



# U Gro Capital

## FY20 Q1 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 (NBFC-NDSI)

Secured Loan

Interest Rate - 11%-13%

(Ticket size - INR 50 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
- Hospitality
- 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

GRO Partners (operating in target segments / geographies)

New Age Channels

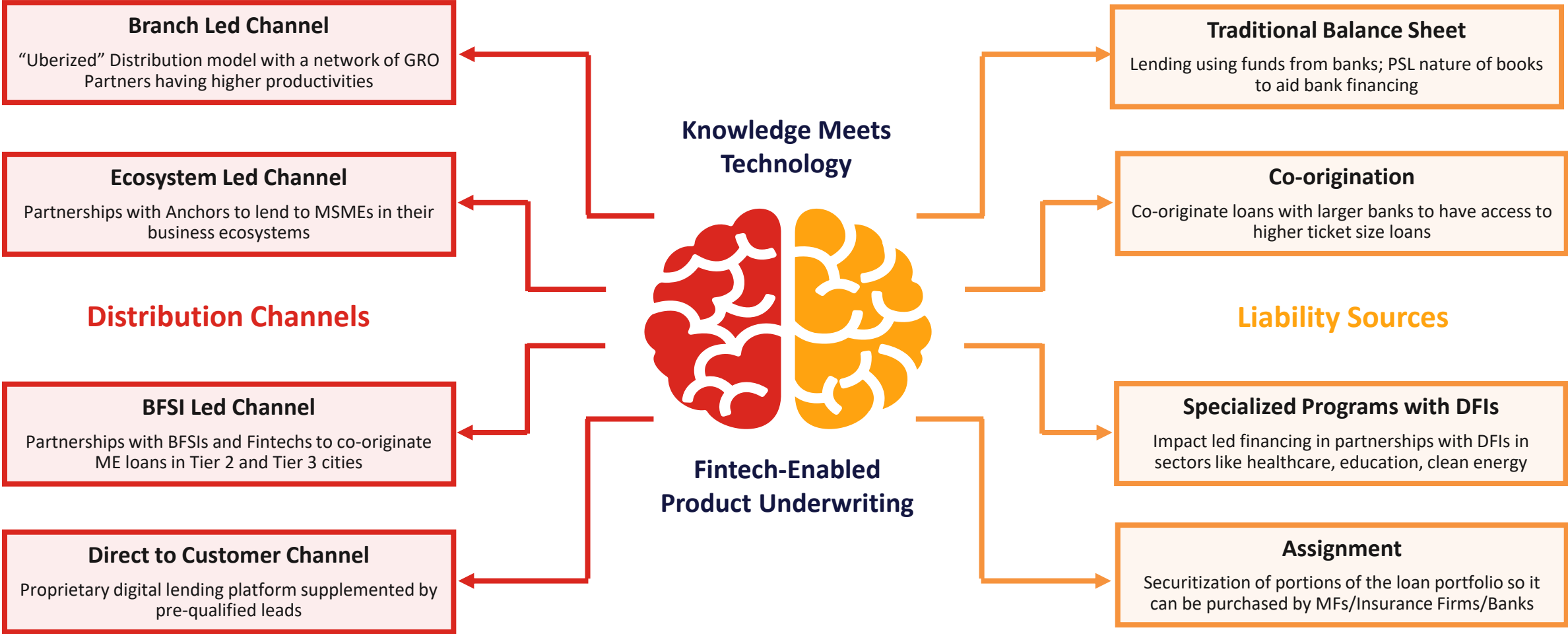
Digital Channels (leverage 3<sup>rd</sup> party and own platforms for lead sourcing)

Ecosystem Led (prioritized segments)

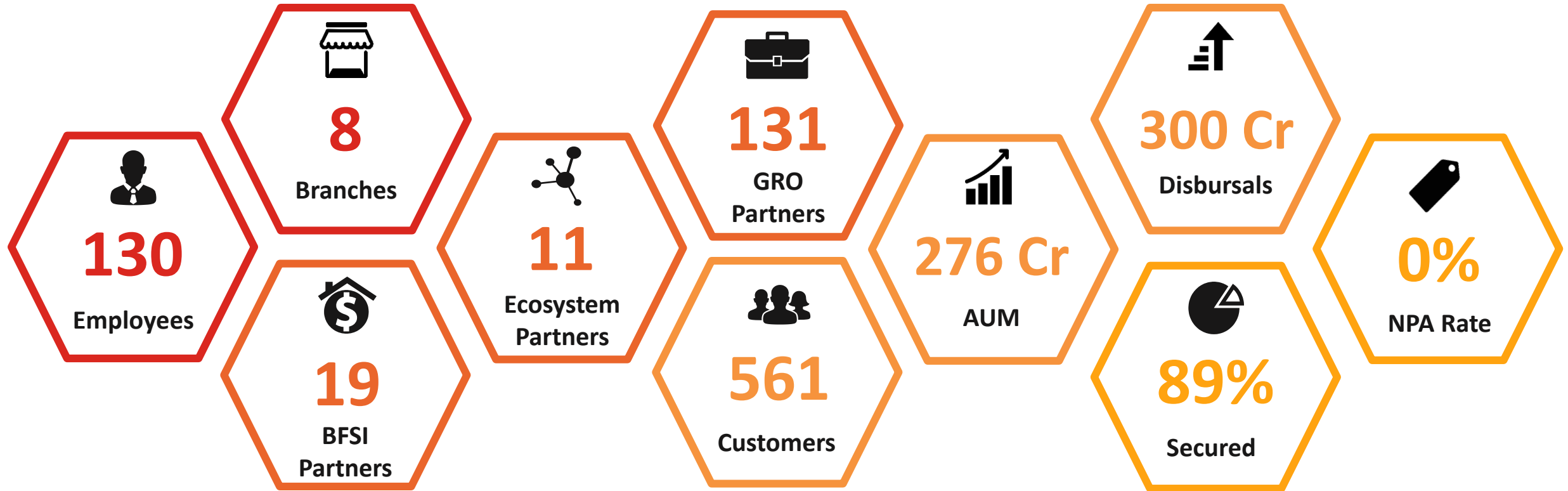
BFSI Partnerships

Distribution Strategy

# Our Business Model

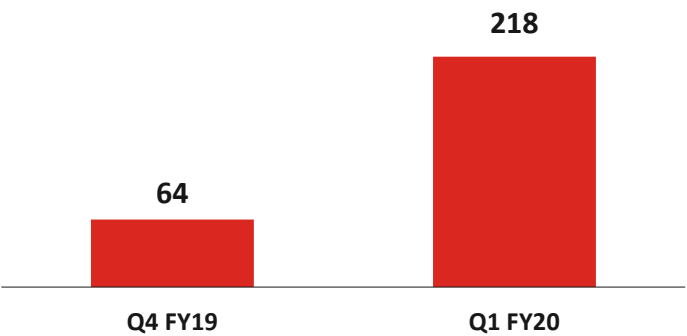


# Our Journey so Far

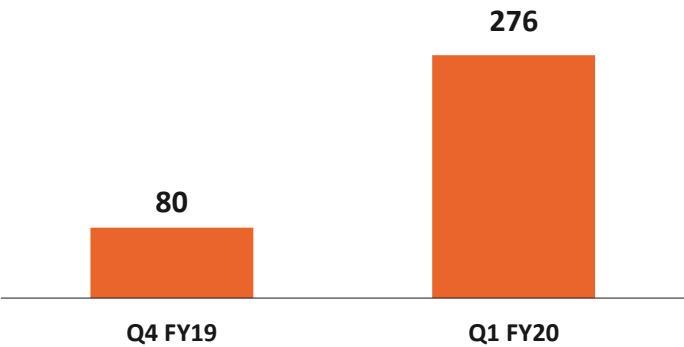


Unwavering focus on maintaining pristine asset quality even during rapid growth

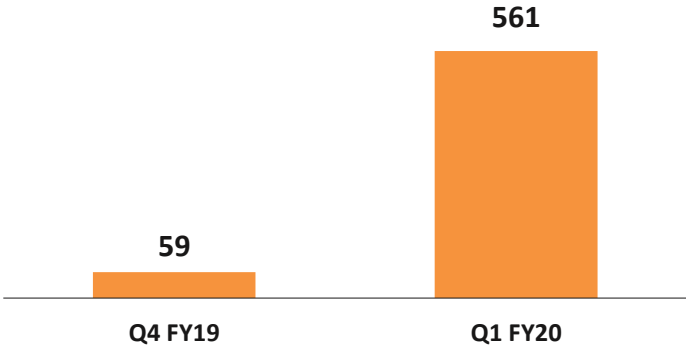
Disbursals (₹ Cr)



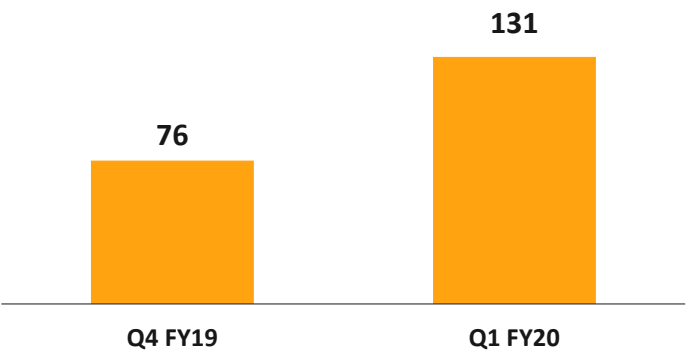
AUM (₹ Cr)



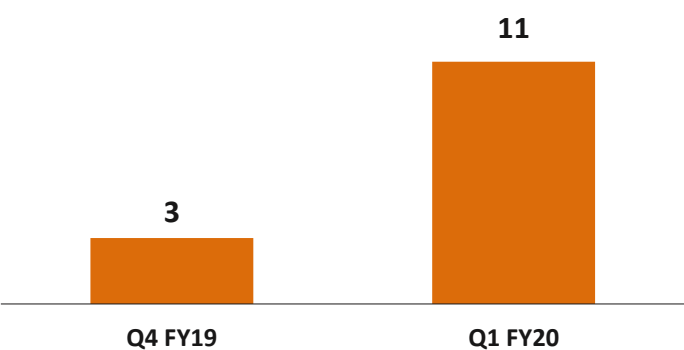
Customer Accounts



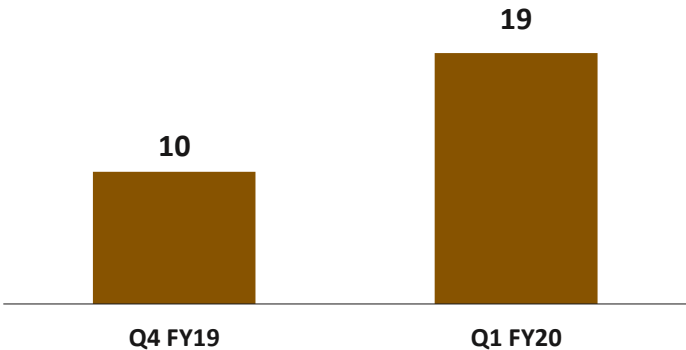
GRO Partners



Ecosystem Partners



BFSI Partners

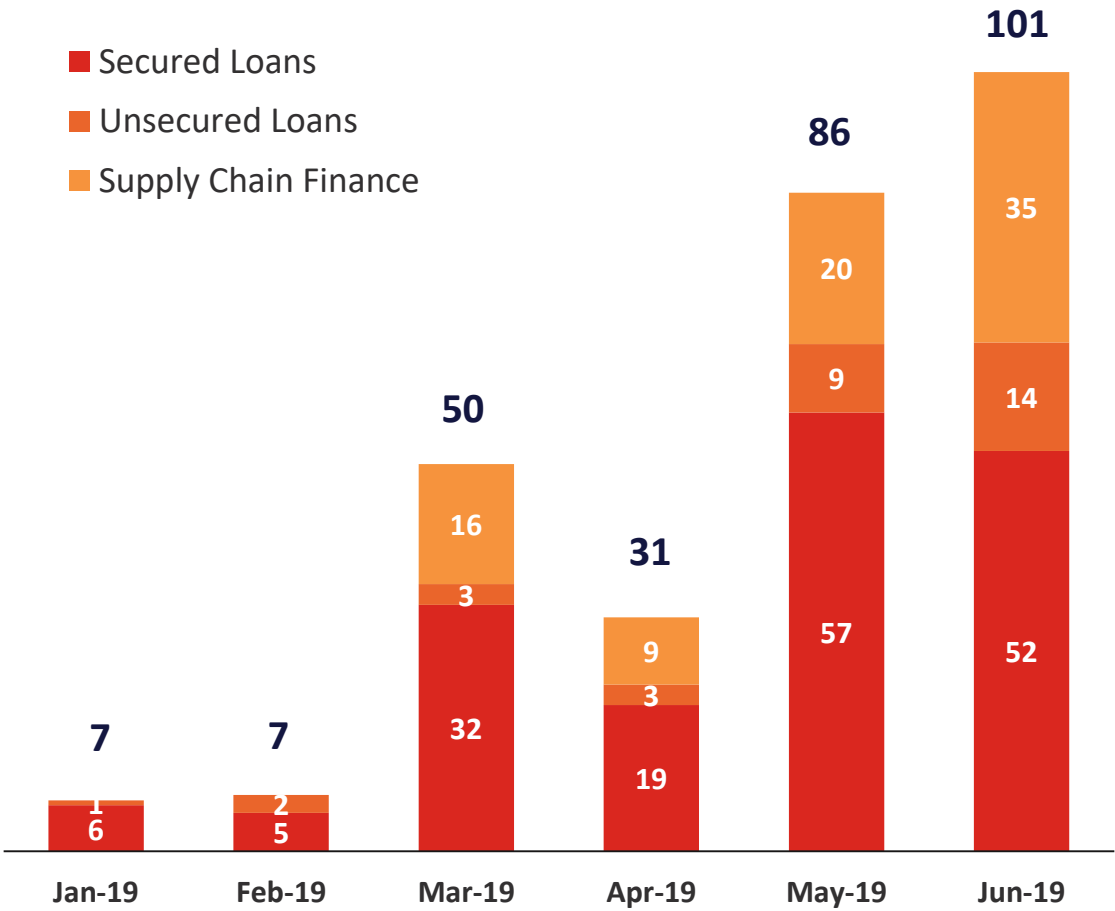


- Received **NCLT approval for the demerger** of the lending business of Asia Pragati into the company on June 28, 2019 and **1,35,65,891 shares worth INR 175 crores were issued** as a result of the demerger.
- The **Warrants outstanding** are expected to be **exercised in December 2019** pursuant to which the company will receive an additional INR 98 crores of equity
- Appointment of **Mr. Navin Puri**, the former head of branch banking at HDFC who joins as an **independent director** and **Mr. Kanak Kapur**, Managing Director at PAG who joins as a **non-executive director** on the Board.
- Assigned a **long-term rating of 'A' with a stable outlook** and a **short-term rating of 'A1' by Acuité** within seven months of starting its commercial operations
- Cross-sell partnerships with **Digit for general insurance** and **PNB Metlife for life insurance**
- Awarded the **“Most Trusted Emerging NBFC”** by International Brand Consulting Corporation
- **Supply chain module and data lake** have gone live and are fully functional

# Portfolio Snapshot (As on June 30, 2019)

## Steady Month On Month Increase In Disbursals

INR Cr

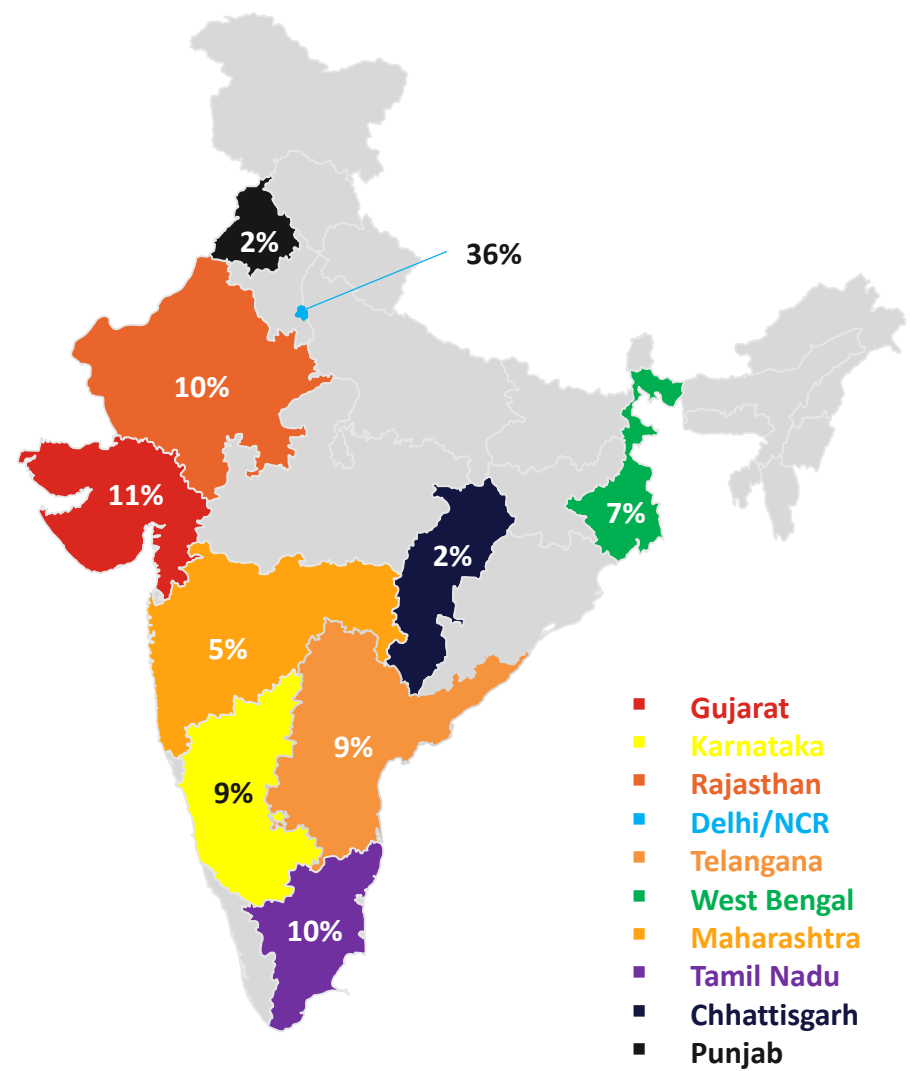


AUM	Secured	Unsecured	SCF	Overall
Avg Ticket Size	0.47 Cr	0.22 Cr	1.57 Cr	0.53 Cr
Avg Yield	12.5%	19.0%	13.1%	13.35%

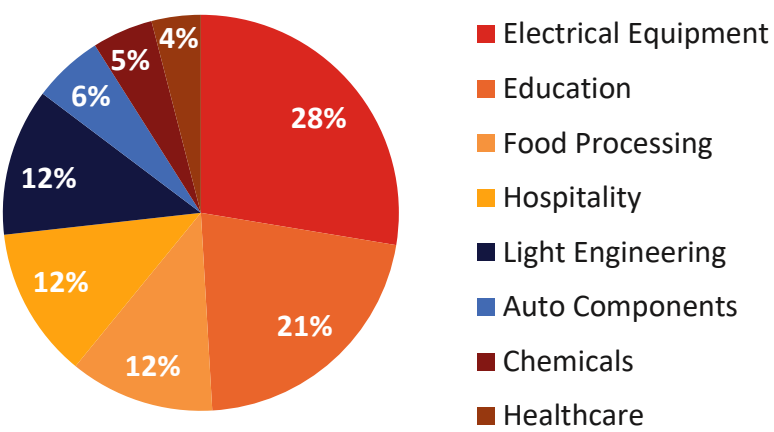
Focus on high risk thresholds and building a secure, granular and high-quality book

# Portfolio Snapshot (As on June 30, 2019)

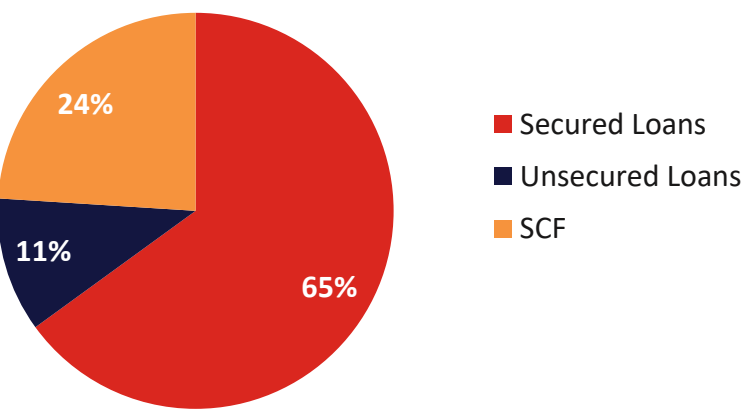
## Geographical Mix



## Sectoral Mix



## Product Mix





# Income Statement

Income Statement (INR Lakhs)	FY20 Q1	FY19 Q1
Operating Income	1,495	173
Less: Financing Costs	85	-
<b>Net Income</b>	<b>1,410</b>	<b>173</b>
Other Income	250	-
<b>Total Income</b>	<b>1,660</b>	<b>173</b>
Operating Expenses	1,815	94
Provision	67	-
<b>Profit Before Tax</b>	<b>(222)</b>	<b>79</b>
Less: Tax	(39)	(12)
<b>Profit/(Loss) for the period</b>	<b>(183)</b>	<b>91</b>
Other Comprehensive Income (Net of Tax)	0	-
<b>Total Comprehensive Income</b>	<b>(183)</b>	<b>91</b>

- All hiring at senior/mid-senior levels closed – operating leverage to kick-in as AUM scales up
- Includes **INR 1.3 crores of non-cash ESOP** related expense and **INR 1 crore of costs relating to the initial set up**

# Balance Sheet

Balance Sheet (INR Lakhs)	FY20 Q1
<b>Financial Assets</b>	<b>82,416</b>
Loans	27,588
Cash and Investments	51,256
Other Financial Assets	3,572
<b>Non-Financial Assets</b>	<b>5,590</b>
<b>Total Assets</b>	<b>88,006</b>
<b>Financial Liabilities</b>	<b>4,445</b>
Trade/Other Payables	460
Borrowings	1,477
Other Financial Liabilities	2,507
<b>Non-Financial Liabilities</b>	<b>375</b>
<b>Total Liabilities</b>	<b>4,820</b>
Equity Share Capital	2,333
Other Equity	80,853
<b>Total Equity</b>	<b>83,186</b>
<b>Total Liabilities + Equity</b>	<b>88,006</b>

- Well-capitalized with **INR 512 crores** of cash or equivalents on the balance sheet
- Net worth increased by **~INR 184 crores** post the completion of the demerger of the lending business of Asia Pragati
- **INR 98 crores** from conversion of warrants outstanding expected by December 2019

# Shareholding Pattern

## Illustrative List of Investors

### Private Equity Funds



### Public Market Funds



Chhattisgarh Investments

MK Ventures

### Insurance Firms



### Family Offices



Group



Himatsingka family



Famy Care Ltd.  
Taparia family

Jaspal Bindra

Gaurav Dalmia



## Calculation of Shares Outstanding

# Shares Issued & Outstanding (as at July 31, 2019) **3,68,97,374**

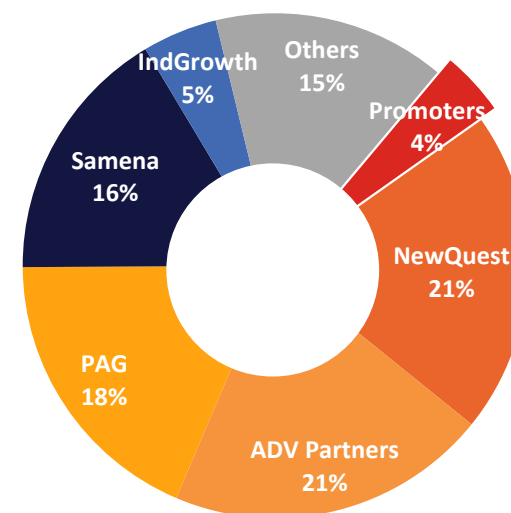
### Add: Dilutive Instruments

Compulsorily Convertible Instruments **2,76,74,420**

Warrants **87,83,785**

**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*

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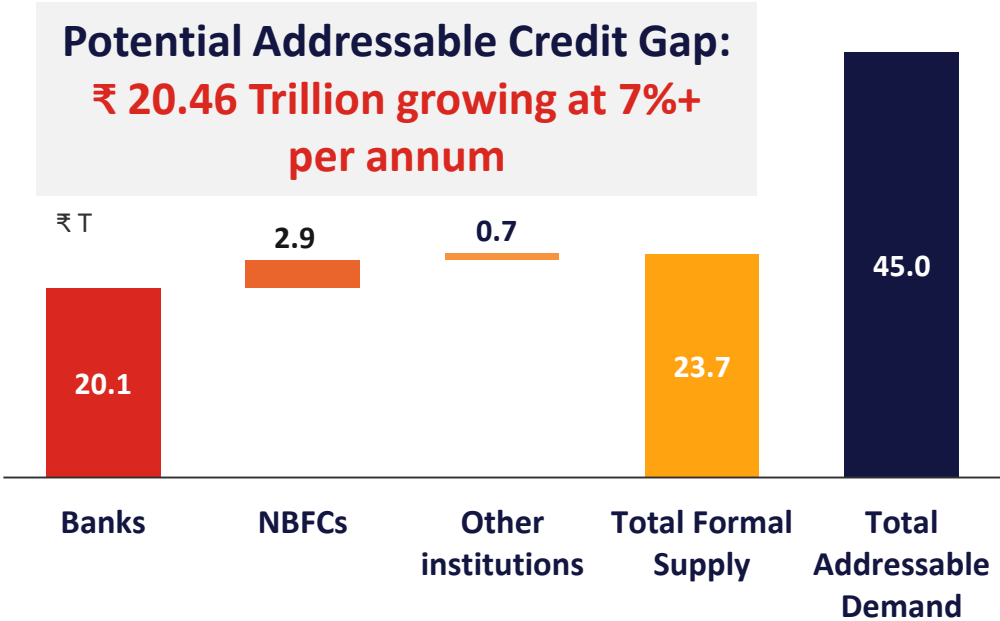
# **U GRO | An Introduction**

# Small Business Lending Isn't a Small Business

- 50 M MSMEs in India
- 560 B Gross Value Add (US\$)
- 29% Contribution to India's GDP
- 10% MSMEs with access to credit



## US\$300 B | SME Credit Gap



Bridging the USD 300 B gap will need USD 60-70 B in incremental equity capital | Growth isn't a challenge for small business financiers!

# 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

# Specialized SME Lenders are Better Positioned to Bridge the SME Credit Gap

	Specialized SME Lenders	Traditional NBFCs	Banks
<b>Product</b>	Customized products based on the nature of business, non-financial parameters, end use, payment capacity/ frequency of underlying customer	Loans against property, supply chain financing, unsecured loans	Loans against property, supply chain financing
<b>Distribution</b>	Omnichannel Ecosystem based lending	Branch/DSA led	Branch/DSA led
<b>Credit Appraisal</b>	Sector specific approach, Cash Flow Based Automated Review	One size fits all Collateral/Bureau score	One size fits all Collateral/Bureau score
<b>Turn-Around Time</b>	4-5 days	15-20 days	30-45 days
<b>Documentation</b>	Combining traditional and non-traditional sources. Use of information available in public and private domains. Digital document submission	Financial Statements, P&L Account, Balance Sheets, Bank Statements	Project Reports. Projected financials, Bank Statements.



***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*

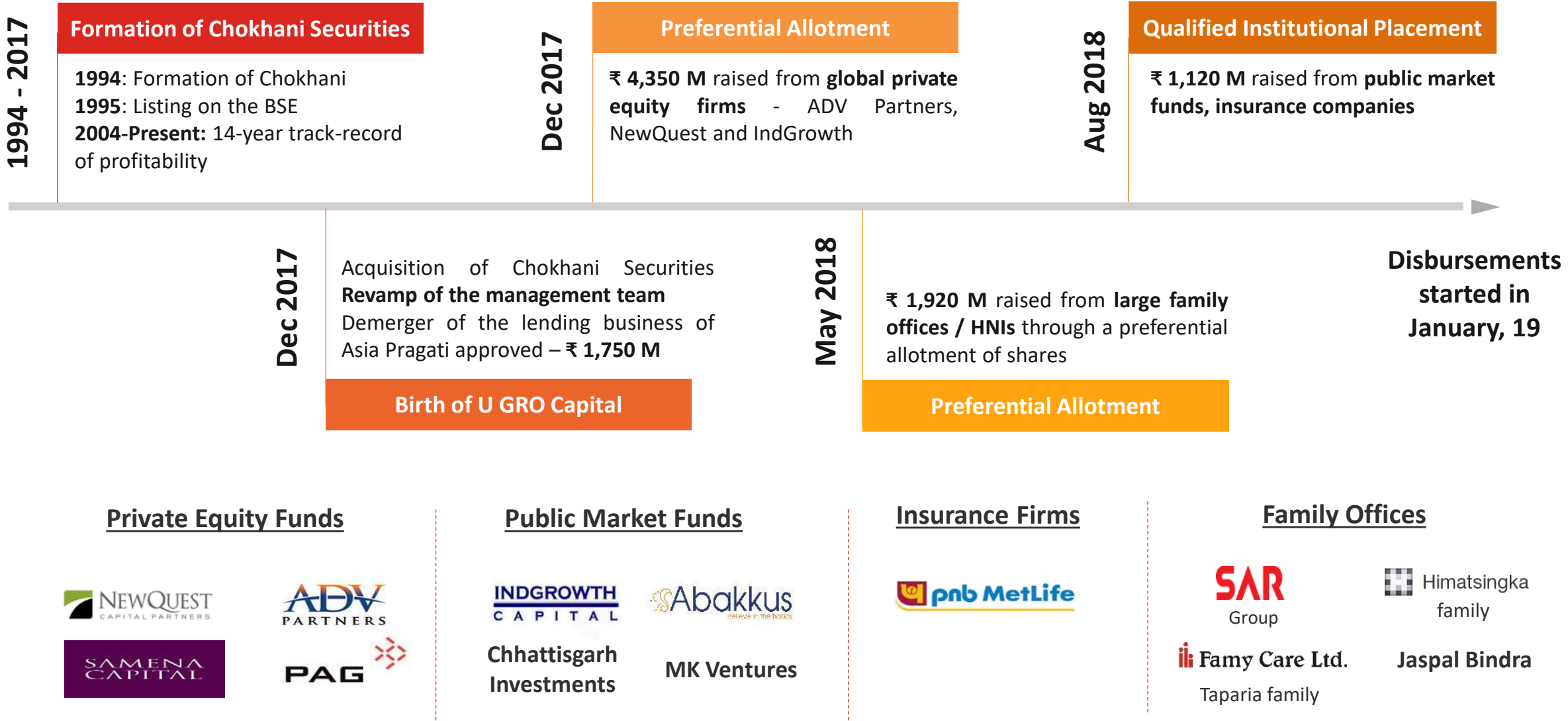
**Experienced Management Team**  
*250+ Years of Experience*

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

**Large Institutional Capital**  
*₹ 9,530 M (~US\$135 M) Of Equity*



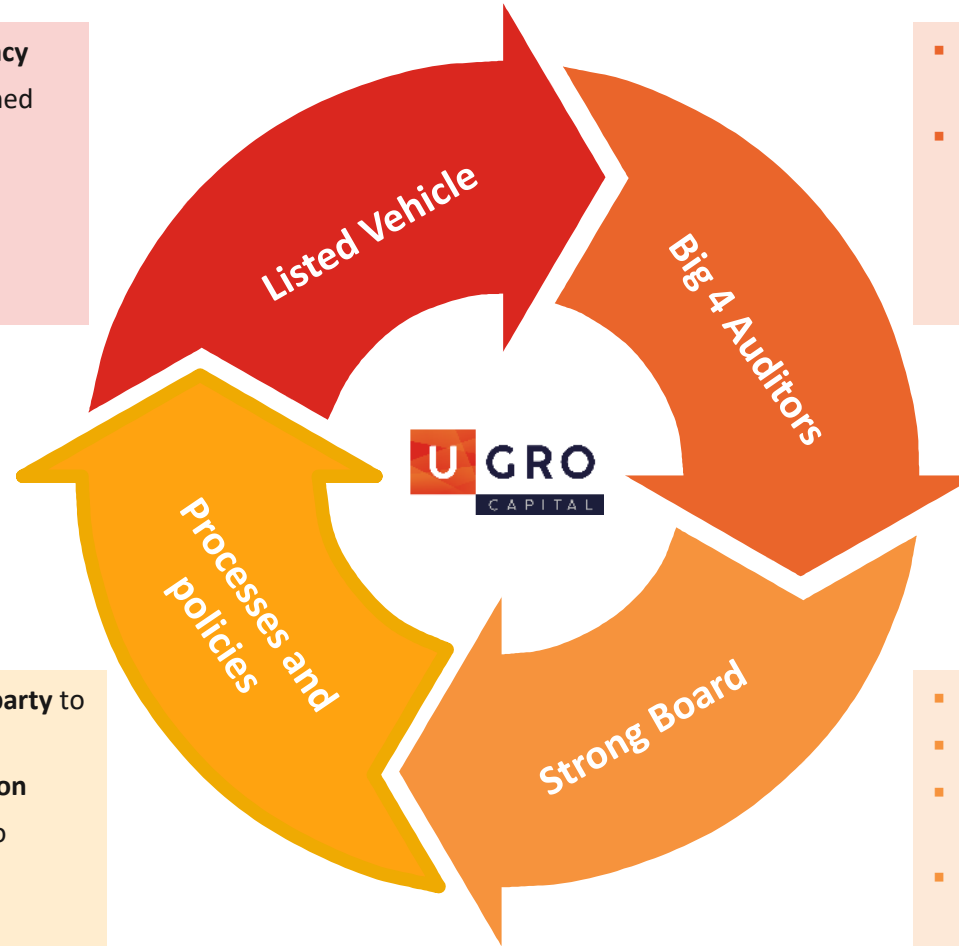
# Backed by Diverse and Marquee Shareholders



# Strong Corporate Governance Framework Enshrined in the Articles

- High degree of **regulatory oversight and transparency**
- An institution created with a **long-term view**, designed for continued operational efficiency
- Access to **permanent capital**

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

- **Independent directors** to comprise majority for perpetuity
- Any shareholder holding **>10%** to **qualify for a board seat**
- Key committees to be headed by an independent member with required credentials
- **The majority of the NRC, ALCO and Audit Committees** to comprise of **independent directors**

**Special Resolution of Shareholders required for effecting any changes to the AoA**  
**Promoters/Management do not have unfettered rights to divert business strategy**



- 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.

**Mr. Shachindra Nath**  
*Executive Chairman and Managing Director*

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

Lending	Capital Markets	Asset Management	Insurance
<p><b><u>SME Lending</u></b> Built India’s 4th largest Non-Banking Finance business, focused on SMEs with a <b>book size of over USD 2.3 billion</b></p> <p><b><u>Housing Finance</u></b> Started the housing finance arm focused on funding the <b>affordable housing segment</b></p>	<p><b><u>Retail Broking</u></b> Created a platform with over <b>1,350 points of presence across India</b></p> <p><b><u>Wealth Management</u></b> <b>JV with Macquarie</b> providing wealth management solutions to ultra HNI clients</p> <p><b><u>Investment Banking</u></b> Mid-market focused institutional equities and investment banking platform with <b>presence in 8 countries</b></p>	<p><b><u>Asset Management</u></b> Largest alternative asset management out of India : <b>Over US\$ 21 B of AUM</b> with presence across the US, Europe, Asia and Africa</p> <p>Marquee funds included <b>Northgate, IBOF, Landmark Partners and Quadria Capital</b></p>	<p><b><u>Life Insurance</u></b> Life insurance JV with AEGON NV of the Netherlands</p> <p><b><u>Health Insurance</u></b> 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 Leadership Team With a Strong Track Record of Execution...



**Abhijit Ghosh**  
Chief Executive Officer  
AUM Managed: ₹ 180 B



**Anuj Pandey**  
Chief Operating Officer  
AUM Managed: ₹ 120 B



**Kalpesh Ojha**  
Chief Financial Officer  
Liability Raised: ₹ 700 B



**J Sathiyam**  
Chief Business Officer  
AUM Managed: ₹ 80 B



**Manish Agarwal**  
Chief Risk Officer  
AUM Managed: ₹ 1,200 B



**Sandeep Kakar**  
Chief Growth Officer  
AUM Managed: ₹ 150 B



**Rajni Khurana**  
Chief Human Resources Officer  
AUM Managed: NA



**130**  
employee  
count

**Fully  
formed  
team**

**4/5**  
Rated  
employees

**Deep and  
large ESOP  
pool**

# Supervised by an Independent Board Comprising of Industry Luminaries

## Independent Members of the Board



### Satyananda Mishra - Chairman, 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 - Chairman, Stakeholder Committee

- Ex-Whole Time Member, SEBI
- Over 30 years with experience with SEBI, FMC, IRS
- Indian Revenue Service (Batch of 1983)
- B. Tech, IIT Roorkee

**Specialization:**  
SEBI Regulations



### NK Maini - Chairman, 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 - Chairman, 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, Cashpor Microcredit, Kalyani Forge, India First Life Insurance

**Specialization:**  
Audit, Corp Fin



### Ranjana Agarwal - Chairman, 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. Karuppasamy - Chairman, 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



### Navin Puri

- Ex-Head of Branch Banking, HDFC Bank
- Over 30 years of experience at HDFC Bank and ANZ Grindlays Bank
- B. Com from St. Xavier's College Calcutta, MBA from Texas Christian University and CA from ICAI
- Currently a member of the Equitas Small Finance Bank board

**Specialization:**  
Retail Banking

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# **Our Mission**

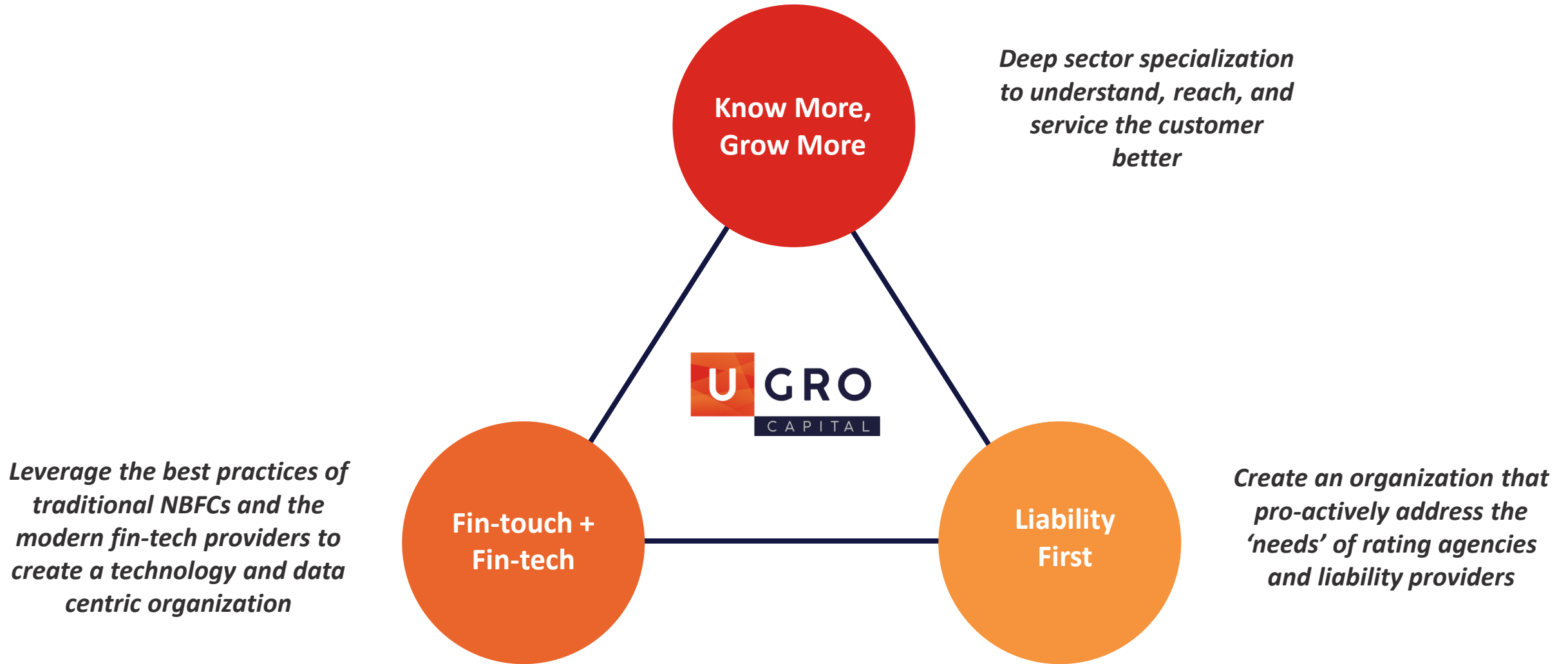


***‘To Solve the Unsolved’***

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



# How We Want to Achieve Our Goals





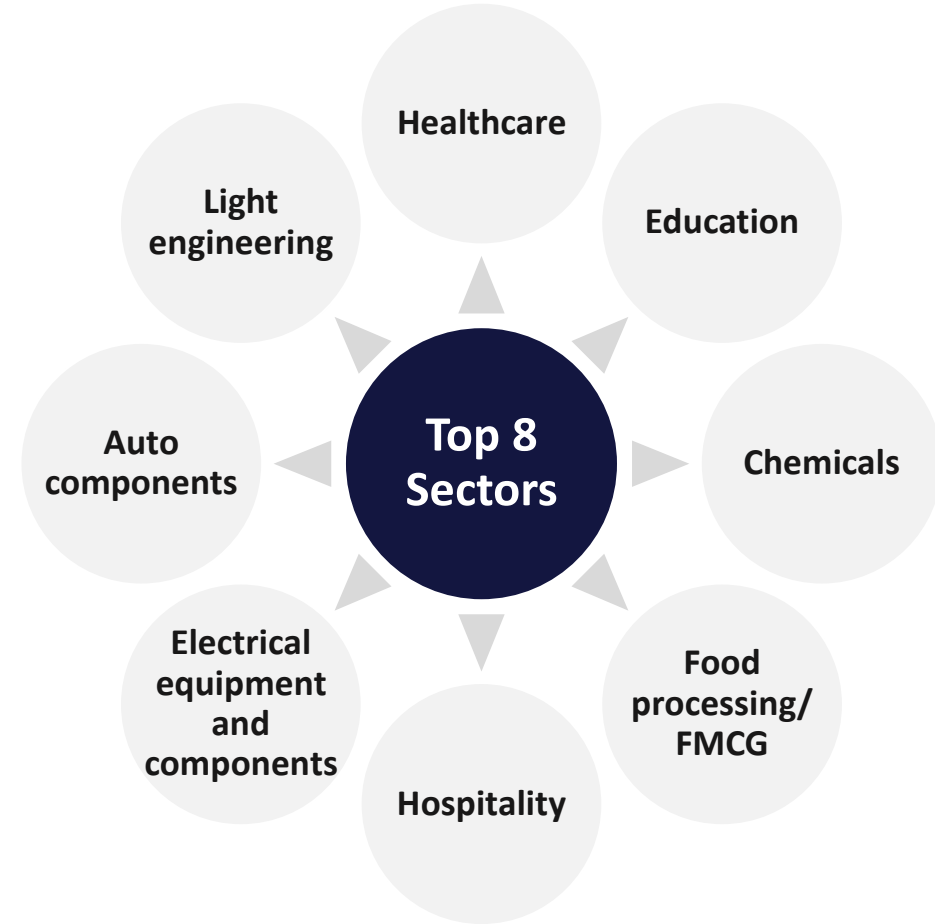
# Specialization Within 8 Selected Sectors

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

Focus on **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 less competition from banks

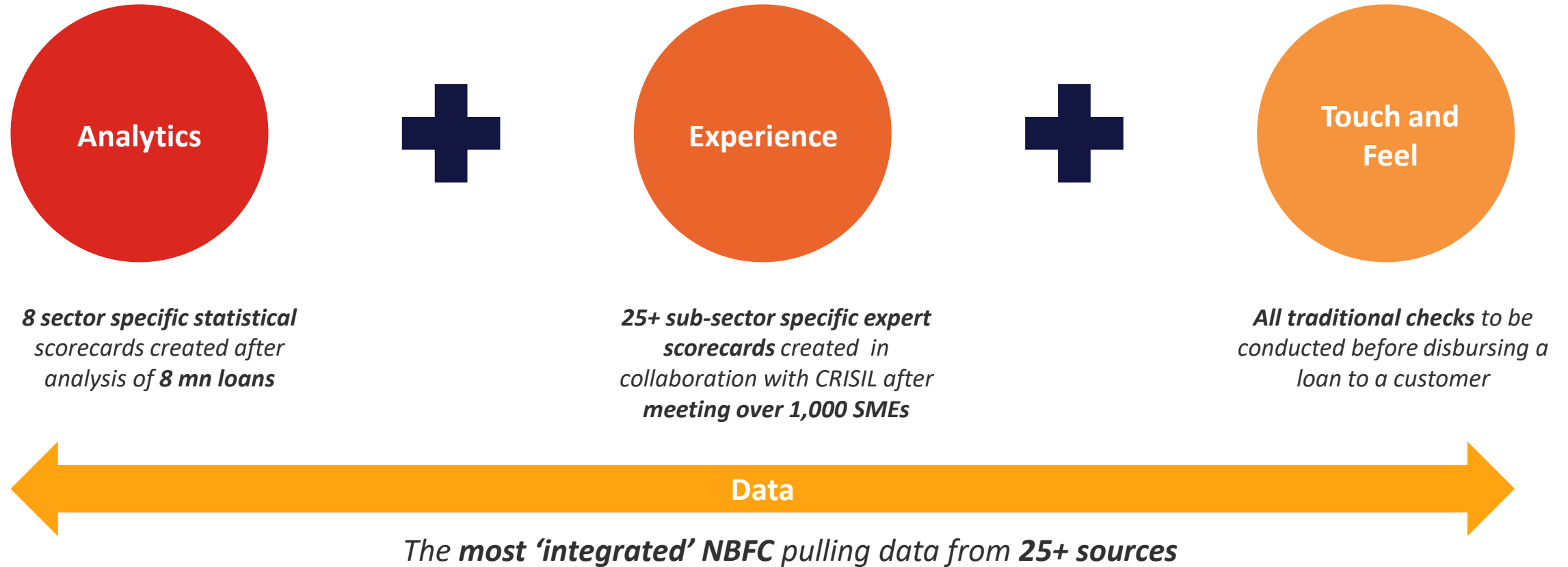


Secular consumption driven growth



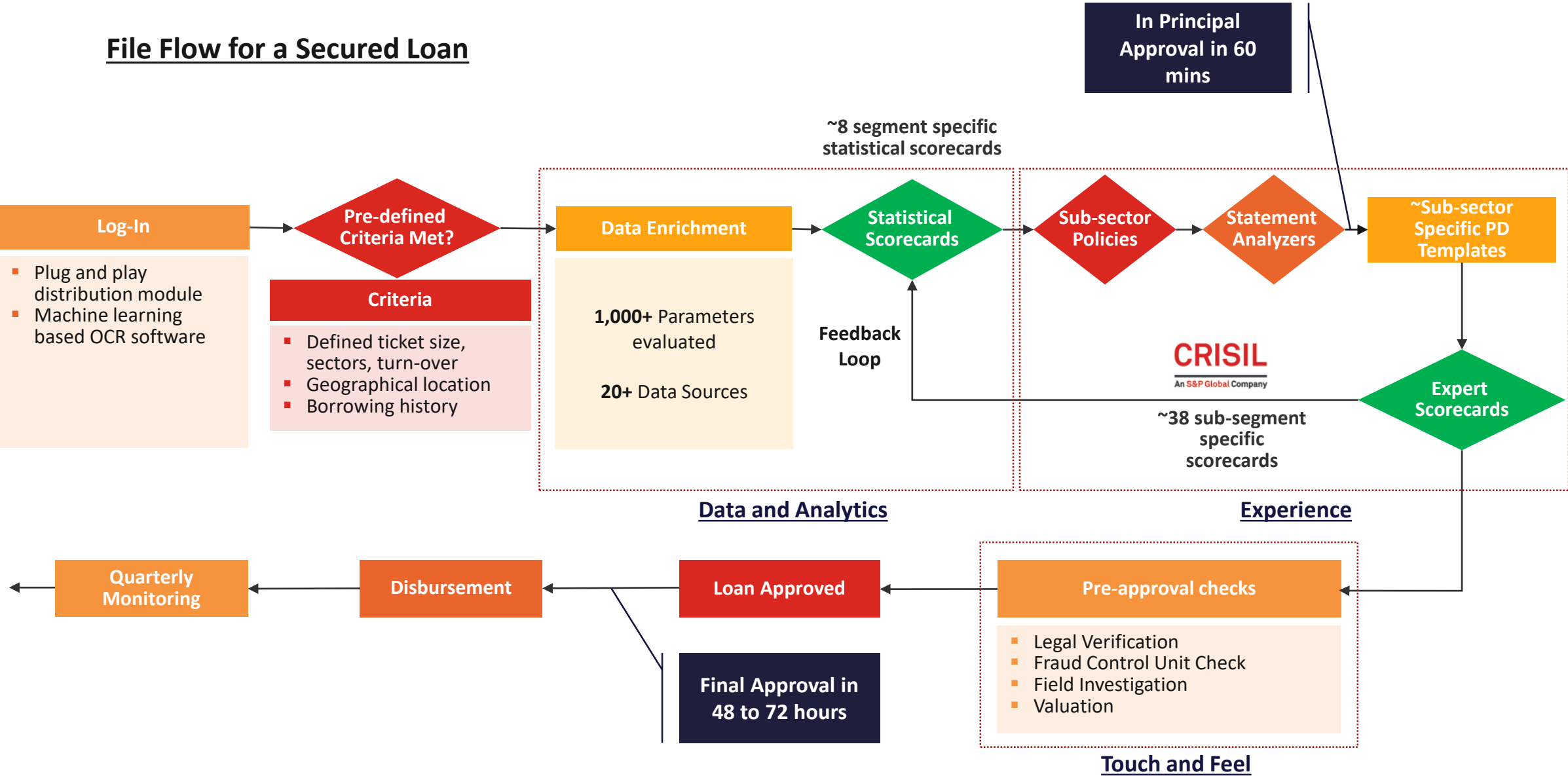
Low geographical concentration

# Our Credit Appraisal Philosophy



# A Seamless, Customized Customer Journey

## 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

# Creating Customized Solutions for Customers

## 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 up with food aggregators like Zomato, Swiggy and assess eligibility through transactional data

## Pathology lab



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

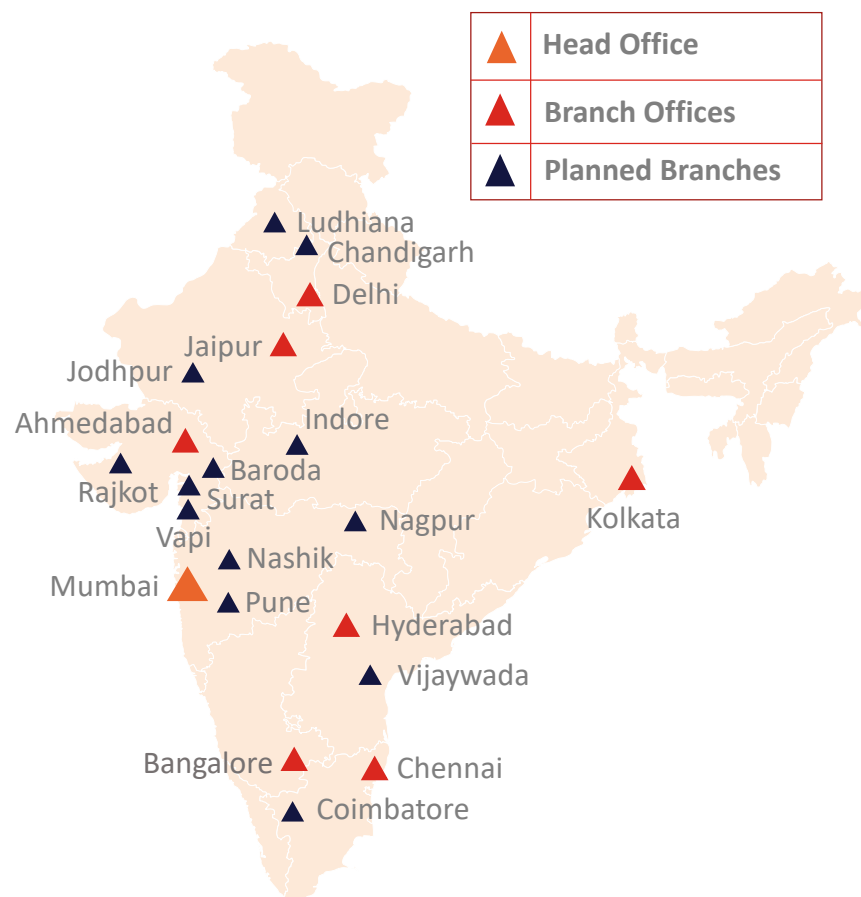
### U GRO Approach

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

**Cash Flows:** Leasing module used. Disbursal of funds to the manufacturer by U GRO. Pathology lab owner to pay only rental per month

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

# Traditional Channels | A New Approach to the Old...



Locations identified through SME cluster analysis and portfolio benchmarking

## Partner Selection Criteria

- **Rigorous vetting of 1,200+ partners** to reach an initial list of **100 channel partners**.
- Selection criteria:
  - Track-record of **3+ years**
  - Infrastructure Readiness
  - **Portfolio performance**
- Partners have a **track-record** of acquiring **₹ 50,000+ M per month**
- Channel partners pay an onboarding fee – **a first in the industry**

## Partner 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

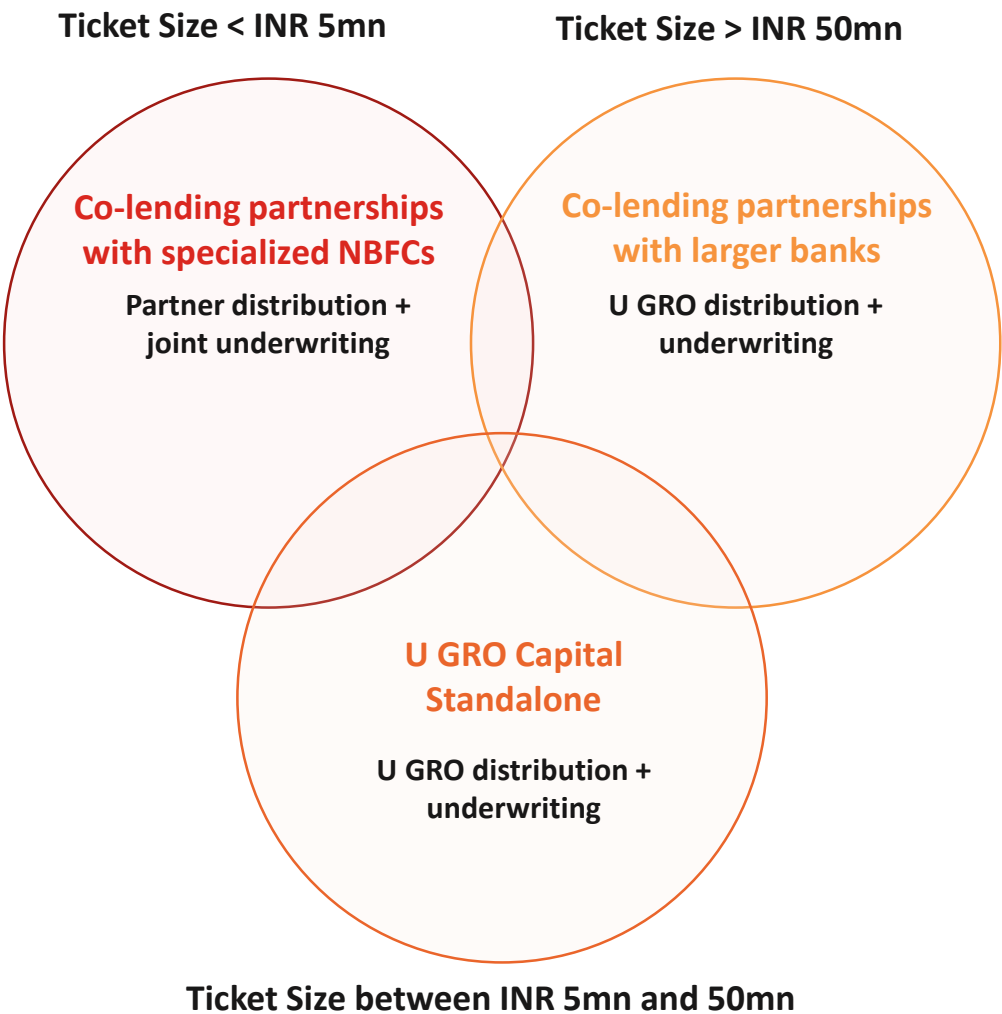
☐ Balance Transfer

Continue

## Value Proposition for Channel Partners

- **Lower TAT** : In principal approval in **1 hour**
- **Higher productivity**: High conversion (**~60%**) post the in-principle approval
- **Analytics-driven** opportunity to **cross-sell/top-up** within their customer bases
- U GRO co-lends with larger banks, allowing partners to **originate larger ticket sizes**
- **Payment within 7 days** resulting in improved working capital management

## 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 prequalification** 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

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’

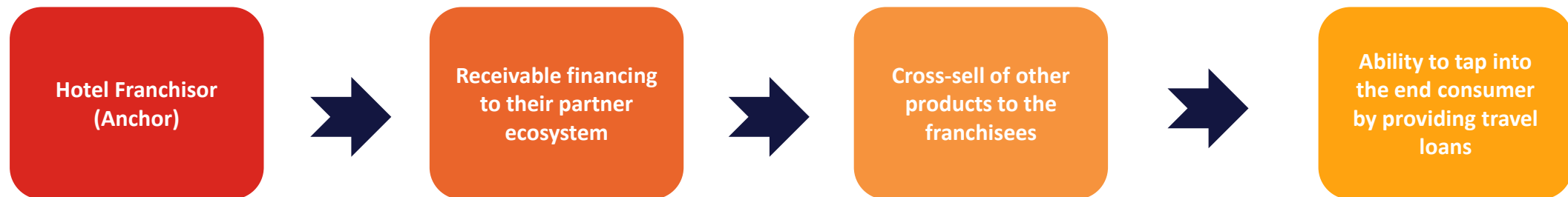
**Develop partnerships in prioritized segments** with key participants e.g. sector specific lenders, industry bodies

- 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 U GRO to be shared by the aggregator
  - Vintage, location, ratings/reviews, transactions
- Pay-outs to restaurants routed through an **escrow account** created for the program

## Ability to go deep into the partner value chain



**Ability to tap into the partners’ network of distributors, dealers, suppliers and then eventually the end customer through an ecosystem-based lending strategy**



# 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

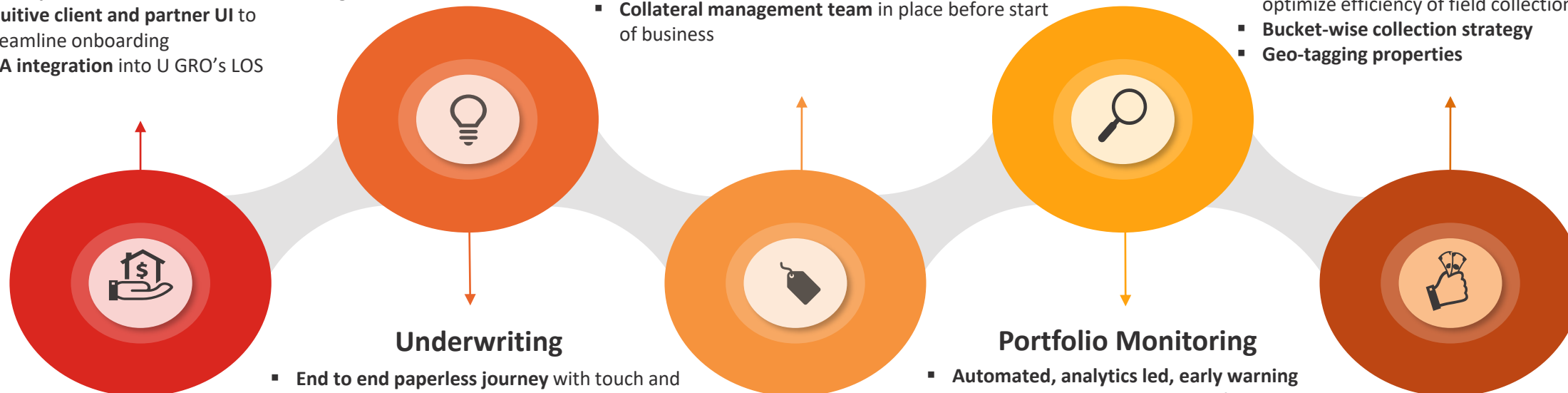
- Partnerships with **traditional/digital marketplaces** to create customized offerings
- **Intuitive client and partner UI** to streamline onboarding
- **DSA integration** into U GRO's LOS

## 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 a 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
- **95% of the book to be Priority sector/Impact lending**
- **Minimal asset-liability mismatch**

### 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.**
- **A mix of on and off-balance sheet assets**

| 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 |