
Embedded Credit

- Tailored credit products in-context at the point of demand creation (Platforms / Software)
- Fully managed digitized lending flow within the platform
- Increased approval rates by leveraging platform data



Buy Now Pay Later

- Payment option available at checkout for B2B platforms
- Users to make a purchase on credit and repay in installments or bullet repayments
- Reduces the risk for the merchant, who is paid immediately
- Acts as an accelerator for B2B commerce as users can defer payment



Flow Based Credit

- Leverage real-time cashflow data to reimagine the end-to-end lending process
- Removes the dependency on using collateral to assess the users
- Enables creation of tailored, short-term, small-sized credit products
- Repayment capacity determined by cash flows

Ecosystems and Touchpoints for new age MSME lending





Method to madness

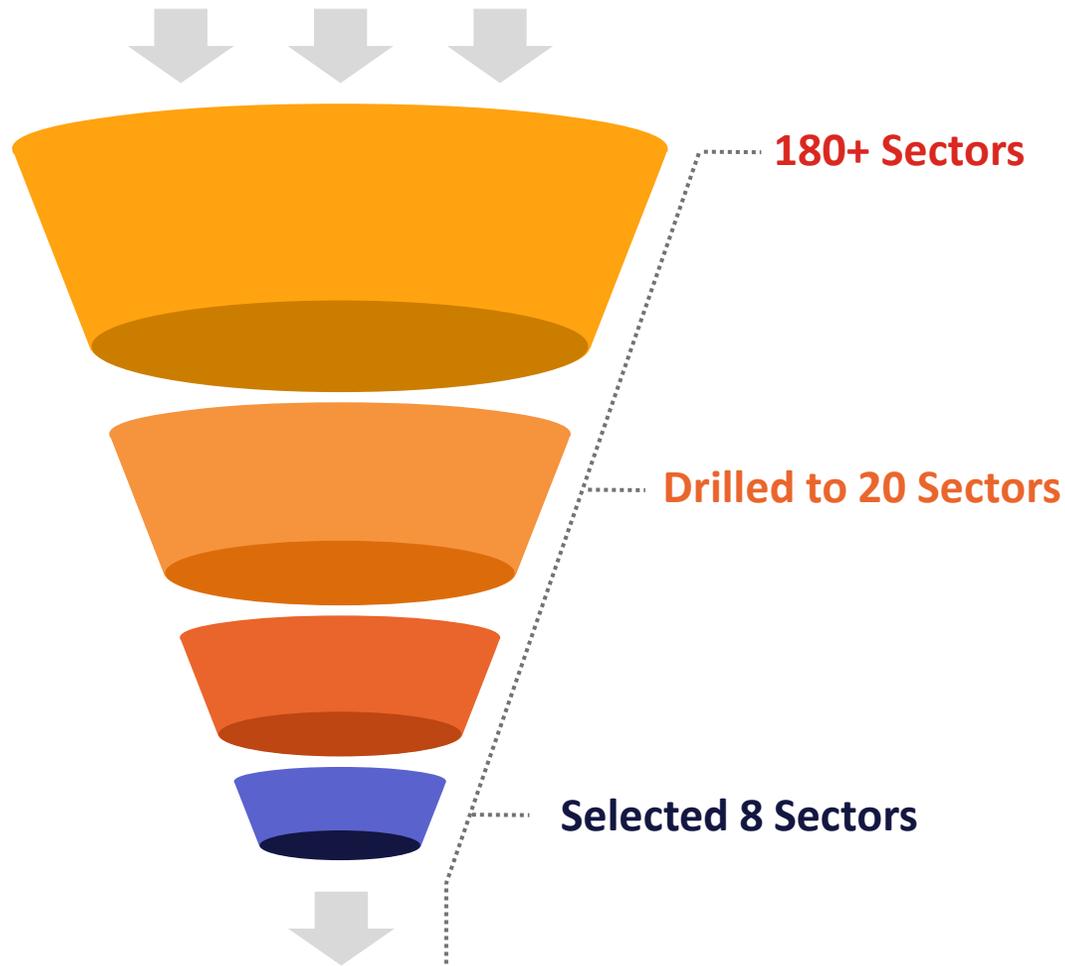
Bringing homogeneity to a non-homogeneous Sector



Our beginning: How we started - 2019

Deep analysis of Macro and Micro Economic Factors...

A continuing process involving extensive study of macro and micro economic parameters carried out in conjunction with market experts like CRISIL



- Demand supply gap & cyclicality in demand
- Working Capital Cycle
- Impact of change in technology

- Input risk
- Sector specific government policy
- Environmental issues



- Asset Turnover ratio
- Revenue Growth
- EBITDA Margins
- Upgrade & Downgrade ratio

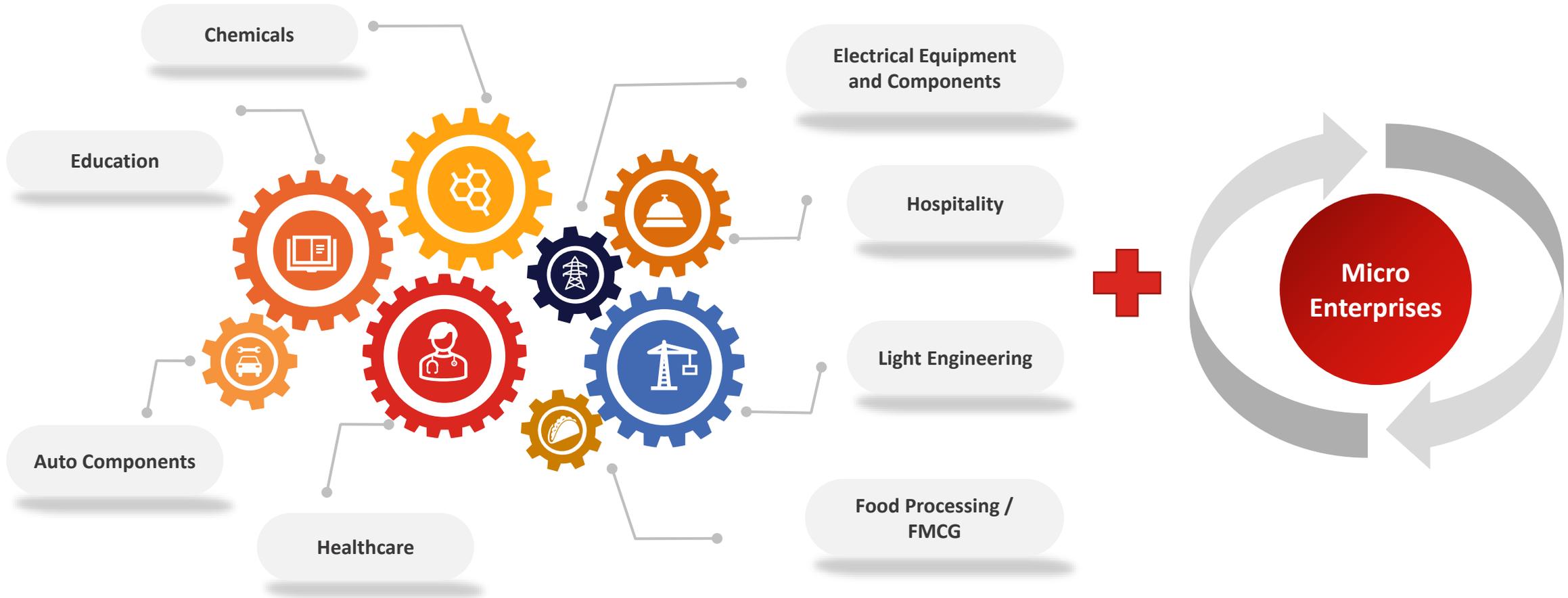
- Median Rating
- Interest Coverage
- Gearing



- 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 ~50% of the total MSME Lending market and Micro Enterprises with sector agnostic approach



...and further narrowed down based on their ecosystems

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



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

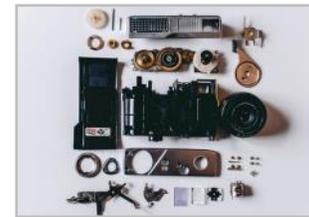


Hospitality

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

“Risk Management” through ‘Expert Scorecards’ for all Sub-sectors

- 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)
- 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

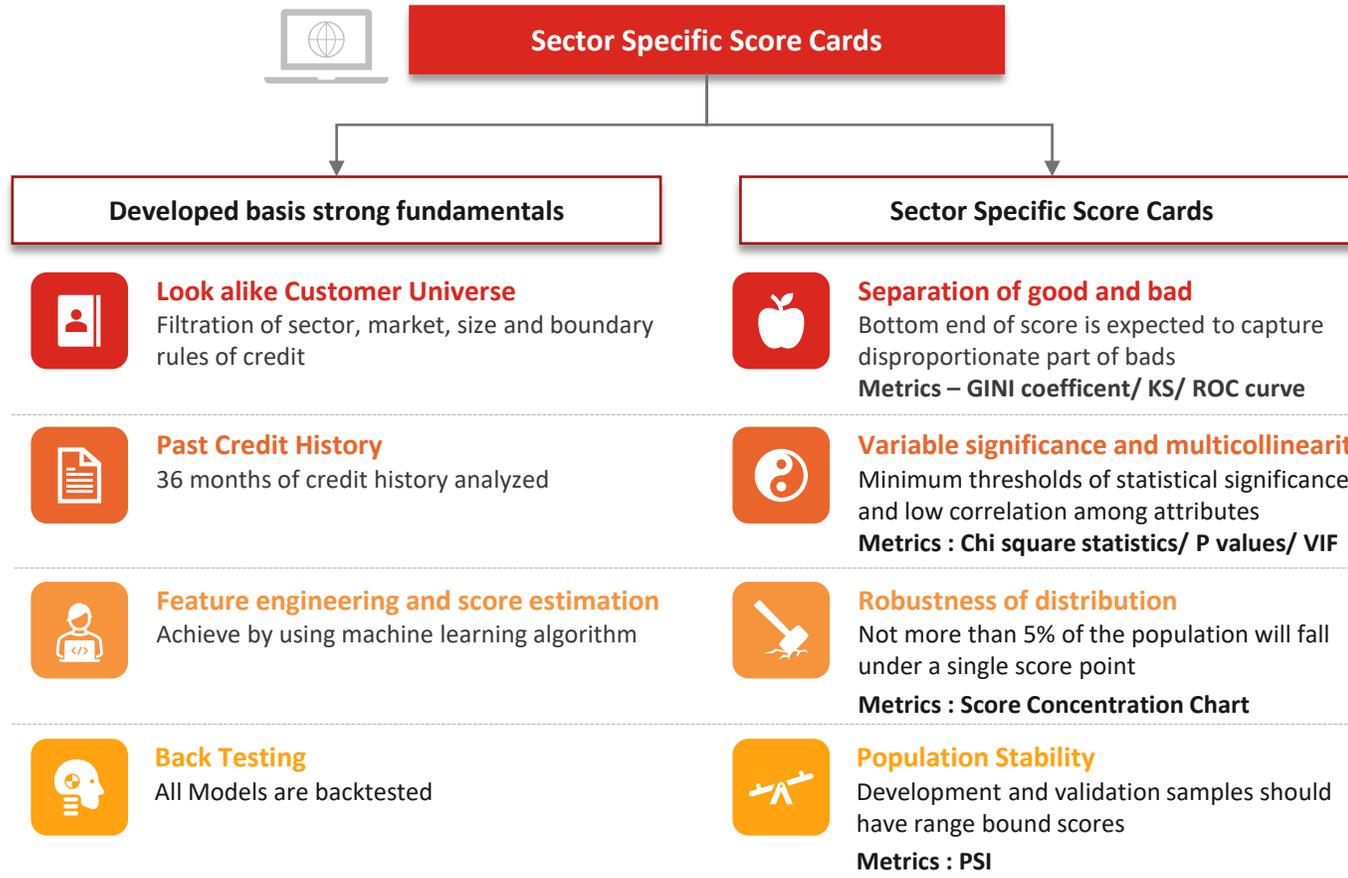
Light Engineering & Medical Equipment Manufacturers

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

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%
	Average annual tuition fee increase	10%
Cost related	Average annual increase in teachers’ salary	40%
	Employee costs as a proportion of revenue	60%

...leading to data analytics driven sector specific scorecards



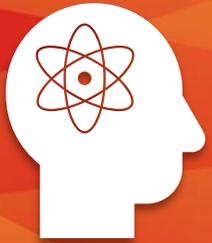
3,00,000 + Look alike borrowers analyzed	10 + Statistical Scorecards	900 + Parameters Analyzed for predictive Significance	58% - 70% GINI coefficient range, demonstrating excellent good-bad differentiation
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- Bottom 20% of the population being rejected allows to eliminate 70% of Defaults
- Visible reduction in residual default rates after removing bottom 20% by Score

Parameters used to filter Model Development Datasets

- Bureau Footprint**
 - Commercial bureau presence used for scorecard development
- No new-to-credit**
 - All borrowers have minimum bureau vintage and footprint thickness
- Lending institutions**
 - All borrowers have taken loans from Banks/ NBFCs (vis-à-vis MFIs)
- Geographical presence and Ticket size**
 - Loans in U GRO locations and Loans between 1 lakh to 5 Cr. Borrowers with exposure > 50 Cr are excluded
- Historical delinquency / adverse events**
 - Excluded from model database

- We have observed that scorecard is a scientific tool to eliminate risk
- Post score filter is applied, it becomes more difficult to incrementally reduce risk by handpicking



Our acceleration: How have we evolved - 2021

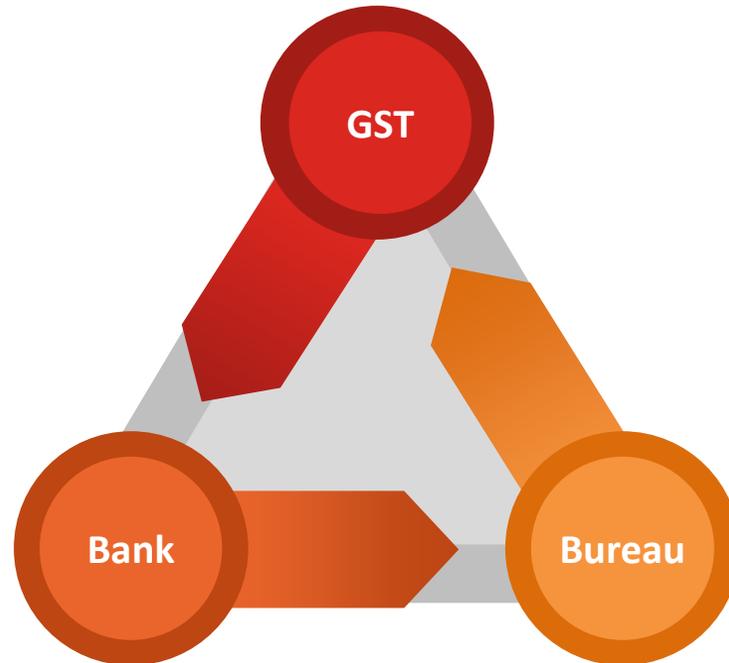
First lender to completely move to Data Tripod

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**

GRO Score 2.0 - A superior underwriting framework



Bank



Entity



Individual

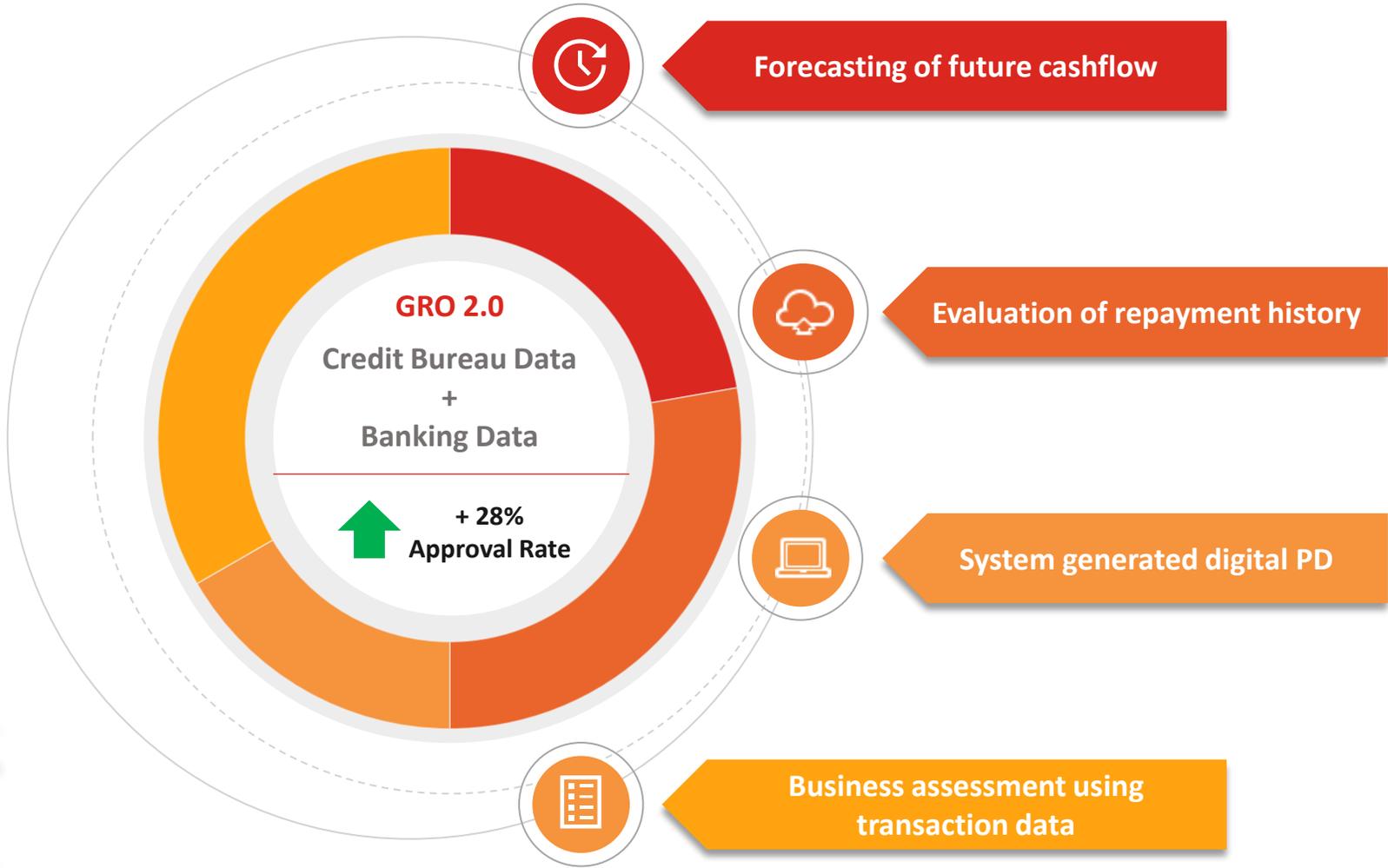
One Single Model capturing all data

<p>Artificial Intelligence</p> <p>Engineering of making Intelligent Machines and Programs</p>	<p>Machine Learning</p> <p>Ability to learn without being explicitly programmed</p>	<p>Deep Learning</p> <p>Learning based on Deep Neural Network</p>
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Trained on own data – eliminates “Look Alike” bias

No specific bureau dependency

Ability to deploy new models in weeks





How we are reaching to customers

Vast geography, varying needs, multiple sources of origination

Multi pronged approach led by offline presence and tech capabilities

a Branch Led Channel | GRO-Plus

- **Prime Loan Branches** – 14 Branches with loans largely sourced by DSAs
- **Micro Loan Branches** – 41 branches across 5 states. Loans to be directly sourced by FOS
- **Turnover** – INR 0.2 to 200 Cr
- **Ticket Size** – INR 0.005 to 3 Cr
- 60% - 70% of the assets

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
- **Turnover** – INR 2 to 200 Cr
- **Ticket Size** – INR 0.1 to 3 Cr
- 20% - 25% of the assets

c Partnerships & Alliances | GRO-Xtstream

- **Co-lending** – Joint lending partnerships with NBFCs on the downstream
- **FinTech Partnerships** to originate loans. Loans quasi secured with FLDG.
- **Direct Assignment & Portfolio Acquisition** – Upstream or downstream DA to Banks & NBFCs
- **Turnover** – INR 0.2 to 200 Cr
- **Ticket Size** – INR 0.01 to 5 Cr
- 10% - 15% of the assets

d Direct Digital Channel | GRO-Direct

- **Digital Lending Platform** – Allows MSMEs to directly apply for credit further reducing TATs
- **60 Mins Decisioning – 100% Digital**
- Targeted to be launched in last quarter of FY22.
- **Turnover** – INR 0.2 to 200 Cr
- **Ticket Size** – INR 1 to 15 lac
- 5% - 10% of the assets



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

a Branch Led | Network of 55 Branches spread across the country



Prime Loan Branches

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



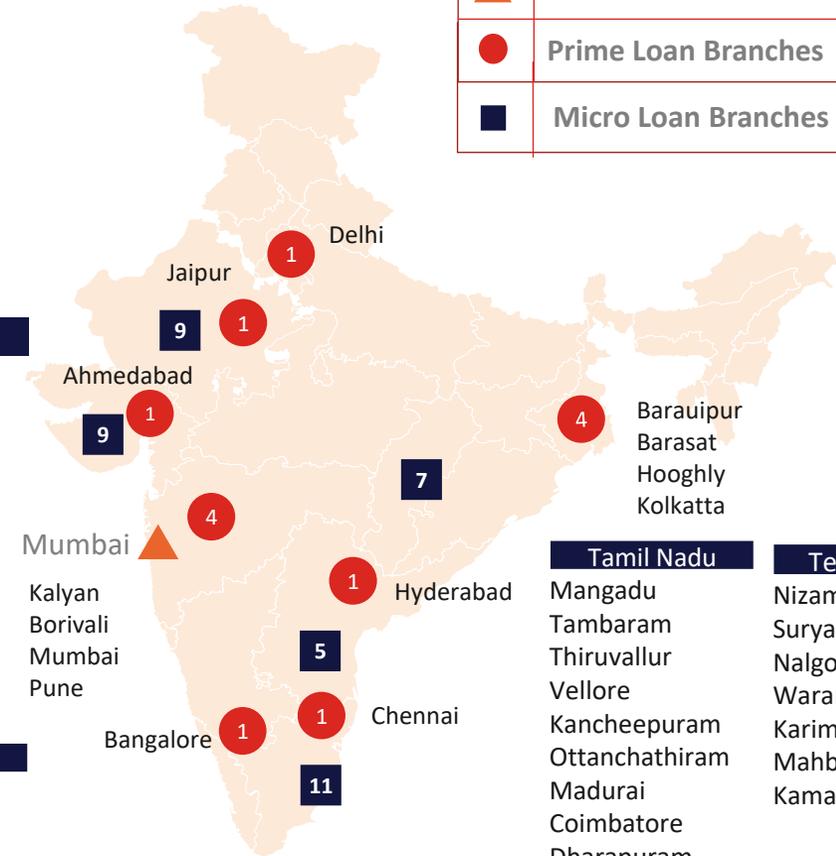
Micro Loan Branches

- 41 branches across 5 states
- 16 branches commissioned during the quarter
- Top locations with history of low delinquency & high loan demand identified
- Distribution through Feet on Street manpower employed on U GRO rolls



Total 55 Branches as on Sep-21

	Head Office
	Prime Loan Branches
	Micro Loan Branches



Rajasthan

- Ajmer
- Kotputli
- Sikar
- Jhotwara
- Jagat Pura
- Bikaner
- Ganganagar
- Jodhpur
- Pali
- Sumerpur
- Hanumangarh

Gujarat

- Ahmedabad (2)
- Himatnagar
- Baroda
- Nadiad
- Mehsana
- Jamnagar
- Surat (2)
- Rajkot (2)

Karnataka

- Bommasandra
- Peenya
- Mysore
- RR Nagar
- Mahadevpura

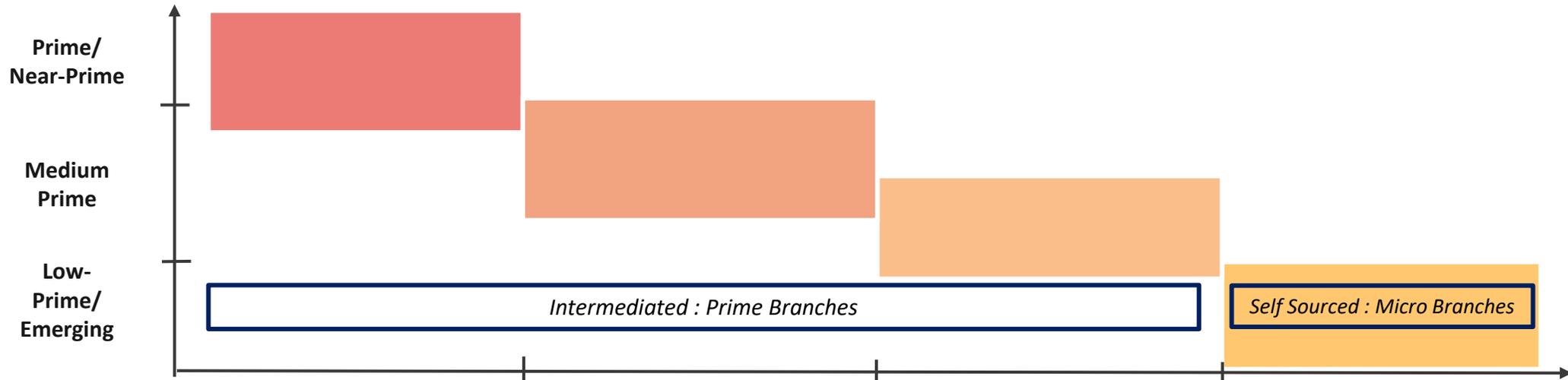
Tamil Nadu

- Mangadu
- Tambaram
- Thiruvallur
- Vellore
- Kancheepuram
- Ottanchathiram
- Madurai
- Coimbatore
- Dharapuram
- Pollachi
- Tirupur
- Perundarai

Telangana

- Nizamabad
- Suryapet
- Nalgonda
- Warangal
- Karimnagar
- Mahbubnagar
- Kamareddy

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



	<10%	10-14%	14-18%	>18%
	Pratham	Sanjeevani	Saathi	GRO Micro
Ticket Size - Secured	50-250 lacs	50-300 lacs	15-75 lacs	1-25 lacs
Ticket Size - Unsecured	NA	10-25 lacs	NA	0.5-5 lacs
Cash Flow >>	Prime & Reported	Prime & Assessed	Prime & Assessed	Standard & Assessed
Repayment Behaviour >>	Prime	Prime	Prime	Standard
Collateral >>	Prime	Prime	Standard	Standard

Ecosystem channel for Supply Chain Financing Products

Anchor Led

Non-Anchor Led



Vendor Financing



Distributor / Dealer Financing



Retailer Financing

Vendor	Anchor	Vendor
<ul style="list-style-type: none"> Faster payment Reduces cost of capital Liberty to choose when to use 	<ul style="list-style-type: none"> Low Working Capital Off-balance sheet funding Lower financing cost Early payment discount 	<ul style="list-style-type: none"> Working Capital for purchase of inventory Lower cost of funds Avail cash discount from vendor



Sales Invoice Discounting



Purchase Invoice Discounting



Pre-shipment



Post-shipment

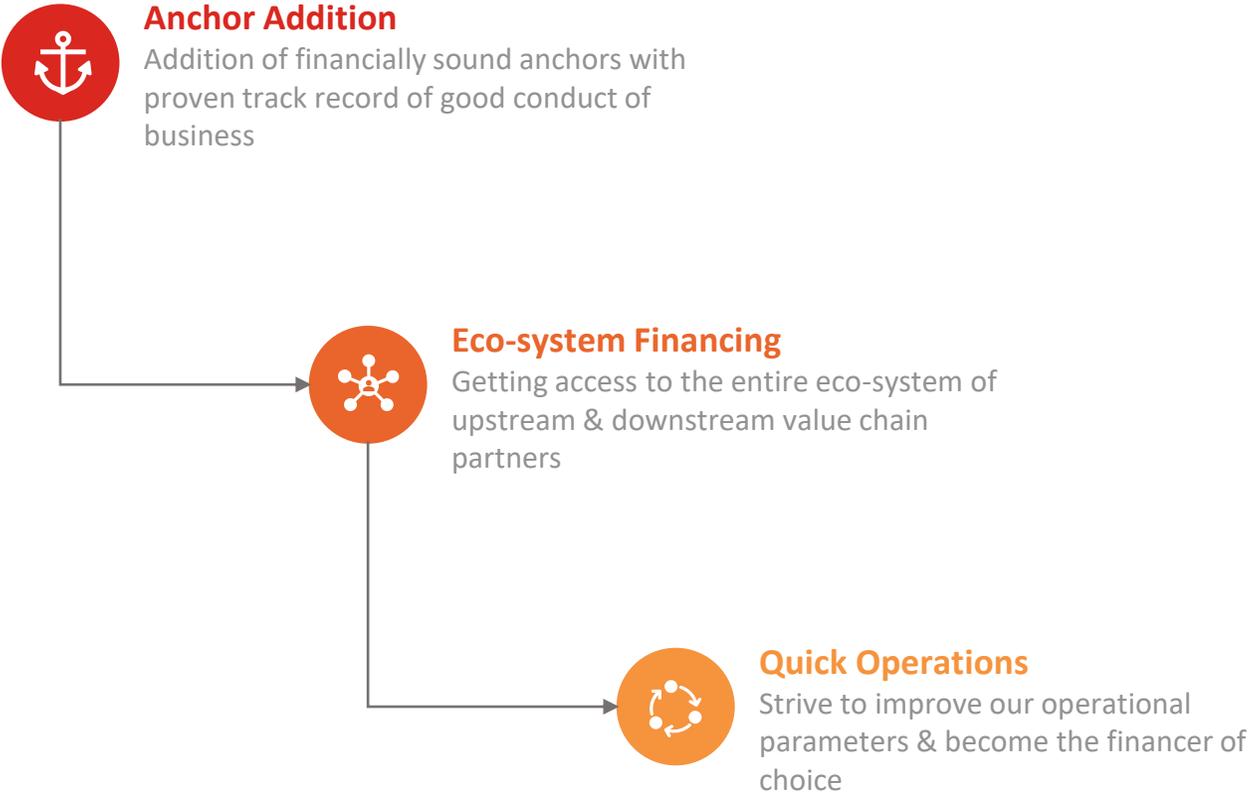
- No corporate acceptance required
- Downloadable app for invoice level management
- Seamless virtual escrow account repayments
- Automated limit updation and settlement

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

b Ecosystem Led Channel – Supply Chain Finance (SCF)

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

Approach to supply chain financing



We have a diverse pool of Anchors & FinTech Partners

Anchors



FinTech Partners



--- and many more

U GRO was one of the first lenders 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

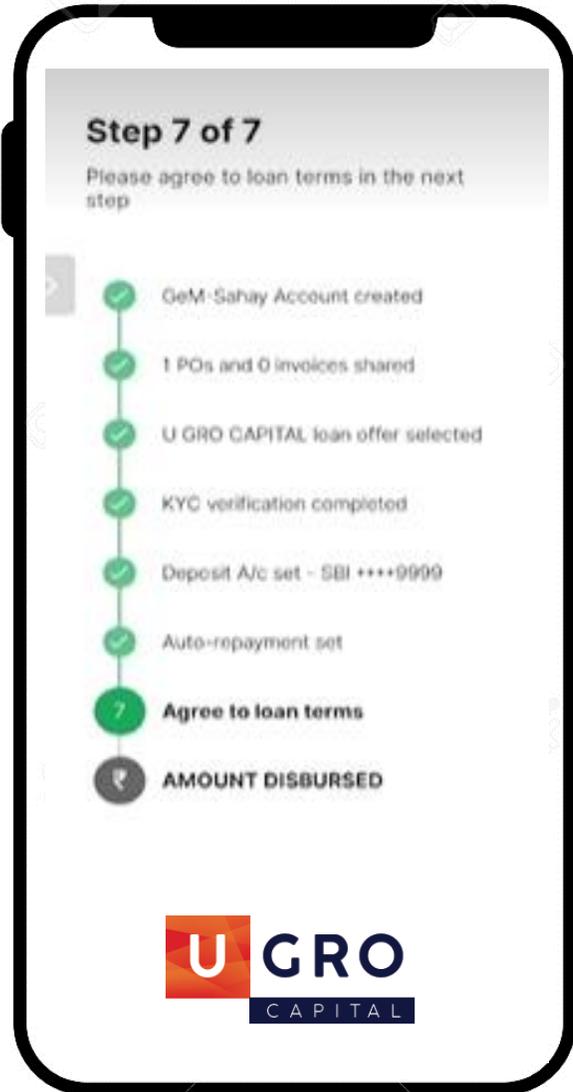
Business
Vintage

Order history
on GeM portal

Seller delivery
and reliability
rating

Repayment
track record

Turnover and
consistency



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



OEMs as U GRO's Leads

- ❖ Approve OEMs that have steady stream of order book
- ❖ Actively develop relationship with all the approved OEMs
- ❖ Onboard OEMs as partners for lead generation & sales



Dealership Driven Sales

- ❖ Company owned Dealerships – Single RM covers multiple dealers & cases are passed to U GRO for financing
- ❖ 3rd Party owned Dealerships – RM's regularly meet dealers to finance all cases



Repeat Purchase

- ❖ Field Staff actively remains connected with the past customers
- ❖ High focus on tapping repeat purchases

Pre-Approved List of Machinery

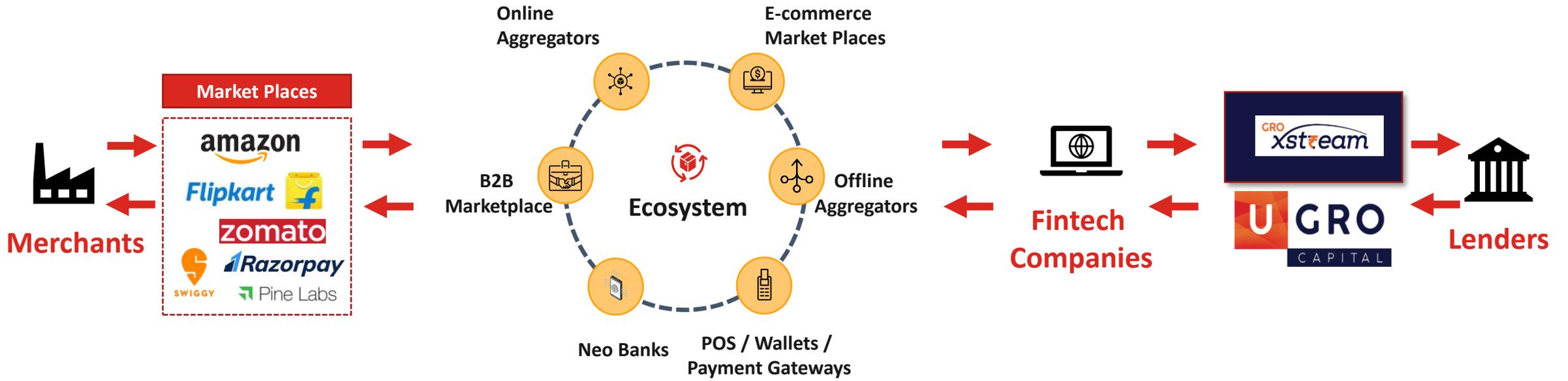
- ❖ Plastic/injection molding
- ❖ Light Engineering
- ❖ Pharma
- ❖ Medical Equipment
- ❖ Allied sector – Printing, Packaging & Gensets, Stabilizer, Scissors, compressors



... and another 150 pre-approved OEMs

C Partnership Channel | Actively partner with FinTech's/NBFCs to improve distribution reach...

Highly customized, API driven tech platform for large and emerging lending institutions to collaborate on upstream and downstream activities



Lending requirement of the entire ecosystem catered by UGRO

UGRO chooses to fund the fintech companies rather than directly funding the merchants as it allows the company to source a granular portfolio of INR 1 – 5 lakhs with sufficient coverage of credit by way of FLDG (5% - 10%)



Customer Service

Chatbot based, integrated with popular message apps (proposed)

- 100% Digital Customer Servicing
- No human intervention
- Web-service based APIs for **instant query/request handing** over app/web or IVR call



Acquisition

Micro-targeting of customer and partner audiences for onboarding

Sector-Focused Partnerships

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

Direct To Customer Campaigns



Product and Marketing

Innovation driven by Micro-Level Focus within Sub-sectors

Product Development

- Sectoral Need Gap Identification based on Perception Maps

Marketing

- Customer Data Identification
- Push & Pull Marketing Campaigns
- Personalised Communication and on-boarding journey (ChatBots)

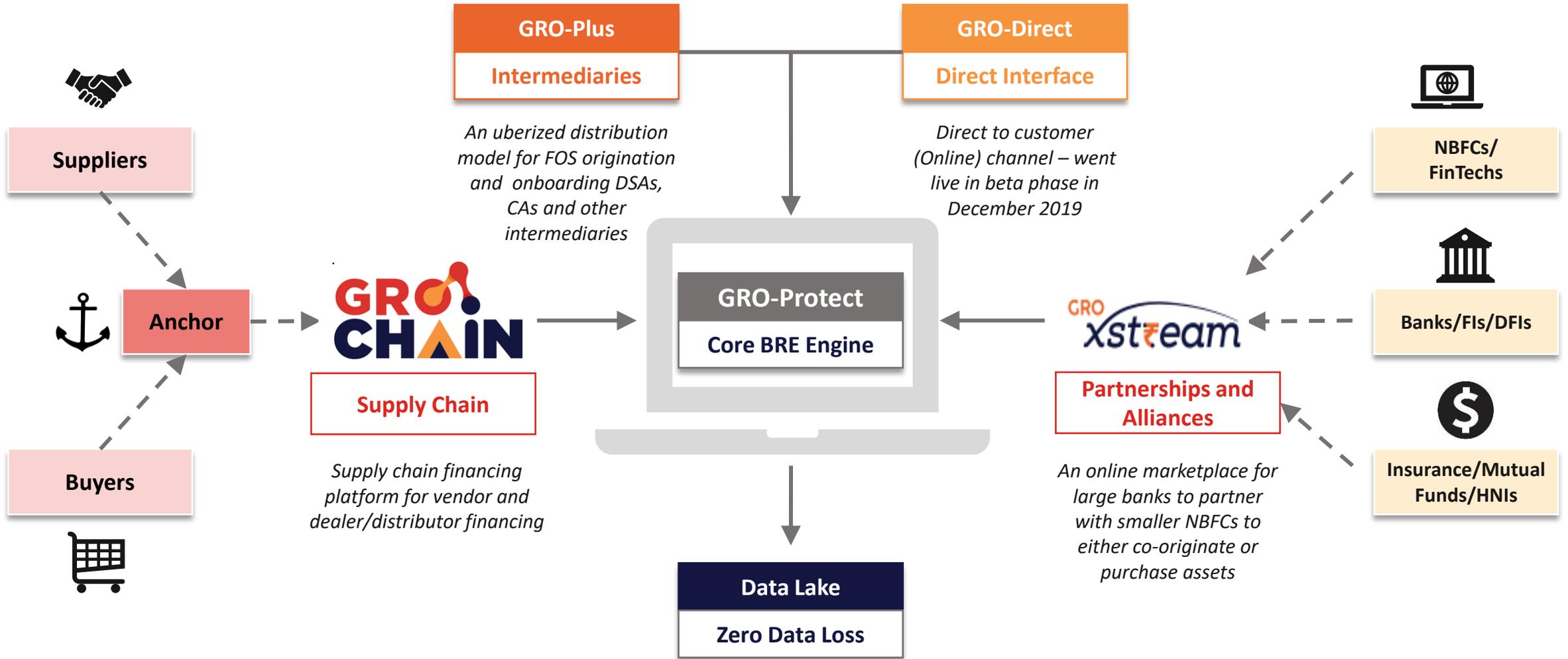
Underwriting/Fulfilment

60 Mins Decisioning – 100% Digital

- Based on **Industry First Sector Specific Scorecards**
- Information gathering and validation via customized APIs
- Assisted models (Outbound Calling) to induce customers to convert
- Outsourced partners for operations

*Targeted To be launched in last quarter of FY22

Development of System Architecture for full-Suite SME Lending



A comprehensive set of modules that will allow for maximal lending outreach within our mandate

Platforms further integrated with rich data enrichment layer

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



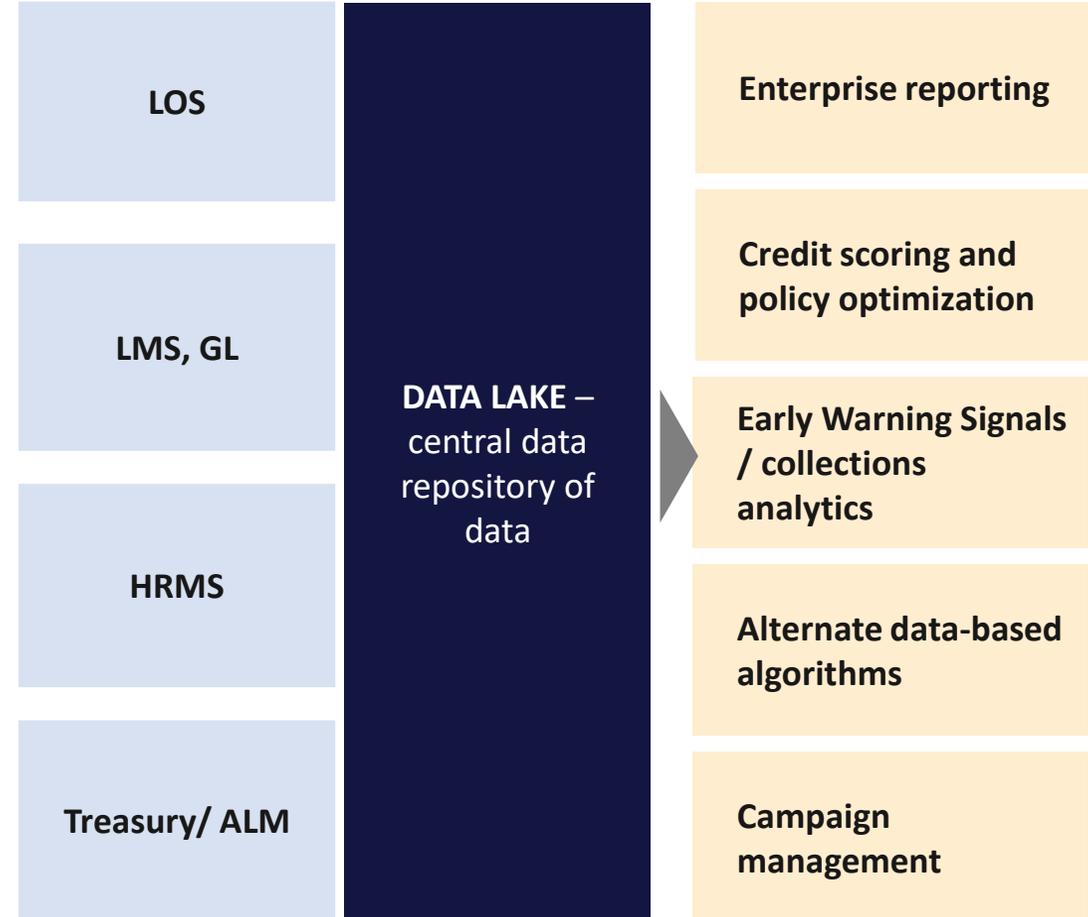
“Zero Data Loss” – Captures end to end data to enable deeper adoption of analytics

360-degree data from all stages of borrower life cycle...

..ingested through source systems into Data Lake

..enabling data driven end use

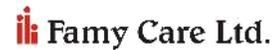
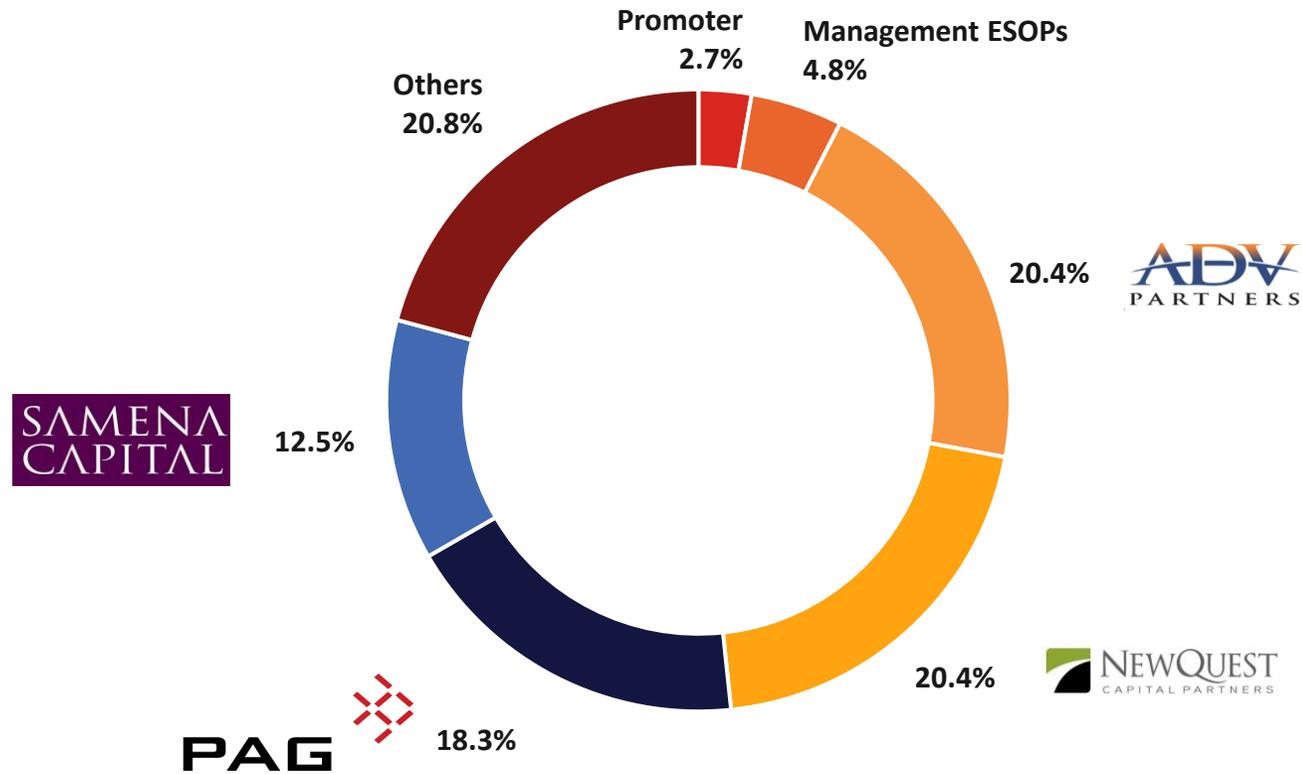
On boarding		Credit Assessment	Demographics	Bureau, Fin, Banking & GST	Policy / Verification
		Due Diligence	FCU/ FI, Dedupe	Collateral assessment	Personal discussion
Life cycle		Credit Behaviour	Repayment & Drawdown	Cheque Bounce & default	Collection Efficiency
		Upsell & Relationship	Attrition & top-ups	Cross sell & up-sell	Service & Resolution
		Manpower & Productivity	Sales Performance	Incentives & Payouts	Employee Attrition
		Profit & Loss	Revenue & Expenses	Balance Sheet	Branch Level Profitability





How we are funding our customers need
Backed by large institution equity and debt

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



Majority of U GRO's shareholding is institutionally owned

Tri-Pronged on the liability side: Lending as a Service

- **Relationship with 36 partners including Banks, NBFCs & DFIs**
- **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, DFIs, impact funds**, development bank etc.

U GRO Balance Sheet

- **Partnerships already signed with Bank of Baroda, IDBI Bank. In discussion with SBI, ICICI Bank**
- **Co-Lending with larger banks** to originate higher ticket loans
- **Early conversations with banks** to secure debt and co-lending partnerships

Co-Lending with Larger Banks/NBFCs

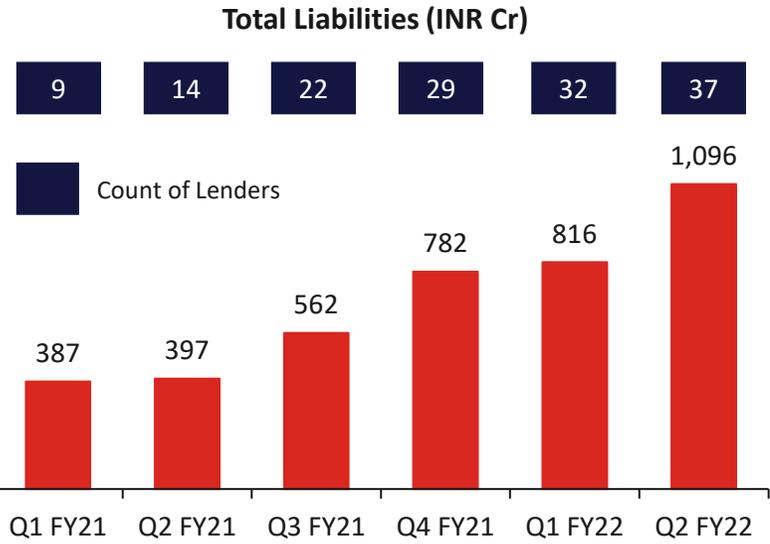
- Policy of **actively securitizing the loan book** to ensure that the mismatch in the greater than 5-year bucket is funded by equity
- **Minimize asset liability mismatch**

Assignment to Financial Institutions

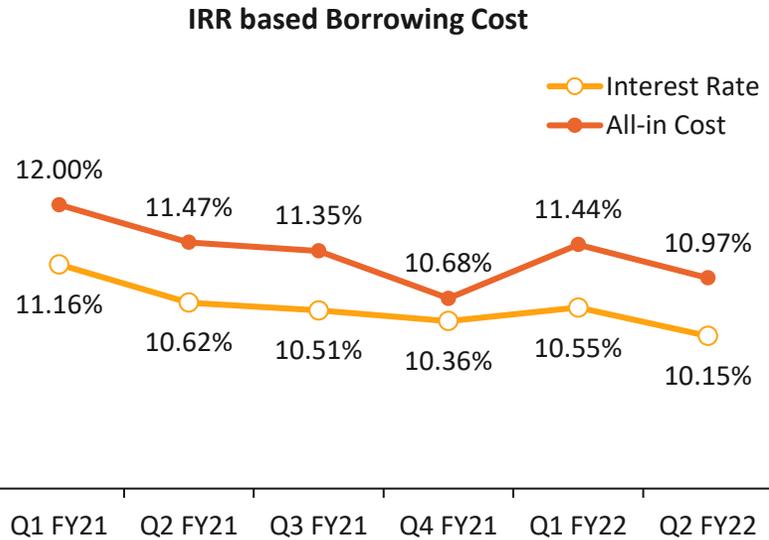


Expanded lender universe to 37; Continued build-out of liability book (Sep-21)

Total Liabilities

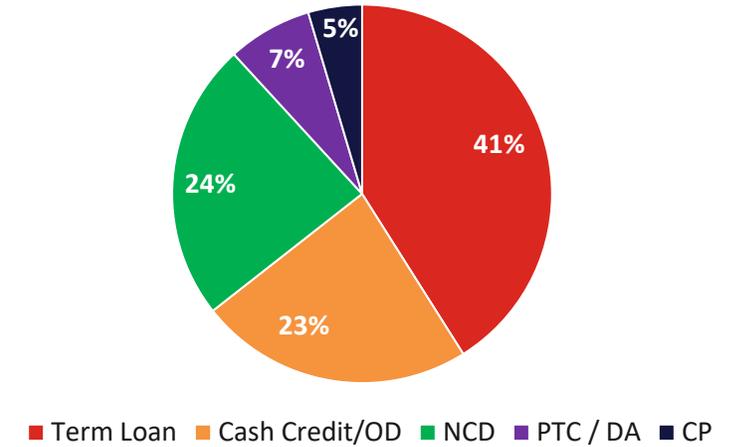


Cost of Borrowing



Liability Mix

Liability Type by Sanction (Sep'21)



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 over Jul'21 – Sep'21

Business Commenced



Bank of Baroda

Secured Business Loans

Original Agreement Signed – Oct'19

Agreement under new co-lending regulation – Jun'21



State Bank of India

Small Ticket SBL & UBL

Original Agreement Signed – Nov'19

Agreement under new co-lending regulation – (Expected in Q3)



IDBI Bank

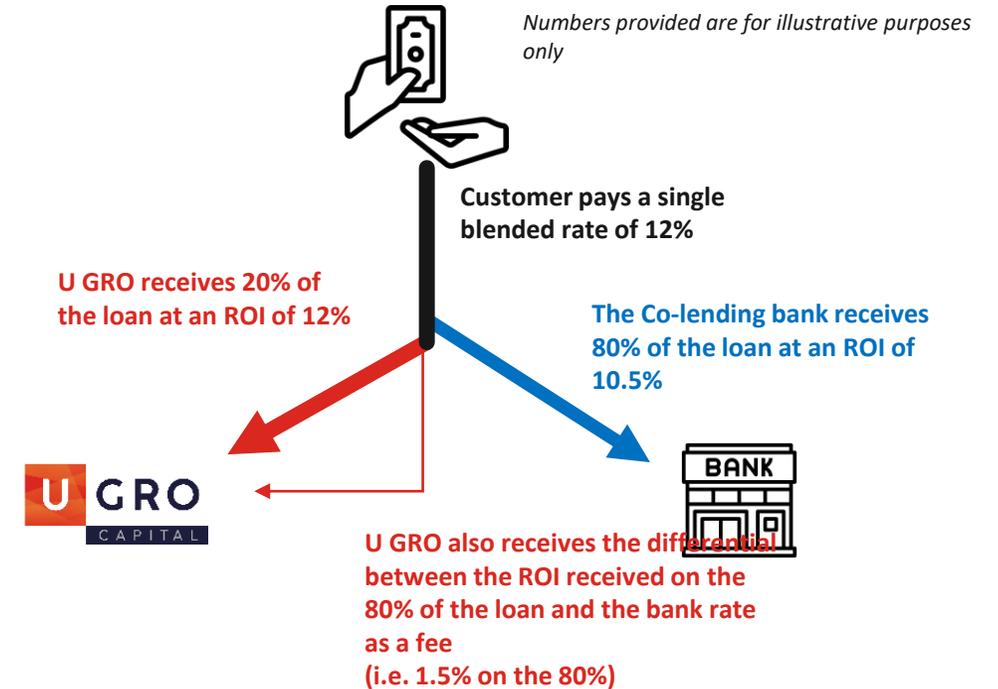
Secured Business Loans

Agreement Singed on October 1st, expected to go live Q3



Co-Lending is a value accretive strategy

Example of Co-Lending Model



- U GRO achieves a high total income per loan with this model, leading to a **higher ROE**
- Co-Lending 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**



Our Governance & Team

Financial Services succeed only because of quality of Governance and tenacity of management teams

Strong Corporate Governance framework enshrined in the AoA

Listed Vehicle

- 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

Processes and policies

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



Reputed Auditors

- As per our AoA & MoA, we shall appoint a Statutory Auditor with good reputation, and in line with RBI directions and other applicable laws.
- MSKA & Associates is our statutory auditor and Khimji Kunverji & Co is our Internal Auditor



Strong 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**

Board Members comprises of diverse industry experience



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)



Abhijit Sen - Chairman, Audit Committee

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



Navin Puri

- **Ex-Head of Branch Banking, HDFC Bank**
- Over 30 years of experience at HDFC Bank and ANZ Grindlays Bank
- Currently a Board Member of the Equitas Small Finance Bank board, Aditya Birla Sun Life AMC, Aditya Birla Health Insurance
- CA, B. Com – St. Xavier’s Calcutta; MBA - Texas Christian University

Specialization:
Retail Banking



NK Maini - Chairman, Risk Management Committee

- **Ex – DMD, SIDBI**
- Over 38 years with experience with SIDBI, UCO Bank and IDBI
- Currently a director with Capital Small Finance Bank, Aye Finance, Ananya Finance, NSE Clearing Ltd & member of the advisory committee at Ivy Cap and Lok Capital
- PGDM from MDI

Specialization:
Credit, SME



Ranjana Agarwal - Chairman, NRC Committee

- **Board Member – ICRA, Ex-Senior Partner, Deloitte**
- Over 30 years of experience with Deloitte, Vaish and Associates
- Currently an independent director at ICRA, Indo Rama Synthetics, Joyville Shaapoorji Housing, RBL Bank
- Chartered Accountant; BA from Delhi University

Specialization:
Audit, Tax



Rajeev K. Agarwal - Chairman, Stakeholder Committee

- **Ex-Whole Time Member, SEBI**
- Over 30 years with experience with SEBI, FMC, IRS
- Indian Revenue Service (Batch of 1983), B. Tech, IIT Roorkee
- Currently a Board member at Trust Asset Management & Star Health

Specialization:
SEBI Regulations



Board Members comprises of diverse industry experience



S. Karuppasamy - Chairman, Compliance Committee

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



Satyananda Mishra - Chairman, CSR Committee

- Ex-Chairman, MCX, Ex-CIC, Gol, Ex-Director - SIDBI
- Over 40 years with the IAS (Batch of 1973)
- Director at Pradeep Phosphates, Invesco Trustee, SME Mavens
- M.A., Utkal University, M.Sc., London School of Economics



Amit Gupta (New Quest Nominee)

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



Chetan Gupta (Samena Nominee)

- 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 (ADV Nominee)

- 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



Management Team have execution expertise of setting-up large institution



Sachindra Nath
Exec Chairman & MD
 Experience – ~25+ years



Amit Mande
Chief Revenue Officer
 Experience – ~20 years



Anuj Pandey
Chief Risk Officer
 Experience – ~20 years



Amit Gupta
Chief Financial Officer
 Experience – ~18 years



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



J Sathiyayan
Chief Business Officer
 Experience – ~29 years



Pia Shome
Chief People Officer
 Experience – ~15 years



Rishabh Garg
Chief Technology Officer
 Experience – ~17 years



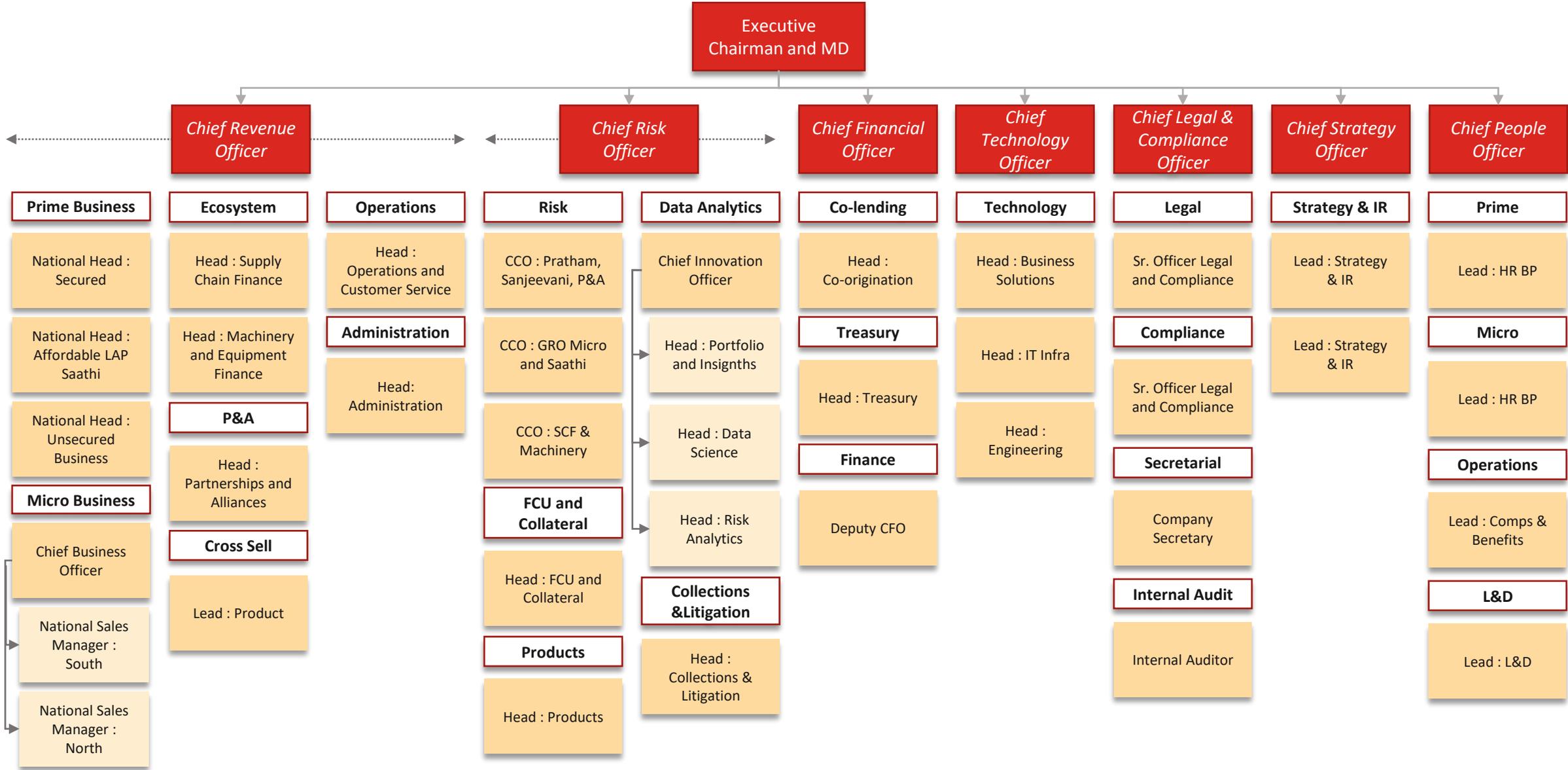
Nirav Shah
Chief Strategy Officer & Head of IR
 Experience – ~16 years



Subrata Das
Chief Innovation Officer
 Experience – ~16 years



Executive Committee supported by strong second layer of management



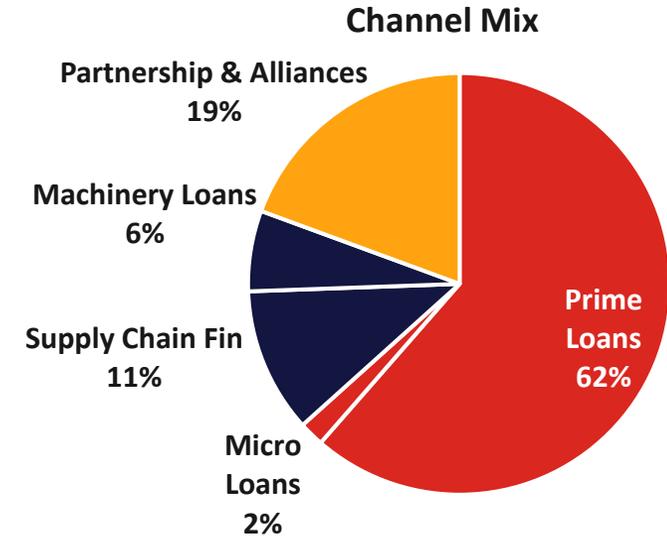
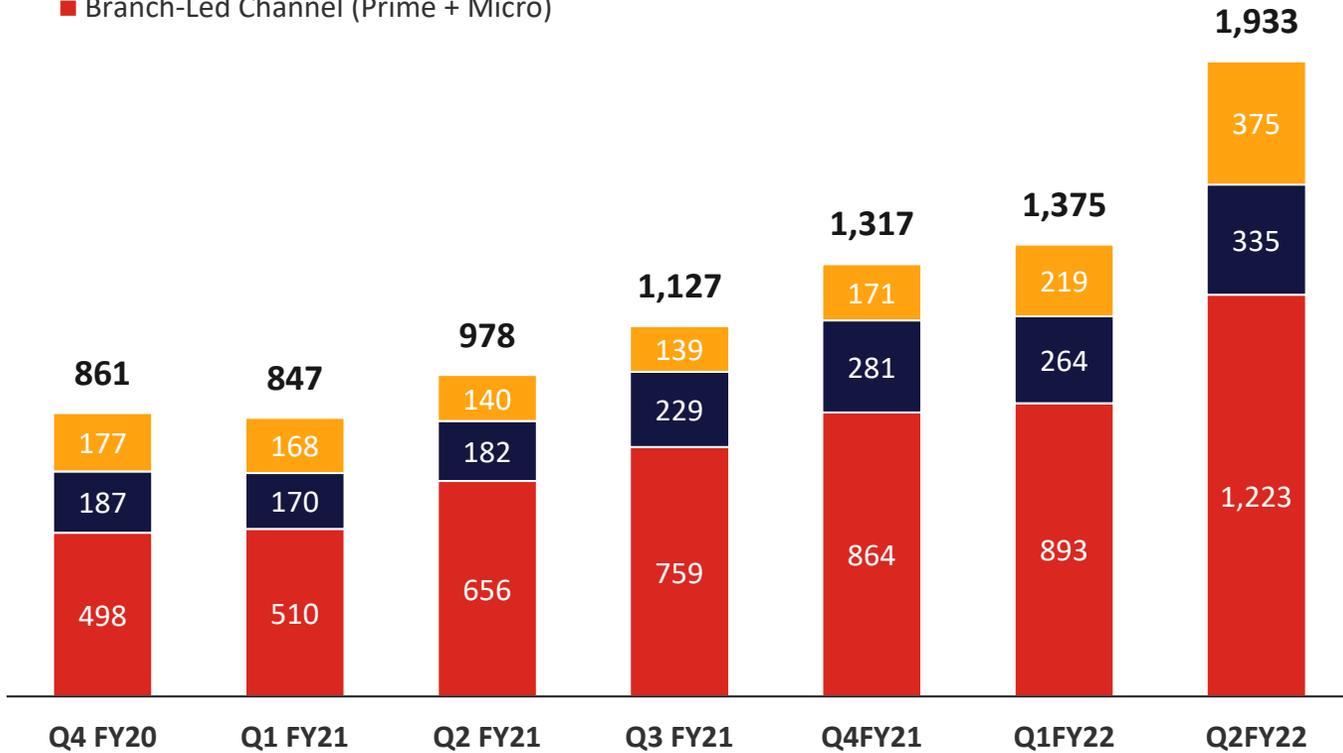


Portfolio Overview

AUM Growth Channel Wise

AUM growth picked up in Q2 with overall pick up in the economy and disbursements

- Partnership and Alliances Channel
- Ecosystem Channel (Machinery + Supply Chain Fin)
- Branch-Led Channel (Prime + Micro)



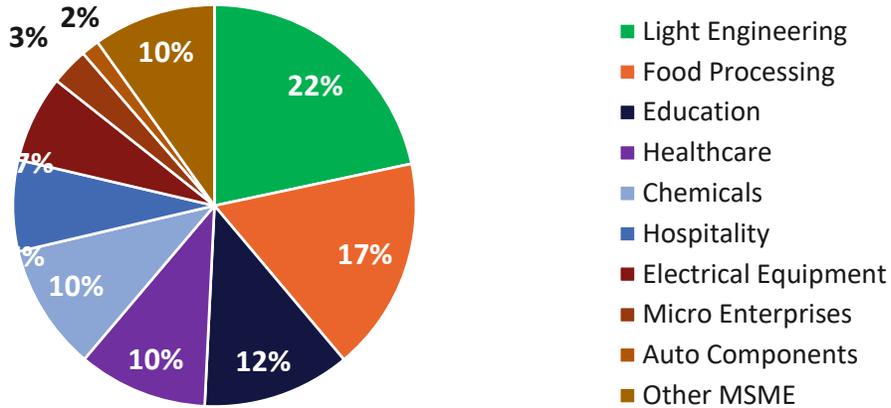
Product category	POS (Cr)	ROI (%)	Ticket size (Cr)
Prime Loans	1,187	14.6%	3.16
Micro Loans	36.9	21.8%	0.10
Supply Chain Finance	214.9	13.4%	0.48
Machinery Loans	119.6	13.2%	0.42
Partnerships and Alliances	374.6	21.4%	0.07
Grand Total	1,933	15.8%	0.20

■ Portfolio growth picked up in Q2FY22 with overall pick up in disbursements

Portfolio Sector Snapshot | AUM (as of Sep-21)

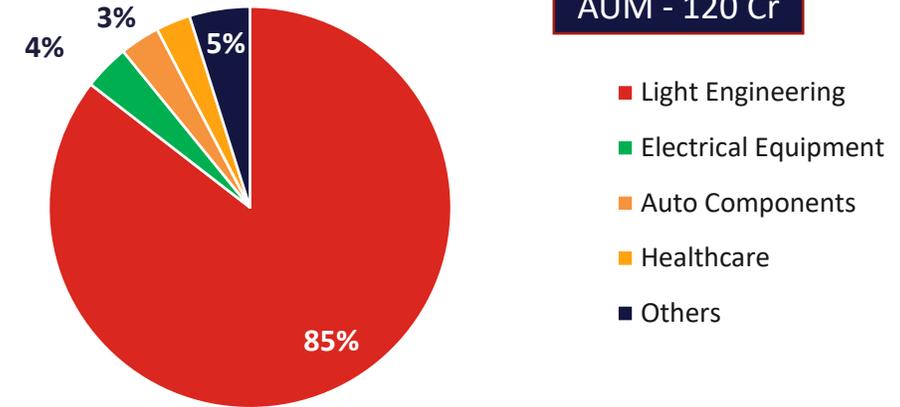
Branch-led Sectoral Mix

AUM - 1224 Cr



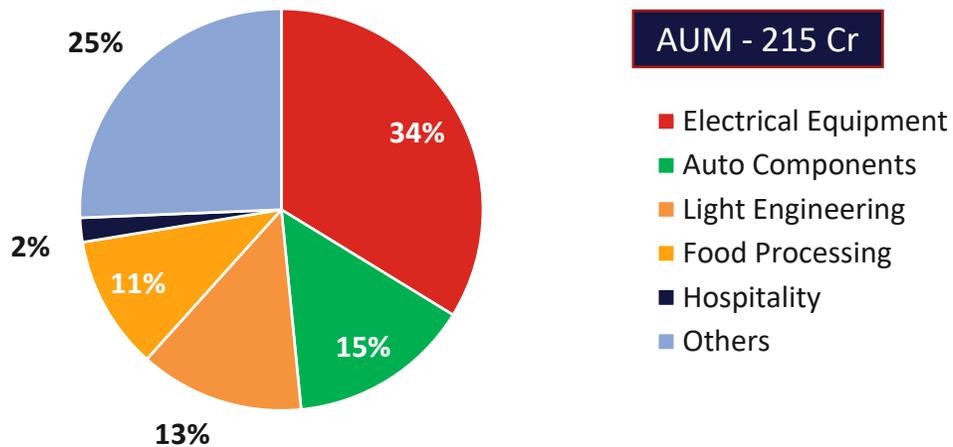
Machinery Finance Sectoral Mix

AUM - 120 Cr



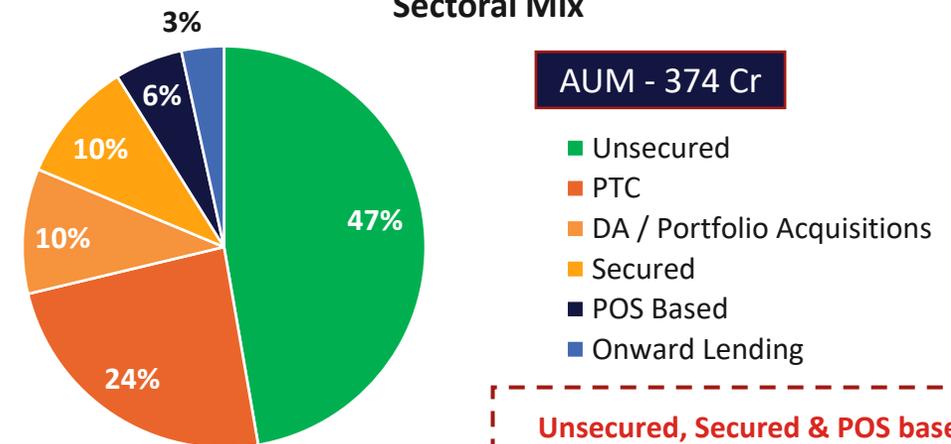
Supply Chain Finance Sectoral Mix

AUM - 215 Cr



Partnerships & Alliances (Micro Enterprises) Sectoral Mix

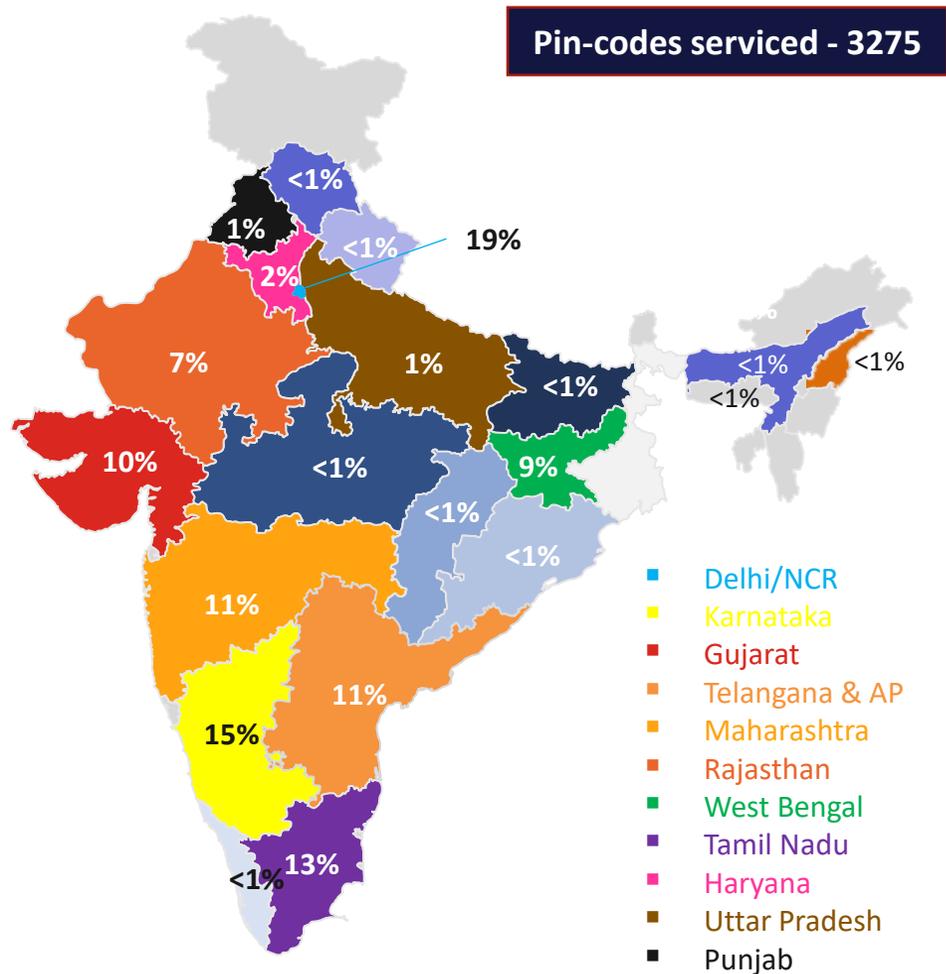
AUM - 374 Cr



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

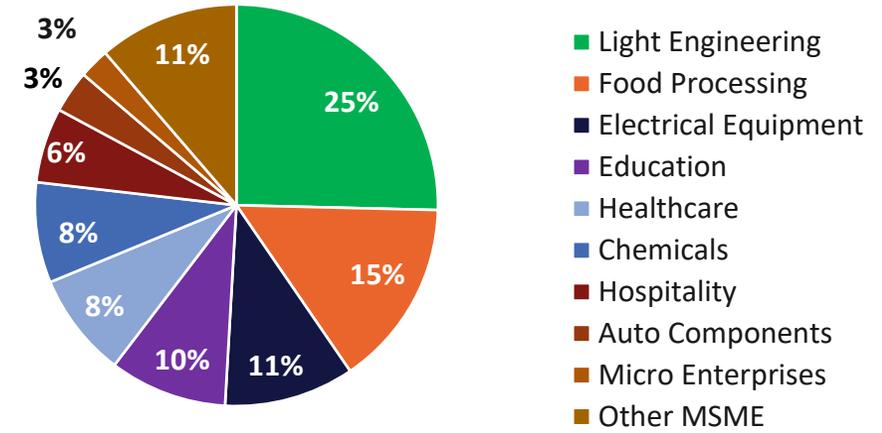
Portfolio Region Snapshot | AUM (as of Sep-21)

Geographical Mix*

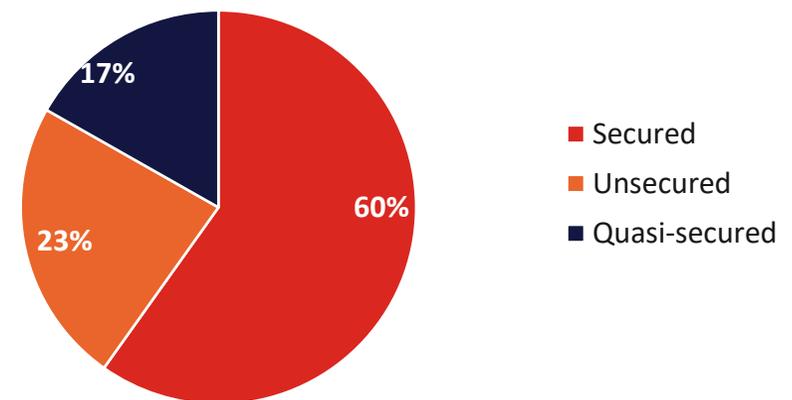


*Includes Sec, Unsec, Gro micro, SCF and Machinery

Sectoral Mix*



Secured Mix



Portfolio Provisioning, Collection Efficiency & Restructuring Highlights

Collection Efficiency and Bounce rates

Sep-21 Figures	Collection Efficiency	Bounce Rate
Branch Led Channel	93%	22.4%
Eco-System (Machinery Only)	95%	14.8%
Partnerships & Alliances	94%	8.9%

ECL Data

All figures in ₹ Cr	Loan Exposure	Loan Exposure (%)
Stage 1	1725.9	95.4%
Stage 2	53.5	3.0%
Stage 3	30.3	1.6%
Total	1,809.6	100.0%

- Total provisions as of Sep-21 stood at ₹24.2 Cr (1.3% of the AUM) vs the regulatory requirement of INR 22.1 Cr. ~10% above the provision prescribed by IRACP and RBI
- GNPA stood at 1.9% and NNPA stood at 1.8% as of Sep-21

Restructuring Highlights

- Restructured 7.2% (137.1 Cr) of our portfolio as on Sep-21. 86% of the restructured pool was current as of Sep-21
- Majority of the restructuring was done in the Branch Led Portfolio.
- Education Hospitality (Covid 1.0) & Light Engineering (Covid 2.0) were the most affected part of our portfolio

Channel	Sector	Restructured	% of Total Restructured	% of AUM restructured
Branch-Led	Auto Components	0.7	0.5%	4.0%
	Chemicals	5.4	3.9%	4.4%
	Education	52.8	38.5%	36.4%
	Electrical Equipment	4.7	3.4%	5.6%
	Food Processing	5.8	4.2%	2.8%
	Healthcare	2.9	2.1%	2.3%
	Hospitality	22.6	16.5%	25.9%
	Light Engineering	27.6	20.1%	10.5%
	MSME	0.7	0.5%	0.5%
	Eco-system Channel	SCF– Electrical Equipment	0.5	0.4%
SCF– Others		3.0	2.2%	10.6%
Machinery – Light Engg		1.9	1.4%	1.9%
Machinery – Healthcare		1.0	0.7%	29.9%
Partnerships & Alliances	Onward Lending	5.0	3.6%	42.3%
	DA & Portfolio Acquisition*	2.5	1.8%	8.3%
Total		137.1	100.0%	7.2%

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

Update on Financials

(Q2 FY22 & H1 FY22)

Financials | Income Statement & Balance Sheet

Income Statement (₹ Cr)	Q3 FY21	Q4FY21	Q1 FY22	Q2 FY22	FY21
Income					
Interest Income & income from investment	38.8	44.4	50.7	60.6	148.5
Sale of Services	0.02	3.51	-	1.0	3.5
Other operating revenue	0.3	0.71	0.6	1.1	1.3
Total Income (A)	39.1	48.6	51.3	62.7	153.3
Expenses					
Finance Costs	11.8	16.3	22.4	26.9	44.6
Employee Benefits Expenses	10.6	12.9	12.3	13.7	45.3
Depreciation, amortization and impairment	3.0	3.1	2.6	2.9	11.7
Provision for loan loss	5.9	8.7	4.9	5.9	19.6
Other expenses	5.0	5.25	6.7	8.6	19.9
Total Expenses (B)	36.2	46.3	48.9	58.0	141.2
Profit Before Tax (C) = (A-B)	2.8	2.4	2.4	4.7	12.1
Tax Expenses (D)	(3.4)	0.83	0.7	1.3	(16.6)
Profit After Tax (E) = (C-D)	6.3	1.5	1.7	3.4	28.7

* As a % of Quarterly Average AUM

Balance Sheet (₹ Cr)	Q2 FY22	FY21
Financial Assets	2,026.34	1,656.89
Loans	1,782.30	1,278.81
Cash and Investments	224.73	371.27
Other Financial Assets	19.30	6.81
Non-Financial Assets	107.81	94.01
Total Assets	2,134.15	1,750.89
Financial Liabilities	1,170.27	793.22
Trade/Other Payables	20.54	10.23
Borrowings & Debt Securities	1,127.51	765.69
Other Financial Liabilities	22.22	17.29
Non-Financial Liabilities	5.55	5.24
Total Equity	958.32	952.44
Equity Share Capital	70.53	70.53
Other Equity	887.80	881.91
Total Liabilities + Equity	2,134.15	1,750.89



Mission 2025 – 1 Mn Customers; 1% MSME Market Share

AUM : INR 20,000 Crores

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
- Continued focus on Co – Lending & Securitization
- Maintain focus on ALM

Technology Vision

- Launch a NeoBank for GRO Micro Vertical
- Build India most efficient data stack for MSME Financing
- Capture customer data point at every touch point & improve our forecasting algorithm through AI/ML models

Distribution channel wide approach

Branch Led Channel



270 Branches by FY25

- 45 intermediated branches from 14 currently
- 225 Micro branches from 41 currently
- Enter into multiple BC partnerships for low capex/ opex model

Ecosystem Channel



Ramp up the Ecosystem Network

- Penetrating existing network of Anchors and onboarding new Anchors
- Continued scaling up of Non-Anchor led distribution through alternate data led credit evaluation
- Deepening relationships with OEM manufacturers for Machinery Financing

Partnerships & Alliances



Develop Go Xstream Platform into loan marketplace

- Onboarding LSPs and Lenders on GO Xstream platform to create a full-fledged marketplace for purchase and sale of loan portfolio
- Players to be able to leverage GRO Score for pricing and evaluation of loan portfolio

Direct to Consumer



Direct Sourcing Platform for MSME loans

- 100% digital sourcing of MSME loans
- Aggressive use of New Age tools like Embedded credit and BNPL

Where we want to be in next 5 years



{	16.3%	}	Interest Yield
{	9.5%	}	Borrowing Costs
{	8.5%	}	Net Interest Margin (NIM)
{	4.2%	}	Return on Assets
{	18.8%	}	Return on Equity
{	3.8x	}	Debt/Equity Ratio

ROA Tree (Projected)

Interest Income	16-17%
Cross-sell	0.2-0.5%
Co-lending/Assignment Income	0.4-0.6%
Other income	0.5-1%
Interest on cash	0.5-1%
Total Income	17.5-19.5%
<hr/>	
Borrowing Costs	7.5-9%
Employee Expenses	2-3%
Provisions	0.4-0.8%
Other operating expenses	1.4-1.6%
Total Expenses	12-14%
<hr/>	
PBT	~5.5%
Tax	~1-2%
PAT	~4-5%
ROE	~18.8%

THANK YOU



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