

PRESS RELEASE

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U GRO Capital seeks patent for its unique score-card based underwriting model

- Becomes first fintech player to apply for such patent for its underwriting model
- Aims to target 250,000 small businesses and extend loans basis data analytics amounting to INR 30,000+ crore in next 4 financial years using this model

U GRO Capital, a BSE listed, small business lending fintech platform, today announced that it has filed an application with the Indian Patent Office for its distinguished methods and systems for modelling scorecards. This has allowed the company to penetrate in a highly unstructured segment, which is driven by physical processes. The model tackles the unavailability of appropriate MSME database, by utilizing its unique classification technique leveraging the proprietary knowledge base and strength of statistical models.

The distinctive underwriting model generates credit score cards customized to suit the peculiarities and nuances of varied business enterprises. This is done by analysing the historical loan delinquency patterns and cash flow within each selected business segment. The model's utility is not restricted to businesses, as it enables effective underwriting of individual borrowers, as well. Further, it facilitates trade financing by providing assessment of downstream and upstream counterparties. Also, it provides a basis for revenue sharing in co-lending arrangements and helps estimate first loss guarantees in securitization of transactions by providing an assessment of the underlying pool.

U GRO Capital has been using this model since inception in 2018. The company has made disbursements of INR 1,700 Cr in the form of secured and unsecured loans. This model is tested to predict superior predictable defaults and improve the GNPA and NNPA levels in comparison to the traditional underwriting model and also improve the bureau defined predictable defaults of different score level. Going forward, the company aims to target 250,000 SME and MSMEs and extend loans amounting to Rs. 30,000+ crore in the coming 4 financial years.

The proprietary statistical scorecards for assessment at various stages have been developed in consultations with CRIF and CRISIL market experts. The model is able to approve credit for business enterprises within minutes, which otherwise would have taken days or weeks. Furthermore, it allows scope for progressive refinement and upgradation such that a newly identified data parameter/ variable can be integrated to derive more accurate output. The distinguished model combined with the organization's technological capabilities in artificial intelligence and machine learning, has rendered the credit access journey in quick and highly convenient manner.

Commenting on the patent application, **Mr. Shachindra Nath, Executive Chairman and Managing Director of U GRO Capital** stated, "The MSME sector is a significant driver of the Indian economy, yet only 16% of MSMEs in India receive formal

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credit. A major hindrance to the credit access is the limited availability of structured data pertinent to the MSME sector. We believe that MSME financing in India is at the verge of transformation with the combination of GST, Banking Data and emergence of digital infrastructure which is underpinning this transformation. U GRO Capital's scorecard based underwriting model lies at the centre of our mission to solve the unsolved credit gap of the SMEs. The underlying methods and system are the convergence of our deep sectoral knowledge base and our analytics capabilities. Our distinctive underwriting model compliments the digitalized processes, to provide a quick and convenient access of credit to our MSME customers."

About U GRO Capital Ltd.:

U GRO Capital limited is a BSE listed, small business lending fintech platform. The Company is focused on addressing capital needs of small businesses operating in select eight sectors by providing customized loan solutions.

U GRO Capital's mission is 'Solve the Unsolved' – Small Business Credit Need. U GRO Capital believes that the problem of small businesses can be solved by building deep expertise around core sectors of SMEs in India coupled with a data centric, technology-enabled approach.

The Company has raised ~INR 920 crore of capital from a diversified set of private equity funds like institutional investors and well-known family offices.

U GRO Capital has shortlisted the 8 sectors basis an 18-month process involving extensive study of macro and micro economic parameters carried out in conjunction with market experts like CRISIL. The eight sectors shortlisted are Healthcare, Education, Chemicals, Food Processing / FMCG, Hospitality, Electrical Equipment and Components, Auto Components, Light Engineering and Micro Loans. The Company additionally lends to microenterprises, which behave as a monolith and act a pseudo ninth sector.

The Company strives to build a strong SME financing platform based on sectoral understanding supplemented by a fully integrated technology and analytics platform.

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