



# U GRO Capital

## Q2 FY21 Earnings Update





***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**

*~\$130M Of Equity Raised*

**U GRO Capital**

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

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

**INR 920+ Cr** of equity raised from marquee investors – A systemically important NBFC (NBFC-NDSI)

**Secured Business Loans**  
Interest Rate – ~12% | Ticket Size: 0.25-5.0 Cr

**Unsecured Business Loans**  
Interest Rate - ~19% | Ticket Size: 0.05-0.5 Cr

**Microenterprise Loans**  
Interest Rate - 18-28% | Ticket Size: 0.01-0.75 Cr

**Supply Chain Financing**  
Interest Rate – ~13.5% | Ticket Size: 0.05-0.5 Cr

**Product Offerings**



**Sector Specialization**

- Healthcare
- Educational Services
- Food Processing
- Hospitality
- Chemicals
- Auto Components
- Light Engineering
- Electrical Equipment & Components
- Microenterprises

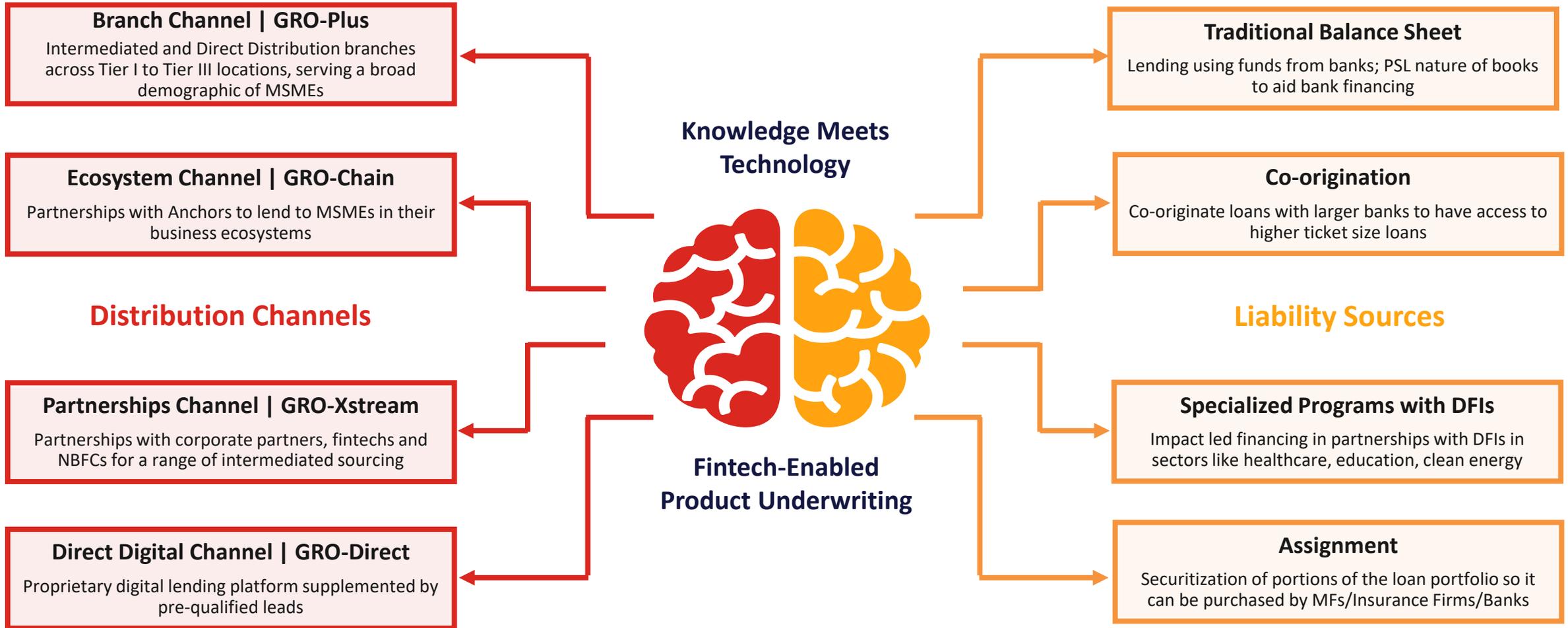
**Shortlisted from 180 sectors through an extensive study of macro-economic and sector specific data**

**9 Sectors** | **Sector Specific Statistical Scorecards**

Traditional Channel	New Age Channels
<b>GRO Partners</b> (operating in target segments in Tier I geographies)	<b>Digital Channels</b> (leverage 3 <sup>rd</sup> party and own platforms for lead sourcing)
<b>U GRO Sales</b> (operating in target segments in Tier II/III geographies)	<b>Ecosystem Led</b> (prioritized segments)
	<b>Corporate and BFSI Partnerships</b>

**Distribution Strategy**

# Our Business Model



**U GRO's distribution and liability strategies are both powered by proprietary technology modules**



# Business Update



**Our Q2 focus has been on re-establishing our asset engine – our branch and ecosystem channels are back operating at pre-COVID levels**

Data as of 30 September 2020

## Business

- Reached **₹1,697Cr in total disburseals** as of the end of Q2FY21
- Q2 saw **disburseals return to pre-COVID levels**, we expect this upwards trend to continue in the coming months
- Nine branches across key Indian SME clusters; **number of employees stands at 194**
- GRO Partner network expanded by **32% QoQ** to a total of **518** spread across key SME clusters

## Distribution

- Maintained short-term emphasis on lending through our **Sanjeevani** Program (targeted at providers of essential goods/services) and **Emergency Credit Line Guarantee Scheme (ECLGS)**
- Full lending **operations have recommenced** across our branch and ecosystem channels, we are in the process of adding to and **fully operationalizing our numerous partnership channels**

## Technology

- U GRO will be one of the first lenders integrated on the Government's **GeM Sahay platform**, providing access to over **2.4 lakh sole proprietorships** that supply a cumulative value of **₹18,935Cr**
- End-to-end Supply Chain Financing Platform '**GRO-Chain**' being developed alongside **Finagg**
- Multiple **fintech and BFSI partners** have **gone live on GRO Xstream**, our partnerships integration platform

## Saathi Program & Direct Distribution

- '**Saathi**' program for **microenterprises** has successfully launched with first disburseals obtained; this program will allow for us to **improve yields and volumes**, particularly in the near-term
- **Direct distribution** branches to launch across Tier II/III locations in 5 states in Q3 FY21 – this will see a significant expansion in our geographic presence across 5 states and see us cater to **bottom-of-the-pyramid MSMEs**

## Portfolio

- Outstanding portfolio of **₹978Cr as of end Q2 FY21**, which is **67% secured** and diversified sectorally and geographically
- After COVID-led disruptions in Q1, portfolio growth is back on track with **AUM having increased by 15.5% Q-o-Q**
- Portfolio quality remains strong, with our loan book having a **GNPA of 1.9% and an NNPA of 1.2%\*** respectively
- U GRO has made **₹11.8Cr of total cumulative provisions (1.2% of AUM)**, of which **₹3.8Cr is additional provisions for COVID-19 (0.4% of AUM)**. No separate COVID provisioning has been taken for NPA accounts

## Liability

- A total of **₹578Cr of sanctioned liability** raised at a blended average of **10.6%** as of end Q2 FY21
- U GRO's liability book comprises **14 diverse and marquee lenders**, including **PSU/Private/Foreign banks and other FIs**
- U GRO concluded its first outbound direct assignment - **₹5.2Cr of unsecured book** to the **State Bank of Mauritius**
- Incremental liability sanction pipeline of **INR 300 Cr+**
- The Company maintains **liquidity of over INR 288 Cr** on balance sheet, excluding sanctioned liability not drawn down

## Financial

- The Company's **total income stands at INR 34.8 crores** for Q2 FY21 with a **PAT of INR 17.2 crores** and **CRAR of 85.8%**
- The net worth of the Company stands at **INR 943.9 crores** as of 30 September 2020 with **book value per share being INR 133.84**

## Awards & Recognition

U GRO has won multiple awards for innovation in FY21:

- **Best Tech Platform Award** (Fintech Category at the Internet Entrepreneur Awards)
- **Best Lending Tech of the Year Award** (National Awards for Excellence in Financial Services Marketing)
- **Quick Loan Approval Award** (National Awards for Excellence in Financial Services Marketing)

\*GNPA/NNPA numbers are stated without accounting for the Hon'ble Supreme Court dispensation

# U GRO's Upcoming Q3 Expansion into the High-Yield Microenterprise Segment

'Saathi' is a line of secured products aimed specifically at microenterprises

New branches to cater high yield, shorter tenor and smaller ticket loans

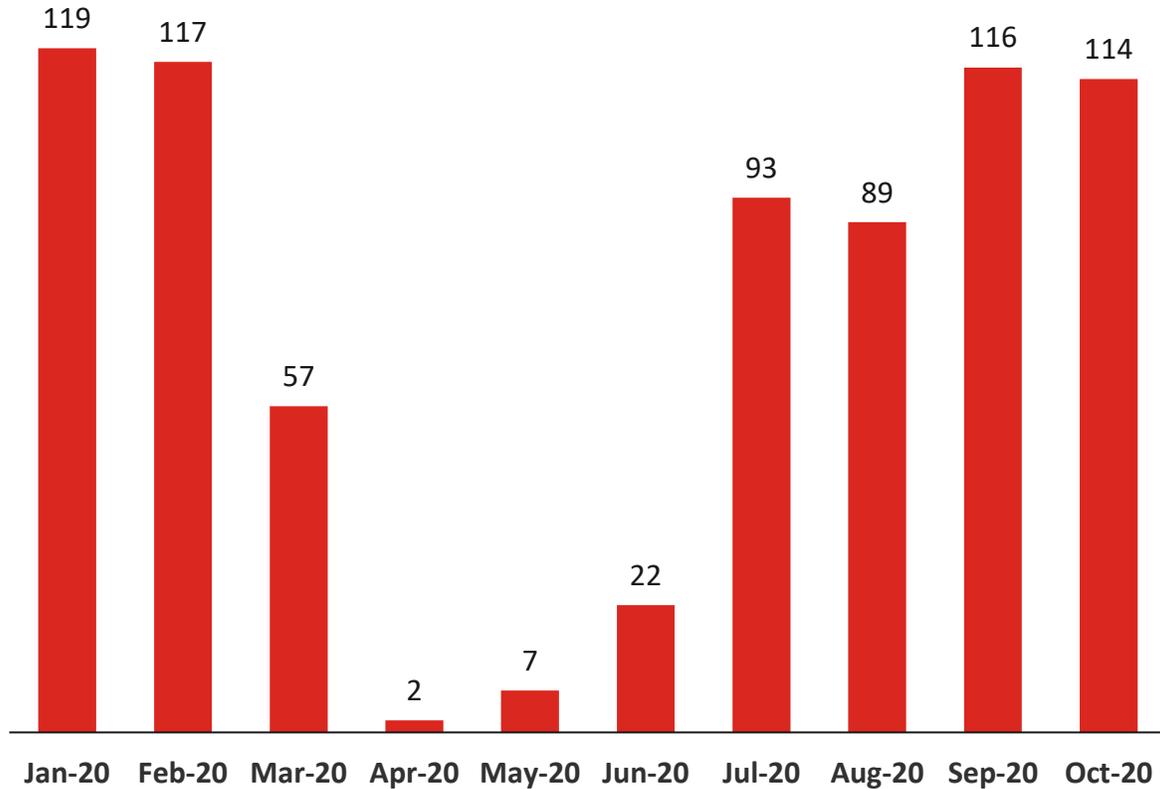
Features	Saathi		
	Plus	Prime	
Ticket Size	15 - 25 L	25.1 - 50 L	50.1 - 75 L
Sector	Sector Agnostic	Ecosystem Approach	
Tenor	60 – 96* months		
Latest Sales Deed	Yes	No	
Pre-Approved Legal	Yes	No	
Single Technical Valuation	Yes	Yes	
Target Segment	Micro <b>SENP/SEP</b> individuals and firms <b>Includes:</b> All manufacturers, traders, services		
Minimum Turnover	None	>100 lakhs p.a.	

Product	Unsecured Business Loans	Secured Business Loans
Ticket Size	≤ ₹5 lakhs	≤ ₹15 lakhs
Sourcing Mode	Direct	Direct
Average ROI	~24%	~20%
Tenor	1-3 years	1-10 years

- U GRO will be launching new branches across **Tier II/III locations** in five states: **Tamil Nadu, Rajasthan, Karnataka, Gujarat and Telangana**
- These branches will be catering **primarily to microenterprises**, including **bottom-of-the-pyramid enterprises** and new-to-credit customers
- The new branches will feature **U GRO sales executives directly originating loans**, unlike extant branches which leverage GRO Partners
- The underwriting for this new segment will leverage **an in-house rule engine** implementing **machine learning-driven banking segmentation**

**U GRO will be launching new product lines and branches to better cater to the microenterprise segment in Q3**

Disbursal Recovery in the COVID-19 Era (₹ Cr)



	Secured	Unsecured	SCF	Overall
<b>AUM</b>	₹483Cr	₹321Cr	₹174Cr	<b>₹978Cr</b>
<b>Avg Ticket Size*</b>	₹46.4 lakhs	₹4.9 lakhs	₹97.0 lakhs	<b>₹13.0 lakhs</b>
<b>Avg Yield</b>	11.9%	18.7%	13.3%	<b>14.4%</b>

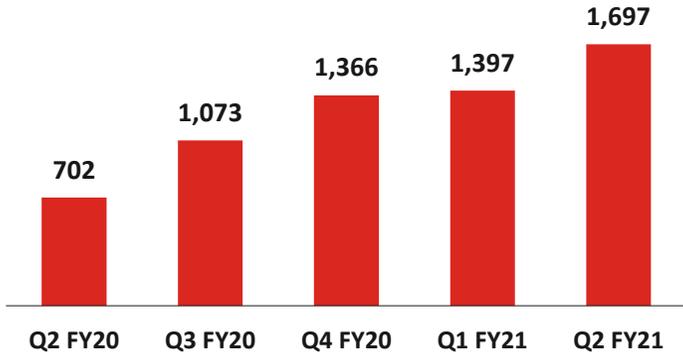
\*Average ticket size on book

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

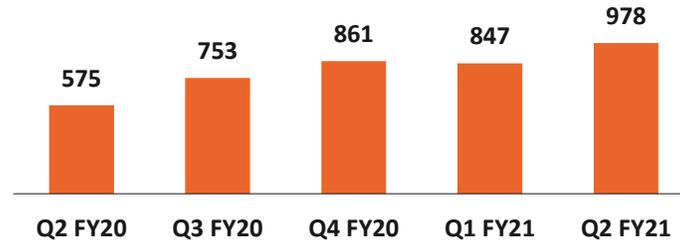
**Q2 FY21 saw our asset engine recover to pre-COVID levels, led by our branch and ecosystem channels  
Strong launches of our 'Sanjeevani' and 'Saathi' programs have put us in good stead for future disbursements**

# Q2 FY21 Business Overview

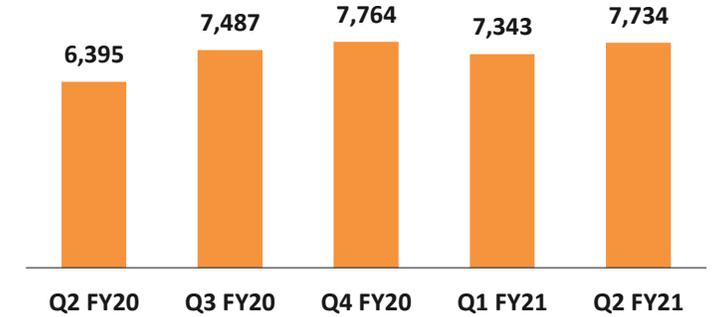
### Cumulative Disbursals (₹ Cr)



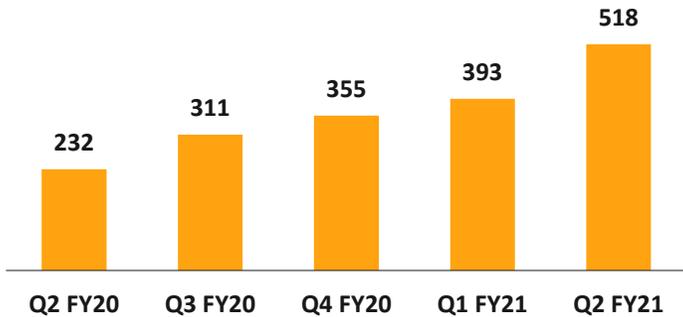
### AUM (₹ Cr)



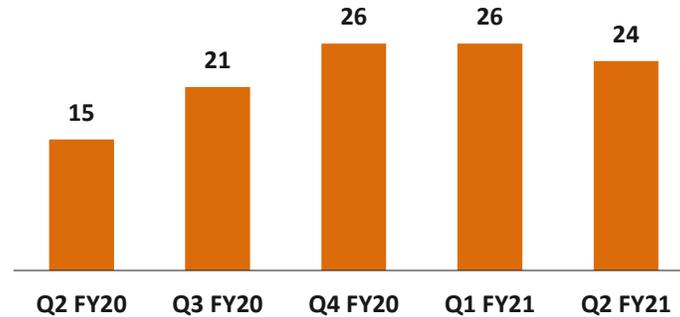
### Number of Customers



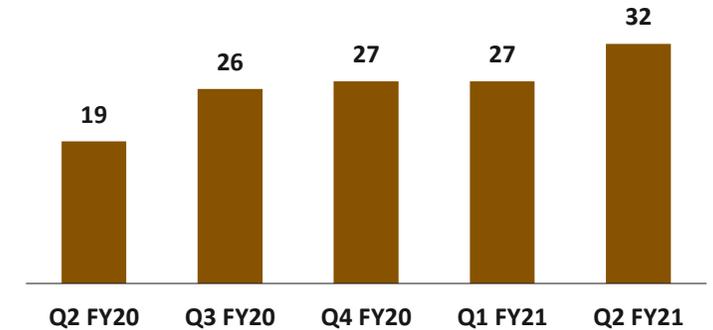
### GRO Partners



### Ecosystem Partners

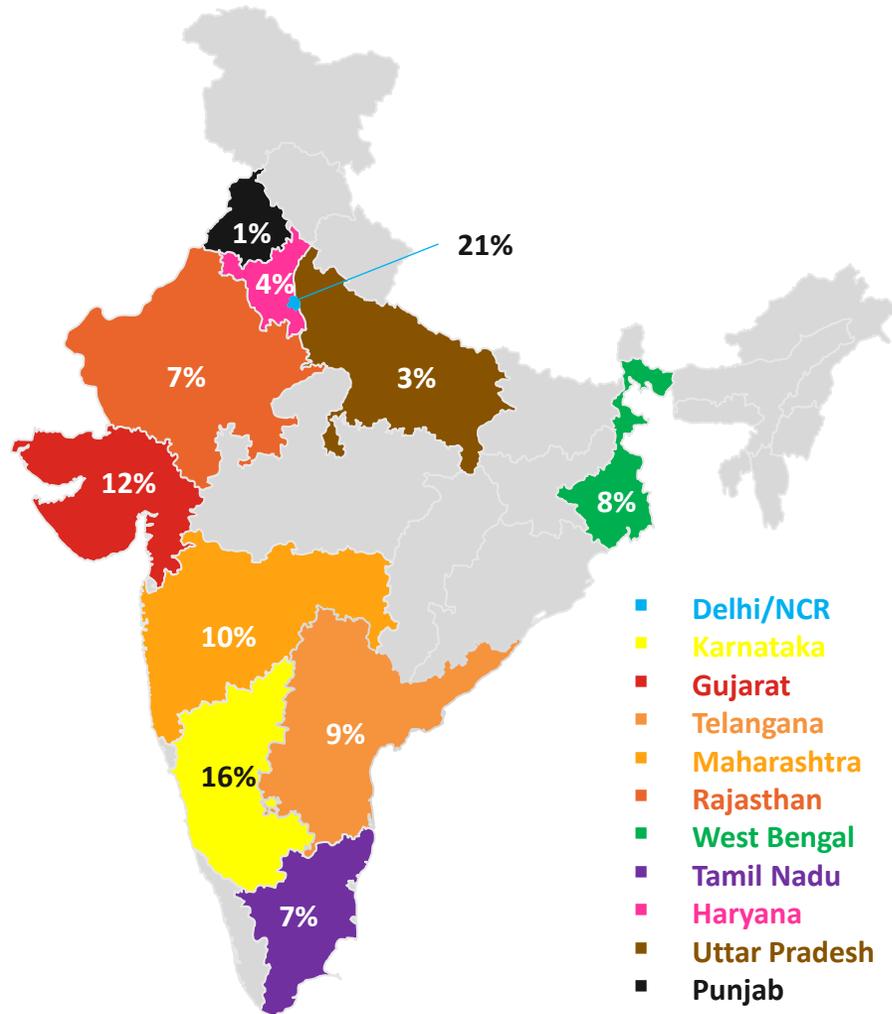


### Corporate Partners



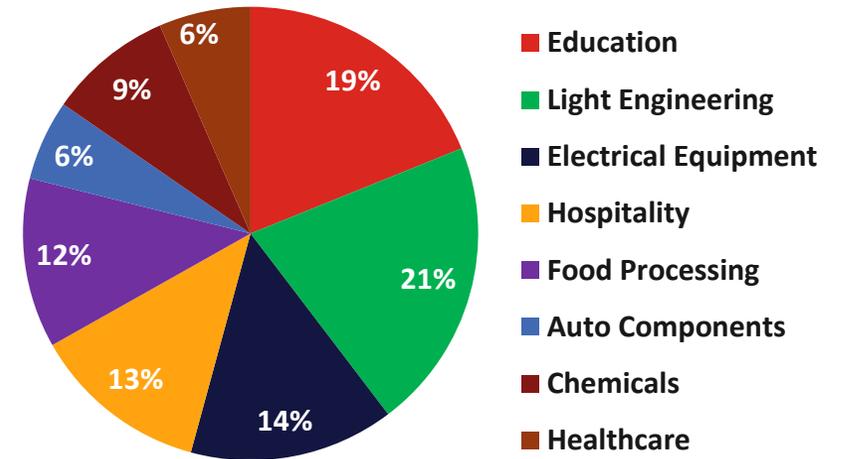
# Portfolio Snapshot (As on September 30, 2020)

## Geographical Mix\*

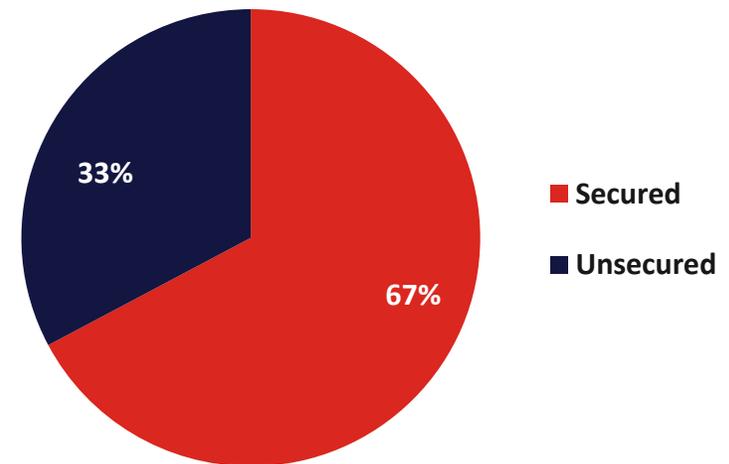


\*Does not include Onward Lending or Portfolio Buyouts

## Sectoral Mix\*



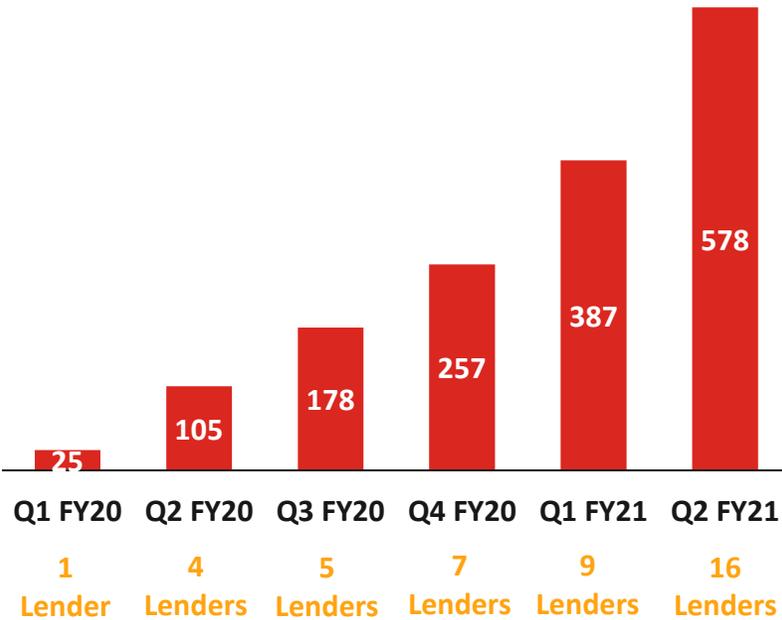
## Secured Mix



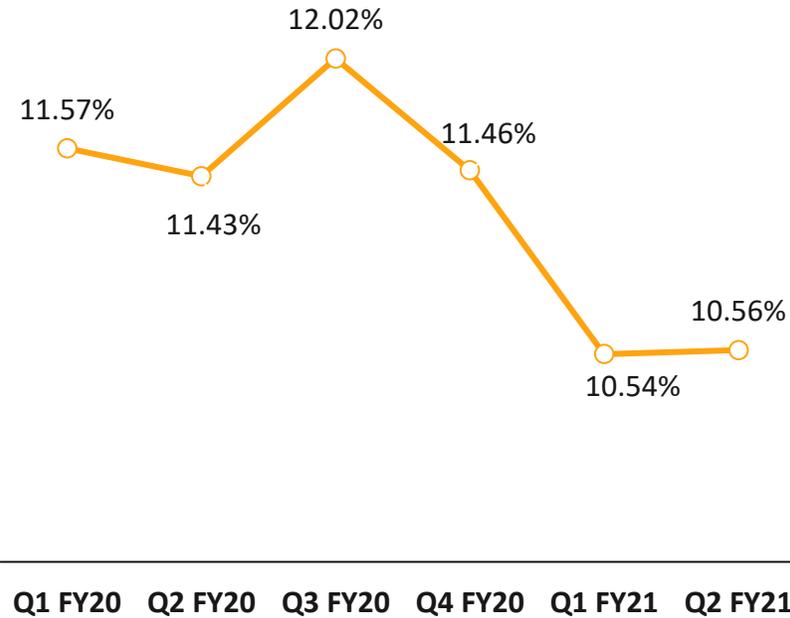
**Our portfolio remains well diversified by geography and sector and majority secured in nature**

# Continued Scale-up of Liability Book

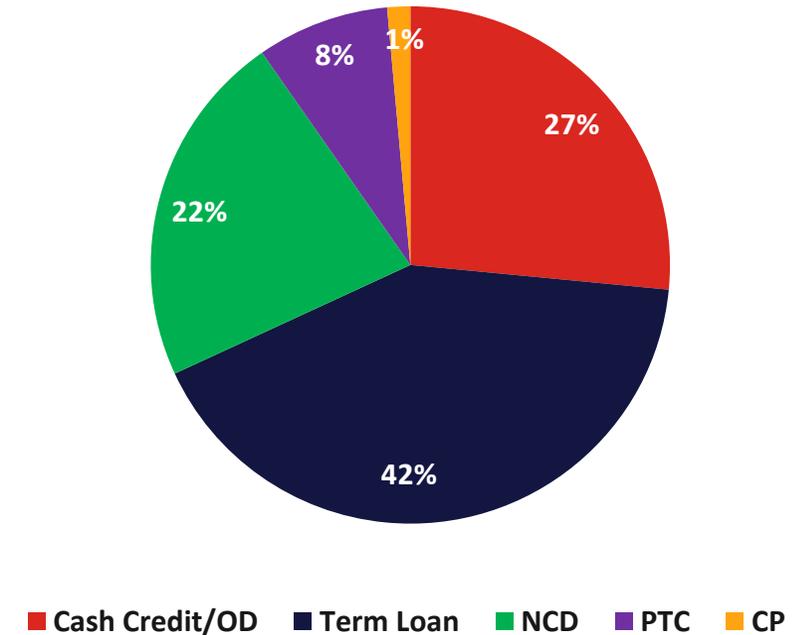
EOP Sanctioned Liability on Book (INR Cr)



Weighted Average Rate (papm, %)



Liability Type by Sanctions (Q2 FY21, INR Cr)



U GRO has built up a strong liability book and pipeline while utilizing government schemes such as TLTRO and PCG to achieve lower borrowing costs | The Company has built a diversified loan portfolio of varying tenors for optimal asset-liability management



# Financial Statements and Shareholding Pattern

# Balance Sheet

Balance Sheet (₹ Lakhs)	Q1 FY21	Q2 FY21
<b>Financial Assets</b>	<b>116,530</b>	<b>129,099</b>
Loans*	82,789	96,032
Cash and Investments	29,692	28,854
Other Financial Assets	4,049	4,213
<b>Non-Financial Assets</b>	<b>7,250</b>	<b>8,691</b>
<b>Total Assets</b>	<b>123,780</b>	<b>137,790</b>
<b>Financial Liabilities</b>	<b>30,789</b>	<b>42,991</b>
Trade/Other Payables	954	943
Borrowings & Debt Securities	27,919	38,417
Other Financial Liabilities	1,915	3,631
<b>Non-Financial Liabilities</b>	<b>377</b>	<b>408</b>
<b>Total Equity</b>	<b>92,614</b>	<b>94,392</b>
Equity Share Capital	7,053	7,053
Other Equity	85,561	87,339
<b>Total Liabilities + Equity</b>	<b>123,780</b>	<b>137,790</b>

- Remain liquid with nearly ₹300 crores of immediate liquidity on the balance sheet
- **CRAR: 85.8%**
- **GNPA: 1.9%**
- **NNPA: 1.2%**
- **Book Value per Share (BVPS): 133.84**

\*AUM as of end Q1 FY21 and Q2 FY21 are ₹847Cr and ₹978Cr respectively, the 'Loans' figure adjusts for net payouts and ECL as per Ind-AS

# Income Statement

Income Statement (₹ Lakhs)	Q1 FY21	Q2 FY21
Interest Income on Loans	3,062	3,408
Other Operating Income	148	74
Financing Costs	684	964
<b>Net Income</b>	<b>2,526</b>	<b>2,518</b>
Operating Expenses	1,998	1,851
Provision	115	393
<b>Profit Before Tax</b>	<b>413</b>	<b>274</b>
Tax	40	(1,444)
<b>Profit/(Loss) for the period</b>	<b>373</b>	<b>1,718</b>

- Other operating income for Q4 FY20 included a **one-time income of INR 5.55 crores**
- Financing costs have gone up despite weighted average **borrowing costs reducing** due to a significant build out of our liability book from INR 387 Cr to INR 578 Cr
- Absolute value of **provisioning expense has increased** in Q2 as we are taking a conservative approach to estimating **portfolio impact from COVID**

# Shareholding Pattern (as of September 30, 2020)

## Illustrative List of Investors

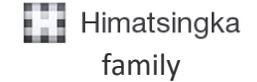
### Private Equity Funds



### Insurance Firms



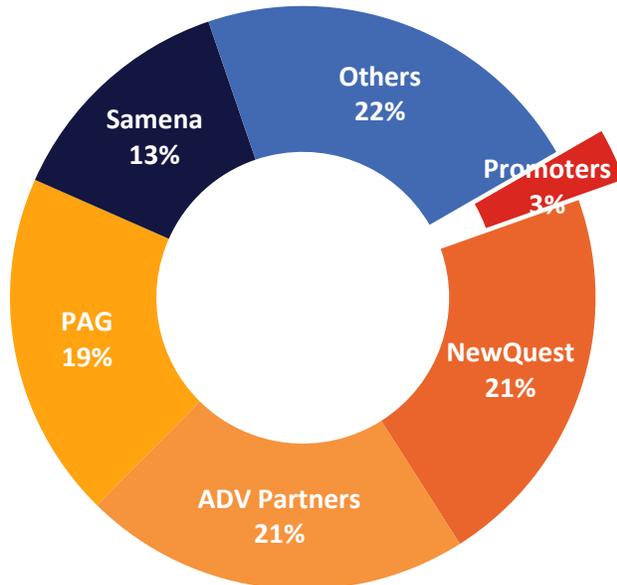
### Family Offices



Jaspal Bindra

Gaurav Dalmia

## Shareholding Pattern (Fully Diluted Basis, Post the demerger)



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

**70,528,550 total shares outstanding with no extant dilutive instruments as of the end of September 30, 2020**