9th May 2024

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Scrip Code: 511742

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra - Kurla Complex,
Bandra (E), Mumbai - 400 051

NSE Symbol: UGROCAP

Sub: Transcript of the Earnings Call with Analysts/Investors held on 3rd May 2024

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 3rd May 2024 to discuss the audited financial results of the Company for the quarter and year ended 31st March 2024.

The said transcript is also being uploaded on the website of the Company.

This is for your information and records.

Thanking You,

Yours Faithfully,

For UGRO Capital Limited,
Satish Kumar Chelladurai
Digitally signed by Satish Kumar Chelladurai
Date: 2024.05.09 15:29:04 +05'30'

Satish Kumar
Company Secretary and Compliance Officer
Encl: a/a

"U GRO Capital Limited
Q4'FY24 Earnings Conference Call"
May 3, 2024

MANAGEMENT: **MR. SHACHINDRA NATH – FOUNDER AND MANAGING DIRECTOR**
MR. ANUJ PANDEY – CHIEF RISK OFFICER
MR. KISHORE LODHA – CHIEF FINANCIAL OFFICER –
MR. AMIT MANDE – CHIEF REVENUE OFFICER –
MR. SHARAD AGARWAL – CHIEF OPERATING OFFICER

MODERATOR: **MR. AVINASH SINGH – EMKAY GLOBAL FINANCIAL SERVICES**

Avinash Singh: Ladies and gentlemen, good day on behalf of Emkay Global, I welcome you all to UGRO Capital Q4FY24 earnings call. We have with us today, Mr. Shachindra Nath, Founder and Managing Director, Mr. Anuj Pandey, Chief Risk Officer, Mr. Amit, Mande, Chief Revenue Officer, Mr. Kishore Loda, Chief Financial Officer and Mr. Sharad Agarwal, Chief Operating Officer. Before we proceed as a standard disclaimer, no unpublished price sensitive information will be shared during the conference call, only publicly available documents will be referred to for discussion during this interaction. In case of any inadvertent disclosure, the same would in any case form part of the call of the recording of the call without much ado. I would like to invite Mr. Shachindra Nath to share his thoughts on the company's performance, and discuss that capital raise and the latest acquisition. Over to you, sir.

Shachindra Nath: Thank you. Avinash. Good evening, everyone. This is not just the year end quarterly result presentation. Obviously, we have done as per our plan for the quarter, but we believe this is a momentous occasion in our life cycle. As you'll all remember, UGRO is a 5 year old organization. It started as a first listed Startup on 5th July, 2018. This company was born with a combination of 4 private equity investors coming together along with me, and we capitalized this company to the tune of almost 950 but we suffered immediately. Post our capital raise, the crisis of ILFS, the DHFL and Yes. Bank happened. April 2019 to March 2020 was our first year of business. We deployed our equity capital of 850 odd crore into the markets. and then suffered. Covid period was a time of reckoning, and we use that time to build the scale and size aspiration of ours. Pre covid, this company had 120 people and post covid, it employed almost 1,500+. We put massive digital and data analytics infrastructure. We put physical infrastructure at 100+ location, and we brought a large number of lenders on balance sheet, and we created a very massive capacity of AUM ending FY22 at ~3,000 Crores. In FY23 we were at 6,000 crores, and in FY24 we have ended at ~Rs 9,050 crores. Our operating leverage played off from 15 crores PAT in FY22 to 40 odd crores last year to almost 120 crores this year. What changed for us that we took a call to raise this proportionate capital to augment our growth? We have been trying to bring stability to our cap structure, and we have been trying to bring unique capital provider. When we started, we brought 4 private equity investors with a defined timeline with respect to their ownership in us. Last year, we brought in global development financial institution in form of IFU which has a very long term, time horizon. Now. to attract domestic capital and family offices, we are doing this unique structure of CCD and warrants and marketed it to large family offices. They came into our capital structure. If you go to this first slide please - one of our existing investors, which is Samena Capital actually invested 500 through warrants from one large fund. This total capital raise of 1,332 crores, of which is 275 crores in form of CCD and 1,057 crores in form of warrant fulfils our capital need for the year, and also for the next 2 years. That allows us to continue growing without worrying about capital and that allows us to get to our growth rate very easily. That is largely on our capital raise. Now, it gives the company the ability to grow without being hindered for capital. It allows the management to focus on getting rating upgrade and reducing its cost of borrowing, and it allows public market shareholder to participate in the growth journey.

Shachindra Nath: Second, Avinash asked us to talk about our acquisition. As some of you know, UGRO proposition is following. We would like to service the customer segment, from Rs 15 lakh to 15 crores. This customer segment comes constitutes roughly, 90% of the Rs 90 trillion of the credit gap. This is the customer segment. We service through 4 distinct channels. We service the customer through our prime channel, where we focus on large ticket secured loan up to Rs 3 crores business loan through intermediation – DSAs. We have many micro enterprises branches where we focus on small ticket secured loan, we have a ecosystem channel where we focus on machinery and rooftop solar. We have a supply chain channel where we focus on retailer. We have partnership & alliances channel with multiple partnerships with NBFCs who provide the service to underlying highly granular customer segment. Last is our digital vertical. That is one segment of the market which is wide, whose need we would like to service but was not getting serviced by UGRO, which is called embedded financing. Think of a merchant, which is a small retailer near your neighbourhood, who uses an Airtel payment bank, or any of these payment platform, QR code, who buys material for X amount of money, sells the material to end customer. This payment data is getting captured in some of these payment banks or on wallet platform. Now, if this merchant needs financing, then how do you provide this financing through an integrated platform? The financing requirement is that he should be able to borrow through this integration, which is called embedded financing, one lakh rupees for a 30 day period, and then from his daily savings, EMI can be deducted. Our proposition is simple but the technology solution and the data integration or data analytics around this is quite complex. MyShubhlife in the last 7 years has achieved a very high degree of perfection in the embedded financing market. The quality of the management and governance has been extremely good. Given where the market is now moving, the balance sheet provider as well as the technology lender have to be integrated and has been provided by MyShubhLife (MSL). Their tech platform has achieved this level of perfection. They came to us for co-lending, and we told them that, why don't we partner? We spoke to their VC investors. We proposed to them that they become shareholders of UGRO, and their long-term benefit in that proposition is far more profitable because UGRO would continue to grow. They get the benefit of our balance sheet, and that's why we structured this acquisition. We are acquiring MyShubhLife at 1.9x of their networth. We are paying a consideration of 45 crore in form of 36% in form of cash, 64% in form of UGRO shares. MSL would become a subsidiary, and we have aligned and integrated the management team through our ESOP and a profit share model. This acquisition over the next 3 years potentially helps us acquire retailers as customers, and probably 1,500 cr in AUM at the end of 3rd year implementation, and roughly around 100 crore of incremental PAT. We are very excited about this acquisition. This is in line with our DNA of being a data tech company. It's an extension of what we do, and we are being able to inherit a management team whose DNA is entrepreneurial, and they will become part of our family. This acquisition fulfils the need of one segment of the customer need which otherwise was eluded from us.

Kishore Lodha: Coming to financials for the whole year, we have achieved AUM of around Rs 9,047 crore which is broadly in-line of the guidance which we have given at the beginning of the year. During the year, we have achieved disbursement of Rs 5,867 crores. Now, we are clocking excess of 500 crore monthly which is broadly in line with what we have planned for the year. Disbursement has grown up by 26% YoY. Last year, we had done a disbursement of 4,600 crores. We had targeted off-book AUM mix for about 45% and our ultimate goal is to reach 50%. We are in line with our goal as last year we were at about 40% off-book AUM and now, we have achieved 45% of off-book AUM. PBT jumped from Rs 84 crore to Rs 179 crore in FY24, which is 113% jump year on year. Our PBT has gone up from Rs 34 crore to Rs 56 crore in Q4FY24. PAT has gone up during the year from Rs 40 crore to almost Rs 120 crore in FY24 and for Q4FY24, the PAT has gone up from Rs 14 crore to Rs 33 crores. That is a significant jump in profit as well, and net total income has moved from 12.2% to 13.5% of on-book AUM, which is in the direction where we want to take this forward as Shachin has explained earlier in multiple interactions that we are increasing our focus on the high-yielding micro verticals. Our Cost to income ratio is gradually going down, which was 62% last year and now it has come to 54%. As the economics of the scale are catching up, it will go down further. ROA has moved from 1.1% to 2.3%, and ROE has moved from 4.1% last year to 9.9% this year. Our total EPS for the year is about ₹13.39 per share. Book value is about ₹157. This is not considering the current Equity raise which we have announced yesterday. The money will flow partly in coming month and part of it, will come gradually in the next 18 months. Price to earning is about 16.4. In our long-term vision, as we have indicated earlier, that we would be growing on a sustainable basis for about for about 30%. For the next 2 years, whatever capital we would require, we have already locked in that capital. As explained earlier, our aim is to reach 50% on-book and 50% off-book in the form of co-lending, co-origination and direct assignment. Cost to income ratio, as of now is closer to 54%, we'd like to take it to 45% which may be over 6 to 8 quarters from now, and ultimately we'll reach the desired ROA of 4%, which we believe may take around 8 quarters time.

Shachindra Nath: One of the questions we have always been asked, what is the bridge from this 2.3 to 4% ROA? We are trying to explain how this would happen over 8 to 10 quarter, and there are 4 components to that. The first component is the yield expansion. Our yield expansion is a function of our sheer focus on our second vertical - micro enterprises vertical. Micro enterprises vertical is a business wherein 75 locations till Q3FY24 was focused on doing Rs 8 lakhs of average ticket size secured loans. Now that vertical is expanding in 2 ways. We are going to increase that branch count to 150 now, and by end of the year it should be 250, and most of this portfolio of Rs 8 lakhs secured loans happens at around 20% yield. Adding to that, UGRO has a unique proposition vis-a-vis peer lender set. It is probably the only company which does secured loans of up to Rs 3 crores, business loans through intermediate channel up to Rs 25 lakhs, micro enterprises secured loan of Rs 8 to 10 lakhs and machinery financing (5 type of machines – CNC, printing, packaging, plastic moulding machine, and now rooftop solar). It also does retailer financing and so on. Now, our intermediate channel, micro enterprises and our machinery channels, would focus on all products together. Not only the expansion in micro enterprises would enhance the yields, but it would also enhance the productivity because now a small branch of UGRO is being trained, designed and monitored to do Rs 10 lakh secured loan, also at least one or 2 large loans, one or 2 machinery loans and one or 2 solar rooftop loans. So that's the first component of our bridge. Second component is what we say - Cost of borrowing decrease. Cost of borrowing has 2 components - 1) the market phenomena, and 2) who we are. Given that we have been a young company, we have been growing extremely fast and our need of liquidity has been large. Our cost of borrowing for our size of capital and rating is roughly around 100 to 50 basis point higher than our peers. We are expecting that because of the increase in vintage and in scale and because of a very sizable capital raise nearly equal to our existing networth, a 50-basis point rate reduction would happen over 8 quarters, and hopefully, some bit of rate cycle change would give us additional 25 to 30 basis points decrease. We are presuming that in 8 to 10 quarters, cost of borrowing would come down 75 basis point and we would see 50 basis point of operating leverage. Our opex to our income, is going down disproportionately. Our existing physical infrastructure and digital infrastructure is sweating more multi products, our AUM is growing and our costs is not growing in proportion to AUM and that's the operating leverage of 50 basis point we are presuming. Obviously as our portfolio seasons, we have been guiding towards credit cost of 2%, we have been largely at 1.5%, this quarter, which has increased a little bit. We think around 50 bps of credit cost would increase. That's broadly the bridge from 2.3% to 4% ROE in 8 to 10 quarters. Avinash, this is it from our side. We have kept the presentation very sharp and most of the other things in the presentation is already circulated and available for everyone, and management team would be very happy to answer questions.

Avinash Singh: Yeah, sure so we will start with Q&A. First question from Rahul.

Rahul Bhangadia: Thank you for taking the questions. Congratulations on a very good set of numbers in line with what was guided. Question is, obviously related to the huge fund raise that you have done. Now with this quantum of fund raise, how do things change on 2-3 fronts? One is growth, are you looking at much faster growth than what you had previously guided for? And the second question was on the ROA front. We used to initially talk about exit ROA for FY25. Now we seem to be talking more on FY26 exit. Is there a change there? These 2 broad questions? Thank you.

Shachindra: On the capital front. This capital for the growth which we have been presuming or been guiding for, was required in any case. The difference is that we've taken all that capital upfront but we have designed and taken it in a manner that for our existing shareholder, it is not diluting immediately, so that dilution would happen over a period of time, except that the increase in price benefit would not go to existing shareholder. We have kept something on the table for the incoming shareholder. We would have needed roughly around same amount of capital to manage our next 2 years of growth but we have taken it in the form of CCD and warrants. So, the money of CCD and 25% money of the warrants would add roughly around the same amount of equity capital which was required for this year. Our capital adequacy would go up from 21% to around 29% for the year, and next year, as warrants keep converting, we will get back to the same level of capital adequacy. With respect to the ROA Bridge, we have said that we would exit FY25 with a 4% of ROA. Now that is a function of the maturity of the market, and how the overall scenario is. One of our assumptions was to grow at a faster rate, at earlier pace. But what we are saying is that we will get to that level of ROA. This is why, if you look at our structure, we have given a CCD at 18 months with some coupon, because we are saying that this is the bare minimum we must achieve. It is lot of hard work. If you look at last 4-6 quarters, the cost of borrowing has remained elevated, the liquidity for the market has remained slow. Neither our cost of borrowing has grown, nor our liability has got constrained vis-à-vis larger peers. That has been the challenge. In this macro-economic scenario, what is being told to NBFC is to grow at a certain pace and to have some healthy profitability. This is what people should expect from us, we may surprise you. We don't know, but as hopefully where we stand, what we see on the regulatory landscape and on the liability landscape, what we see for the capital providers, all of that putting together, this is the number we are putting out year after year. One thing which we have done is that we still have taken capital upfront, so that if there are headwinds, then we can take that headwind head on in coming quarters. For a company with 5 years total experience, of which 1.5 years gone in Covid and credit crisis and remaining 3.5 years of real operating timeline, this level of scale, product diversity, sheer focus on data and analytics and distribution capacity, I have not seen in my 30 years of professional career. Obviously, I understand investors who would expect all companies to perform at the same level. We would also get there very soon.

Rahul Bhangadia: Sure sir, UGRO has done an outstanding job of reaching where it has. Now, if you could just give us a perspective of what are the growth rates we are looking for FY 25-26 and if you could just put that in context with what happened in Q4 where the disbursements were, slightly in a slowdown mode.

Shachindra: First and foremost, we were at Rs 3,000+ in AUM in FY22, at Rs 6,000+ in FY23, and at a Rs 9,000+ in FY24, which means this company sees minimum of Rs 3,000 crore of AUM growth. UGRO has established a very good name within the lending universe, and especially in intermediated market. Some of the lenders who have larger balance sheet capacity are taking assets from us at a much faster pace. The foreclosure for us was a negative surprise, and higher than what we expected. Obviously, we'll correct that, and we will match that at higher growth rate. Quarterly growth coming at 8% rather than 15% was a function of that. What we would do next year is what we are telling you, 3,000 is the minimum pace we will do, there is no doubt about it. We think that we would be 10 to 15% additional of that but when it comes to management focus, that additional growth we want to only do in the segment of the market, which gives us the higher yield which pushes our ROA and that's where we are. Now whether that is 10% higher or 5% higher or 15% higher for us, what matters is that incremental growth is all in the higher yielding segment with a lower credit cost. That's the way we are operating as management team and I think that's the right thing for us to do. Anuj, Amit, anything that you want to add.

Amit Mande: Absolutely at the end, growth with profitability will be the focus for this year and therefore we are not putting up into whether it is 12, 13, 14. But the fact is that we have to inch our ROA towards the 4% as Shachin has spoken earlier, and that is, that would be the focus of the entire team.

Rahul Bhangadia: Okay. If you will allow one final question, I'll come back to the queue. In the bridge from 2.3% to 4% that you very nicely elaborated, I have one question on the credit cost in Q4 itself, you are at about 41 crores of credit cost in the quarter, which, if I generally analyse, you'll be about 2% on the overall AUM. Do you really have the lever?

Shachindra: Anuj.

Anuj: You're right in the last quarter, there's a small blip, but that was all planned in previous quarters itself. For the year, we are at around 1.5% and we have been telling that as we season, we will stabilize at around 2%. If you only look at that last quarter, we took a call on a very, very old unsecured loan and took a write off about of about 10 crores, which is over and above what should have been the normal credit cost, but that it was an one-off event. As per our plan and as per the way we have calibrated, we would be between for the next year we should be between 1.8% to 2% overall.

Rahul Bhangadia: Great, sir. Thank you for answering this question. Thank you.

Avinash Singh: Next question. We have from Sanidhya Agarwal.

Sanidhya Agarwal: Yeah. Hi, can you listen to me?

Shachindra: Yes, we can hear you.

Sanidhya Agarwal: Hi! First of all, congratulations on great set of numbers. We as investor are really happy with the kind of AUM growth. My first question is on the credit costs side. We are saying that at 2% we should settle down in terms of credit cost right? How are we seeing at it in let's say a bad cycle, business cycle, or, let's say in any recessionary event if it happens and what are the concerns related to that because we are dealing with global uncertainties? How are we seeing in such a scenario? What could be the impact to business?

Anuj: There are 2 ways to look at this. The way we have designed our portfolio construct, the portfolio construct will remain same as a principle and that is 70% of the portfolio will remain secured, 30% of the portfolio would be unsecured and within this construct what we have done from last 2 to 3 quarters is that we have started covering our unsecured business through the Central Credit Guarantee Schemes. If you find our percentage of unsecured which was 30% two quarters back, unsecured portion which is not covered by CGTMSE or doesn't have any kind of collateral, has actually come down to 23%. From design perspective, this is how we want to grow to continue to be at 70:30. Now, within that for each of the product we have a lifetime estimate of GNPA and credit cost, and those lifetime GNPAs are the stress scenarios GNPAs. In normal course of things, they would be lower but the way we have designed, we want to cover even the stress scenarios. Of course, for a very large unforeseen event happening like Covid, no one can be really prepared but within the MSME Ecosystem if in a particular state/sector or if in a particular profile, there is a higher stress, our plan takes that into account.

Sanidhya Agarwal: Okay, that answers my question. Second, I want to ask you. Are we trying to tie up with any payment platforms like, for example, Paytm or other payment platforms like PhonePe, where the business transactions are taking place on a day-to-day basis, and according to how many transactions the business is growing, even for small businesses that are not GST registered? We are already dealing with GST-registered businesses. Right? Are we also trying to deal with non-GST registered businesses?

Amit: I want to answer this into 2 parts. One. Of course, we already have a partnership and alliances business where we already have partnerships with whether E-com players or certain payment systems or supply chain systems where we leverage this alternate data to provide credit. The second piece is that this is where, there will be eventual migration of lot of businesses, because it makes credit easier with alternate data available. And so, the acquisition of MyShubhlife is in the same direction which gives us the power of technology and the platform there to be able to embed ourselves in such multiple ecosystems that these products can really scale up on this front as well. Also, one has to be cognizant of the fact that whenever we embed ourselves in these systems, these areproducts which are new ways. We need to test them for a while before we scale up, we need to have a clear eye on what kind of credit cost do they deliver because these, of course, are high yielding products. The approach is to be moving and add these kinds of businesses onto our fold, and that explains the acquisition of MyShubhlife.

Sanidhya Agarwal: Thank you. Just to ask last question. We are issuing around 1,300 crores of debentures and share warrants, right? These are all preferentially issued to certain people, so is there anything which you are looking for Retail shareholders as well.

Shachindra: No. There are multiple ways in which the company can raise capital. You know, one obviously realistic way – retail shareholders can always buy from the market, we don't restrict them. But to augment the capital, there are sources available to us. One stated objective of UGRO is to make it completely institutionalized ownership platform. We started with 4 private equity putting in the entire capital, owning almost, 80-90% of our capital structure. One of the PE investor, PAG exited from the market in 2022. That gave opportunity to some large family offices, public market retail investors to buy. That happened at the price range of Rs150 or so when we were trading only 1.1 times P/B. At the same time last year, because the company was not well known in public market, we felt a good source of capital is private, and we went to a very long-only investor sovereign fund and brought the Denmark government IFU into our capital structure. For this capital raise, we felt that if we bring one of 4 existing investor and few of the large family offices of India, it will strengthen our capital structure. For a company which is already listed, to bring broad based retail public, the only option is the right issue and right issue is a time taking cumbersome process, and people expect the right issue to be done at a severe discount with the trading price, which is not in the interest of the existing shareholder and that's why we have chosen this route to bring long term capital in our capital structure.

Sanidhya Agarwal: Okay, Sir, I just wanted to say on a lighter note that as an investor, we would have been happy to join in for 10,000 odd debentures or warrants if company would have allowed us. We just wanted that kind of clarity from the company in future, that even small investors like us should be able to participate in such.

Shachindra: I truly appreciate that. As you would understand our constraint. We come and talk to people like you only once in a quarter. When we raise capital, we raise through advisors and advisors take us to where we are hungry for food and where the food belongs. It's depending upon the servers who are our advisor. People who advised on this capital raise, we don't know who all they have reached out but where they took, we saw a very great big success rate on that. But they've quite fully taken.

Sanidhya Agarwal: Yes, definitely. In future we would be looking forward to such right issues, or maybe preferential to parties interested.

Shachindra: So just say that, keep watch. That is why there is a 2-day prior notice period required on a Stock Exchange, so UGRO gave advanced intimation that its board meeting to be held on 2nd May would consider a preferential allotment of capital issue. Obviously, you would have missed that otherwise, you could have sent an intimation showing your interest, and we would have included you, but no problem, we'll find a way to make sure that interested people if they want to come, they should be allowed to come, so that capital is not prerogative of only few. Anyone who want to participate in UGRO's capital structure, we really value that irrespective of the size and who the person is.

Avinash Singh: The next question is from Pruthul Shah. Please go ahead.

Pruthul Shah: Hello! Am I audible, Sir.

Shachindra: Yes, you are very much audible, Sir!

Pruthul Shah: Yeah, Sir, congrats for the great capital raise that the company has done. My question is with respect to the AUM guidance that we gave earlier for FY25, which was around 20,000 crore. Now we are not even talking about it. We are talking about 12-13,000 crore AUM, that is one thing and secondly, we have raised capital way more than what we were planning. From both the sides, if you see that we are raising a higher capital and sguiding for a lower AUM, what is the reason that these things are getting changed? Would you clarify on that aspect?

Shachindra: Yeah and the third thing which we have not guided is what we are guiding to, you see, for any investor like you, there are 4 things which are critical for lending business. First and foremost, the cardinal principle is that they should show some level of predictability and that's why these businesses should have 5 core parameters, they should grow between 30 to 35%. Beyond that you take too much of risk. Below that you are not attractive. Second, they should deliver a good ROA performance, if you're not a bank. Banks can survive on 1.5% to 2% of ROA with the leverage of 7-8x, they get to 18% ROE. NBFCs should deliver at least 3 to 4% of ROA. Fourth, the credit cost should be below 2% to 2.5%, not beyond that. Opex to income ratio should be between 40% to 45%, and depending upon the parentage, leverage can be between 4 to 7x, we said leverage would be upto 4x and co-lending supplements the leverage. If we achieve this for next 5 years, that will reward the investor. In lending universe, you have companies which trade 6x P/B multiple to less than 1x P/B multiple, just look at the NBFC curve. But what correlation would always be found is RoA, RoE and growth rate performance. The question is that you said that by FY25, we said, by exit of 2025, if we were to achieve a certain level of failure but that area was not helping the cause for other 4 parameters, then we have to recalibrate and adjust. We have proven our capability to growth. If you think the growth is the only parameter for value creation, we can grow at 100% for next 7 - 10 years. That's not a problem, because of the credit gap of which, 80% is in the target customer segment of UGRO (Rs 15 L to 15 crore turnover). You can grow as much as you want, but that level of growth requires a different level of capital, different level of free liability, pricing so on and so forth. Market situation, changing liability cost. But what we are saying is, what is that we want to achieve? What we want to achieve is a sustainable level of value creation for our existing shareholder, for every public market shareholder, for the new investor who are coming now, and that, we believe, is a function of growth combined with RoA, RoE performance. We will do that. That is the topmost priority. Second, why, we are taking that much of capital we have taken -we have said that we will take Rs 500 crore of capital but on the headline number, we have taken Rs 1,330 core of capital. Existing large investor are taking massive dilution at a price to multiple of 1.6 - 1.7 times, who should be the ones to be very, very unhappy. What we told them - we said that we can do tranche capital base. We raise Rs 300-400-500 crore capital now and we go next year, probably our price to book multiple would change, and we raise one more round of capital at that point of time. Given that we got so much of acceptability from some prestigious investors in the country. We say, because this is structured, it is a gradual dilution and not an immediate dilution. I'm getting a CCD - which will get diluted when it's get converted. Dilution would happen when warrants would convert. And that's why, if we can lock all the 2 years of capital needs for our growth and exactly same growth rate, what we have planned, we should take it. Today, our capital would go up by 550 crores, when the warrant would convert, the next level of capital would come in. It might lead to give more confidence to rating agency which might lead to rating upgrade. It will give more confidence to all our 30, 40 large lenders that this company has. No problem of capital also reduces the cost of borrowing. It gives more confidence to us as a management team that, come what may, if there is a hostile environment, if there is a little bit of any change in the ecosystem, we have the capital. That's our rationale. We genuinely believe that what we say here and what we deliver - investors are very smart, they understand the real intent of what we are saying. We wanted to tell all of you that we have the capacity to grow while we are a young company. There is no company in India in the lending space, especially NBFC which has delivered 9,000 crore of asset in 36 months flat and I'm saying it with lot of sense of responsibility. Now we are saying that in next 24 to 36 month our next stop is to deliver profitability, which matches to the best of the peers. Because we are in it to build it for life and create an institution. And some of you who participate in that journey would judge us on every quarter basis and we are happy to answer to all of your questions, for that.

Pruthul Shah: Thank you so much. A great answer to that. Just one question. What is the peak leverage that we are thinking on the business model. You mentioned about 4x. Is it so?

Kishore Lodha: Yeah, for next 2 to 3 years, we have not built ever more than 4 and a half times multiple leverage.

Pruthul Shah: Okay, okay, got it. And this last question from my side. This year, we have tripled our profit from Rs 40 to Rs 120 cr. Can you guide us on the profitability, how much and what range the growth would be for FY25?

Shachindra: There are too many moving parts when it comes to the real bottom line performance. Because there is a cost of borrowing element. There is an off-book percentage of our AUM element, there is an off-book percentage element, there is a yield element, there is a credit cost element. It would be unfair sitting right now to exactly give you the number. We can only talk directionally. In 8 to 10 quarters, we want to achieve 4% ROA, and every quarter, we want to demonstrate our journey towards that. You can do the math on your own at the quarter basis.

Pruthul Shah: Can you just say whether the PAT growth will more than the AUM growth, or it won't be the case.

Kishore: It's of course it is likely that our PAT growth will be higher than the AUM growth. Otherwise, this target of reaching 4% ROA cannot happen.

Pruthul Shah: Okay, okay, great Sir. Thank you so much for your answers. All the best.

Avinash Singh: Yeah. One question from the chat. The question by Amit is what went wrong in supply chain lending, 14% yield channel, is seeing 4% plus GNPA. Any learning from this? What correct actions we are taking?

Anuj: Overall, for an NBFC like us, the way supply chain finance ecosystem has evolved and the way we see the opportunity we think that for our kind of institution which is focused on a digital data science-based solution, the last leg of supply chain, which is from distributor to retailer fits in the best, the exposure are granular. More and more retailers are getting digitally enabled, technology solutions are available on board and underwrite them seamlessly and the rate of interest or the yields which are desired can be obtained from this segment because there is relatively less penetration. In our experience, the main anchor to supplier side and anchor to dealer side is more of large NBFCs and Banks domain, and we don't want to compete there. It is touch and feel underwriting - we tried and tested for our systems but we found that our moat would lie here in the last leg. Now coming to a relatively larger NPA within our product portfolio, it is a function of the AUM growth which we had. There were a few bad apples and one or 2 anchors with us in this stress kind of a scenario just after Covid and because we didn't want to grow the AUM in that space too much, as a percentage, the GNPA is looking higher. What we have decided now is that we will have an accelerated rundown of that portfolio, and we will progressively build the granular last mile retailer finance portfolio.

Shachindra: I would just add, to talk about what Anuj said. For the benefit of everyone who is listening, supply chain as the ecosystem component has multiple legs - the first leg is a vendor supplying to an anchor and banks lending to the vendor, believing that the money would come from the anchor. It is nothing but an off-balance sheet exposure to a large AAA rated anchor. Now that the financing happens at the rate of 7% with track, and without track, 6-8%. Now, we can't compete there. Our cost of borrowing is 10.7%. Second leg – Anchor selling to a very large distributor, which also have a CC/OD facility from a bank. So on both side of that spectrum we were getting customer, which were lower rated and were willing to pay our price. Theoretically, we are getting negative selection at BBB- or BBB+ company and we realized that that is not where we should be. Some of that reflection is in the NPA. While what I was said that because the portfolio is running down, the NPA would be higher. But that's where we felt that for a AAA anchor, nobody provides the financing for his last mile retailer, because that requires physical infrastructure, digital infrastructure, that data-tech driven underwriting, very small ticket size, that's where we should focus. Our learning is how we should play in the segment. Our strength is to understand data, underwrite basis that. UGRO's strength is then take the case to an underwriter who does a templated basis underwriting. Third strength is physical distribution and collection infrastructure which is today 105 branches going to almost 400 branches in next 2 years and we will play all our products to our strength rather than competing to the people who have balance sheet level strength.

Avinash Singh: Okay, we'll move to next question. Next question from Omkar. Please go ahead.

Omkar: Hi, Congrats on the fund raise as well as the results. My first question is on the Co-lending income it has been very strong during the quarter. Is this a one off? Because it's a Q4 or is this going to.

Kishore: Co-lending income is gradually increasing. The proportion of co-lending in the overall AUM is increasing. Hence the income is increasing at this quarter. A little bit of blip is there on the higher side because we have done rate reset for our end customers which has resulted into the upfronting, so part of it you can treat as one off.

Omkar: Understood, and in terms of cost of borrowing which we have said that it is going to come down. So are we looking at any credit rating upgrades in let's say next one year?.

Kishore: There are multiple parts to it. First part is on the broader interest rate cycle. We think that considering the global scenario and considering the domestic scenario, interest rates are unlikely to go down in the first half of the year at least. It may take even third quarter or fourth quarter of the year before interest rates starts going down. Considering our vintage, our performance and our strong relationship with multiple sets of lenders, and also coupled with this equity raise, which is fairly large which is almost equivalent to our current equity, we should get rating upgrade and also it will give additional comfort to our existing lender because equity always gives significant comfort to the lenders, so it should help us in terms of bringing down the cost of borrowings. We had a rating upgrade in March, CRISIL upgraded us from A- to A/Stable. Quick rating upgrade does not come by but we are quite positive that once they get to know about this fundraise we should get another round of rating upgrade shortly.

Omkar: Okay, thanks. Thanks. And all the best.

Avinash Singh: Going next. We have a question from Anil Tulsiram, please go ahead.

Anil Tulsiram: Thank you for the opportunity. ROA bridge. My problem is you giving lot of increase in the expected ROA. Can you explain what gives you confidence to increase the branches from 75 to 250. And what has been the experiencing recovery from the past defaults? That's the first question.

Amit: If you've been following us, we launched these 75 branches in 2022-23. At that point of time when we launched these, we waited to see how these branches perform, what is the learning, and we've seen that all these branches breakeven in anywhere between 12 to 15 months. Given the accelerated learning after that, on our micro enterprises model, we are opening under the next level of 75 branches and we've already opened. These should go live during this quarter, and the next 100 branches will come in during the year. The confidence is coming from the fact that there is a proof of concept. There is accelerated learning curve. There is a product suite that can be distributed out from these branches, which our peer sets may not have, and therefore, the productivity is higher, and from there, with a strong base, there is an ability to scale up and grow.

Anil Tulsiram: Okay. and Sir, is my understanding right that the entire loan of micro loans is secured by the Central Agency.

Amit: Not the micro enterprises. These loans are secured, loans secured by property, either residential or commercial. These are loans up to 25 lakh rupees in tier 2 tier 3 towns. They're secured by property.

Anil Tulsiram: The next question is on the cost. The entire decrease in cost will be only because of increasing the scale, or we are taking any steps to reduce the customer acquisition cost.

Shachindra: Both the reasons combined. One, of course, that there is an overall scale impact which is leading to the whole reduction in cost to income ratio. You would have seen our cost to income ratios drop quarter on quarter or year on year over last 2-3 years, and we'll keep going from the current band towards the towards the range between the 40 to 45% over next 8 quarters. That's number one. Number 2, cost of acquisition, there are multiple channels where we acquire. The intermediate channel is a very, very commercialized channel. We all know a lot of other players also playing the channel so cost in these channels are more or less standard. However, as our productivity increases in our micro enterprises, the equipment finance loans, and our direct channels, our cost of customer acquisition will keep coming down, which will also add to the drop in our cost to income.

Anil Tulsiram: Then the last question is on the DSA. They are known to take the file to anyone who's giving higher commission, so do we have any plans to increase our own channels, our own men on the street to source the loans, or we will rely more on the DSAs going forward.

Amit: Our intermediated volumes if you've been following again, have been at 58-59% last quarter. At the end of this year, they will be in the range of 45%. Which means that, given our expansion in micro enterprises branches, given our expansion in the ecosystem business, there is a conscious effort to move away from the dependence on these. That's number one. Number 2 - this also is imperative, because Shachin also touched upon the foreclosure rates, and these foreclosures also are a function of how it was originated, and we felt the pinch of it last year, so there will be a continuous conscious effort to move away from the intermediated channels. We see this going towards 40% or sub 40% in next 8 quarters.

Shachindra: Absolutely unfair to say that DSA take file where the there's the highest rate. Intermediaries in India play a very important role to get timely credit to MSME. The actual rate of intermediation within DSA industry is uniform. While there is competitive pressure, if suppose a new player enters, it might give 10 basis point higher, but that's the easiest. For secured loan between 1.25% to 1.5% is the standardized commission rate, for a business loan, 2.5%-3.5% is a standardized rate. DSAs don't work on machinery and rooftops but we are making them learn. What DSAs want is a good price for the customer and a very superior turnaround time**.** Our turnaround time vis-a-vis big players (all the big names in the industry), we win business on our power of turnaround time. Machine says, yes and no, a platform in 60 min says, gives in-principle approval, and that is why, at a little higher blended portfolio yield of 12.75%-13% vis-a-vis competition at 10.5%, we still win our business. The only trouble or only challenge is, this is a customer because of his primeness is always hunting for a lower rate so once the customer comes to us, because for turnaround time the competition offers at a lower price, that it moves away from us and with the way we think is that we have to engage our DSA partners with multi product, we will gradually become more competitive on the pricing side. And that's why this would remain an important component of our business. But we are focused on building our direct universe. Today 50% come from our intermediate channel. All of our micro enterprises is direct. All of our machinery is direct, all of our retailer financing is direct, all of our partnership and alliance is with another NBFC or Fintech. All of our digital is direct. This proportion would tilt gradually. From a 50%, the intermediate would go down to 40%, go down to 30-35%. The reason why it would go down because they are more products being added to intermediary channel. We are telling the intermediaries. You can also do rooftop solar. Because it is in our interest that our intermediary partner also learns to do more than just selling a LAP or a business loan. Our absolute volume may not go down but our focus is to increase our funnel to direct customer. I want to tell DSAs- you are an important partner to us. Yeah, but we would like to own the customer and service the customer need, and that is why we go in more direct.

Anil Tulsiram: Got it, sir, and my last question is on MyShubhLife - just like micro loans, are these unsecured loans. Will they be under insurance of Central Government Agency?

Shachindra: If we want, we can take it. These loans are priced largely at 30%. They have a short tenor of 30 to 90 days, the customer might come back on daily basis. We have presumed very high credit costs and the pricing being low, we will see whether we need a credit guarantee on top of that or not. The credit guarantee is nothing but insurance. You can take the same insurance on your own by over provisioning for that. The customer segment would be eligible for credit guarantees scheme. In fact, most of these customers would be eligible for Mudra, eligible for CGFMU, and some of them would be eligible for CGTMSE as well and if you read the BJP manifesto, and if they happen to be the next forming government, they have promised that the Mudra limit will be increased from Rs 10L to 20L.

Anil Tulsiram: Thank you, sir, that's it, that's it from me. I will join back the queue.

Avinash Singh: The next question is from Sonal on this regard.

Sonal Gandhi: Oh, hi! Congratulations on the equity raise, Sir! I have 2-3 questions. One on the co-lending income you've touched upon it. The question was, we have done some reset right. I heard that up almost 30 basis points on a on a blended basis to a question. Are the rates higher in this quarter because of that reset. And look at, Co-lending plus direct assignment AUM and if I look at the income which is upfront, you know, almost 19% versus about 14%-14.5% in previous 2 quarters. So maybe if you could help me or guide us, how should we build that number in in next 2 years?

Kishore: It depends upon the product mix as well. Every product comes with a different yield band, and that upfronting will depend upon the quantum of DA or CLM which we do in that product segment be it in the business loan segment or the micro business loan segment. If we have, even if we do lower numbers, then the upfronting would be significantly high, because those products are at 19% to 20%, and bankers would normally take around 9.5% to 10% compared to a secured product where the yields are 14%, the bank would still take about 9%-9.5% and the margins would be significantly low. We have to do significantly higher volume on the same quantum of upfront income. It would depend upon the mix of all the products that how much income would come in. Ofcourse this quarter, as I explained earlier, that we have done rate reset for all our secured products, where we are on floating rates and that has given an additional blip on this upfronted income.

Shachindra: On your question, how do you build the model? I can only help you with a few facts. Please look at our co-lending sheet. Our co-lending sheet has a percentage by product. How much of that has gone into the co-lending and then there is a bifurcation of co origination and as well as DA. Co-origination is largely spread income. Co-lending is retention income, which comes all upfront. If you apply that matrix, and we have also been telling you that if we are at run rate exit at 550 crore, incremental AUM growth will come, and higher yielding micro enterprises secure loan, and there is a percentage component of that which is already in the co-lending. You cross reference, these 2, you'll be able to get to the model.

Sonal Gandhi: Right, sir. I've done that. 19% is the rate this quarter and previous 2 quarters, it has been 14 and a half percentage.

Shachindra: We can have a separate conversation. Obviously, you are the covering analyst. You will have much deeper level of questions. We can help you with some of that. If you don't mind. But please go ahead with the rest of your questions.

Sonal Gandhi: Second question was, we are talking about increasing yields by about 150 basis points now. You know, I understand micro enterprise loans going up, and that's a high-end product, and probably the secured product might fall.

Shachindra: No, no, it won't. What would happen? All our 23 branches which do high ticket 13.5% loan will continue to do that at incremental volume. If suppose theoretically, you are doing 550 crore a month, and if we were to do a 600 crore a month, incremental 50 crore would come at 20%, which is also secured loan. But it won't change too much of percentage.

Sonal Gandhi: Maybe I framed my question in the wrong way. Let me just reframe or rephrase it. Secured prime, probably, as of the focus moves more on micro enterprise will continue doing secured &

also secured prime but the percentage of our micro enterprise loans will increase as a percentage of our AUM.

Shachindra: That was about the end of the quarter 9%. It will go to 20%.

Sonal Gandhi: And the differential would be about 700-800 bps in yield. Yeah, that would give us about point 90 bps kind of increase. And against other ways less 60. That's where? Where are we expecting that to come from.

Shachindra: From retailer financing, from digital channel. Little bit of, threshold band, we have changed. We have now reset rates for all our partnership and alliances. We have moved it up by 100 basis points in P&A. We have moved up by 50 basis point in Prime. Lot of small activities have been done. You are broadly right. That 0.9% to 1% will come from micro, 0.25%-0. 3% will come from our retailer financing, but that would take time to grow and balance is series of action across our product line.

Sonal Gandhi: Understood and said, when was this reset banked? Probably you know the number. What is reflecting so far is about 30 bps in the quarter, so can we expect, like another 20-30 bps in the next quarter.

Kishore: The reset was done on 25th January. Since then, the entire book has been, almost the entire secured book has been reset so the numbers would continue to reflect the way they are in March.

Sonal Gandhi: The next questions are on the acquisition which we have done. If you could just spend some more time talking about it. What I understand is they are a platform right with other payment apps. And we'll get data from that platform. I mean, if you could just talk a bit about the acquisition that what are they exactly doing?

Shachindra: What they exactly do, I'll give you a case study. If there is FINO, or if there is Pine lab, or there is Airtel payment bank and if there is a merchant, who uses the QR, needs suppose ₹50,000 to buy some material, and he needs credit for that. He should be able to repay on a daily basis from the payment which he is receiving from his customer. What is available is that all this payment is get reflected in a FINO payment bank account and the transaction flow is visible. What MSL does is that it integrates it to the payment ecosystem, what it gets through the consent of the customer, the access of the transaction for money coming in, money going out and bases that it's data algorithm, underwrite credit. It is for a short amount of 30 days how much of money can be given to the underlying customer. So that is what MSL does, and it has proven that model works, for, almost 6-7 years. What they didn't have is the balance sheet. When this platform becomes our subsidiary, our platform is already integrated to some of these systems, and we provide the balance sheet and our supervision probably reduces their cost of borrowing. Would also lead to more customer acquisition and the accretion of P&L for us. Transaction structure, I've already explained. It's an acquisition for 45 crores which is valued not like the way VCs value Fintech platform. It is valued at 1.9x P/B value. Target Company already had 23 crores of networth, and we have acquired for 45 crores. 36% of that is being paid in cash to give exit to one of for one of their investor, which only need cash and balance they will take shares of UGRO at the same price on which we are doing the preferential allotment. These are some of the best VCs and early-stage funds in the world, and they will become very small shareholder in UGRO. But they will come on our cap table.

Sonal Gandhi: Thank you. Thank you so much.

Avinash Singh: So next question we have from

Mohd Ansari: My question is about EPS. You have indicated that for the next 2 years the AUM will grow at 30%. I am assuming that the profit will be more so even if the profit goes up by 45%, then at the end of 2 years after equity dilution, we'll still end up with an EPS of ₹19 only from the present

Eps of ₹13. It won't go up more than that. And how are we going? Market is not going to reward you with an increased price. That way you have a diluted huge equity dilution.

Shachindra: First and foremost, you know, while PE and EPS are very critical parameter. Because capital is always taken into the company, lending institution get value (and you should speak to most of that) on growth, ROA, ROE performance, and that define price to book value. And obviously EPS is embedded into that. The one our capital, is coming in a staggered fashion. We have to see at that point of time. as we guided that our profit growth would be definitely, significantly higher compared to our AUM growth. And that would continue to be the trend for next 3 years, and it will be significantly superior. Last year our AUM was 6,000 core, but for profit was 40 crore. Our AUM is 9,000 crore this year, but profit is 120 crore, of course. Next year we it will not be 3x. But the trend will continue. The way to think about is that 1,330 crore of capital when it get converted, should be adding around 5 crore more shares. So from 9 crore to 14 crore, total number of shares might increase. Our capital raise of Rs 1,330 crore added to networth of 1,440 crore, and 2 years of profitability should be the networth. When we apply 18% RoE, our Eps would be far superior than what it is today.

Mohd Ansari: Yeah, yeah, I get you right? So that's what I am estimating. The profit will go up. Eps will go at 25% through a year. Even then we'll end up with also this month. Evaluation Rs 20 Eps which will not be a good performance compared to our competitors.

Shachindra: No, sir, you're not doing the math correctly, because, you know, this first and foremost lending business, you always would be adding, more capital. Now depends when you add the capital, whether the resultant is making capital more efficient or not. So theoretically, at a 1450 crore capital, we add 1,300 crore capital is 2,700 crore. Suppose we add around 600 crore of profitability which would be around 3300, and you do 18% of ROE on that.

Mohd Ansari: Okay. Thank you.

Shachindra: yeah, we'll take next.

Parul Upadhyay: Greetings to everyone. Greetings to Mr. Math, Mr. Pandey, Mr. Mande, Mr. Lodha, and Mr. Agarwal. My question is, first of all, congratulations on the fundraising part and given the potential for higher loan origination, volume and portfolio growth in 2024. How is UGRO able to efficiently scale to meet these demands while maintaining optimal performance and data security.

Sharad: If you look at last 2-3 years, we had a growth phase, right? And there are lot of new systems. We built in lot of processes, a lot of IT infrastructure, physical infrastructure. Okay. And now we have consolidated into all our IT stack and including our office infrastructure. We have put all security layers, whatever is required. Firewall, everything, which can meet this demand at the same time on an operation side. We also did a study, and we are competing to manage to grow with the same kind of manpower with a lot of productivity increase at an advance level. Some process announcement initiatives which we have taken will easily meet this growth demand.

Shachindra: UGRO is designed to early capitalize or early invest and then augment growth. It started with 1,000 crore of capital. It invested in this management team and technology and physical infrastructure, and it grew to an intermediate level, a small capital increase. And now it is re-upping what it did in 2018, similar level of capital it has taken but this time all the investment in technology, people, infrastructure is not to be repeated, and we can take more accelerated growth and more operational efficiency.

Parul Upadhyay: Thank you. Everyone.

Avinash Singh: Question we take from Amit Parik. Please go ahead.

Amit Parik: Okay, okay? So I would just like to ask. We went for a preferential issue. We could also be gone for cash issue. Why not? We went for preferential issues to some additional investors right. We are unnecessarily favouring new investors. Do we not value existing literature order, sir.

Shachindra: It is the other way around, sir. If we had issued in cash fully, then the existing shareholders would have been diluted immediately rather than taking the immediate dilution, we are staggering it for 18 months.

Amit Parik: Existing investors are not there for a single or 2 quarters right. There is a time concept of time value of money, and if we give discount in the name of warrants for 18 months. the 10 to 20%, you said, is what primary investors get.

Kishore: Yeah, but it comes with the rider also that once they exercise the warrant then they have to be locked in for 6 months. Considering the current scenario and considering the external environment, we thought that this would be the best structure. Because this is the large quantum we could gather by view of this structure, which normally otherwise, could not have come. In a direct cash link and equity raise, probably it would have been too dilutive immediately for the immediate shareholders who are there. If all the conversion happens after 18 months, then for 18 months, the existing shareholders does not have any dilution. Also, we believe UGRO has a massive potential to get re-rated. We are highly undervalued relative to our peers, and we wanted to make sure the incoming shareholders stay with us for a while, and it should not start happening that the price goes up big time and all these investors exit. That's also why we wanted to make sure that we do a staggered raise with a lock-in.

Amit Parik: If you have a very high potential, why would the incoming investors sell off the shares and go away, sir?

Shachindra: When people look at a different perspective and incentive to book the profit. Right? That's at a philosophical level. And that's why I said that we think this was a good structure to log capital, attract high quality investors, and get capital in a staggered manner through this method.

Amit Parik: You said you have attracted high quality of investors, but we have added new hundreds of investors for such a small amount, sir. How are they not convinced by putting in heavier amounts in your company, sir. Because no large good institution …

Shachindra: Okay, we'll answer this last time, and I'll explain you the context and probably move on to the next question. First and foremost. This company has attracted some of the world's best equity investor in form of private equity and some of the world's best DFIs. It's entirely institution based capital. Nobody should ever question about our ability to raise capital from institutional investor. One of our existing investor, which is a blue chip private equity investor, put 500 crores of commitment in this capital raise, and some of the best family offices put very substantial amount of money. We don't want to create concentrated shareholding. Concentrated shareholding means that at some point of time the concentrated shareholder would like to exit, and that puts big pressure on the stock. That's why we want to diversify and democratize our own shareholding. That's our strategy, and that we think is best for our company.

Avinash Singh: Yeah, we take next question for use. Bothra, please go ahead.

Piyush Bothra: Yeah. My question is on the quality of the on book. We see that the on book npa is around 3.5% and on the total book NPA is 2%. I believe the underwriting parameters should be same for both on book and off. Is there any specific reason why the on book NPAs are higher than the off book.

Anuj: It is the way it is designed. What happens is when you log off book. A substantial part of that is co origination. and in co-origination we tie up with other NBFCs, and we give FLDG. On that co-origination book when FLDG is utilized, only those cases come back in our book. and that is why, as a percentage, it looks higher. Going forward also, the strategy is to be at around 50%

off book. And out of that 50% a substantial amount with would be in co-origination. So, this differential will keep happening.

Piyush Bothra: So you mean to say, if the loan goes bad on the co-origination one, then it will come back to UGRO.

Anuj: Because FLDG is utilized.

Piyush Bothra: Is the FLDG only for the NBFCs? For banks, you cannot do anything.

Anuj: Only for NBFCs.

Piyush Bothra: In the range of 5 to 7%. If I'm not.

Anuj: Yeah, about 5%. And it is utilized at actuals. Whatever the NPA rate is for that given product..

Piyush Bothra: Okay, so going forward when you're increasing that 3,000 crore of AUM this year. This secured - is there any anything related to the secured and the unsecured book, like you're doing more unsecured on the on book side, or more secured more.

Shachindra: No, nothing, no, nothing like that. If you see the on book versus off book percentages across our products, they've remained steady for last 4-5 quarters. Yes, lot of unsecured portfolio, historically, has gone into co-origination and because unsecured, has traditionally higher NPA rates. That is why the reflection on on-book of that is relatively higher. But we plan to move steadily to banks, even for co-origination and once we transition that (and that require a lot of technology integration on banks' part etc). But once we do that, then this differential will start coming down.

Piyush Bothra: What's the comfort zone for a on book GNPA for you? So right now it's ~3%. What's the comfort level for you like it?

Anuj: It is a number which is a derived number in our case, and that's why our planning is at AUM basis. We are quite comfortable, and lot of our banks' covenants are basis that comfort, and we are quite comfortable to go up to 5%.

Piyush Bothra: Oh, yeah. Awesome.

Anuj: I would say, I will start explaining this way, that while we maintain everything is at AUM level, our financial institutions also look at on book GNPA, because floor rate they calculate on basis of on-book. Now, you know, it's little complicated. We have a co-origination wherein we have given the FLDG. So that portfolio technically is on book. While it is de-linked and we are not applying capital but we are applying FLDG. We have a co-lending book his is on non-re-course to us, and we have an on-balance sheet. We are trying to alter the model in a way wherein the on book plus off-book should come to the parity**.** We always think that the on-book would run in this way, because certain high yielding product which banks don't understand would remain on our balance sheet and rest will continue to go on off- balance sheet, and there is a recourse, and non-recourse basis, but broadly you should take - what you are seeing at AUM level will be in this rate, and at a balance level would be in this range.

Piyush Bothra: Apologies for my ignorance. Did you say that co-origination is on book?

Shachindra: It is not all booked, it is off book. Which means there's no capital required for that. But given there is an FLDG, we provide for that. because if I have a 15 or 22,000 crore of off book in form of Co regulation, and I provided 5% Fldg, then I have to provide for potential credit cost on book today. To that extent we take the risk of that portfolio on our balance sheet.

Piyush Bothra: So just one quick update. If you can share on the GRO app, you had a pilot app on it one year back, and a lot of advertisements we saw on TV as well. What's happening on the GRO app? If you can just share.

Shachindra: It is working very fine. We have been continuously adding customers except one problem. We launched our app with a core idea that it is a credit on UPI platform. Simultaneously. RBI guidance on credit on UPI came in. Which by design or you know by default, they said credit on UPI would only be available to banks, and not to the NBFCs. What it meant that our core proposition that the customer takes loan on app, receives the disbursement through a QR Code, and pays back through a QR Code got stopped. Now we pivoted that and it became an app where credit is available at a click is available, and is designed to disperse through, NACH and recover through NACH. Every customer of UGRO, we are offering GRO X as an attachment, so that the app continues to function. Some of its functionality is now being would be used in retailer financing. One very large lender in India (which is a bank equivalent) is also trying to white label, and they are allowed to do that. I think, on a long term basis, RBI will be able to finally open up credit on UPI for NBFCs as well. But it's like any NBFC credit card kind of a thing, and we have to be ready for that. In the interim period, we are monetizing our investment and our brand cost by these steps.

Piyush Bothra: Thank you.

Avinash Singh: We take next question from Deepak. Yadav, please go ahead.

Deepak Yadav: Hello! Can you hear me, sir. I just have one question, how we calculate? Roa? Is it on consolidated AUM basis? Or is it just on or off book. AUM, because I was just trying to cross check. This number. Like is 2.3% for this year. And the AUM on console basis is 9,047 crore.

Shachindra: Yeah, I'm seeing it on the balance sheet basis, not on the AUM basis.

Deepak Yadav: So. okay. Understood. Okay, thank you.

Avinash Singh: We will take that as a last question. And I now ask Mr. Shachin not to give his closing remarks, and then close the call over to her.

Shachindra: That was the last question on this. Okay, no. Thank you. Emkay, team, for arranging this call. As I said in my opening statement UGRO is a young company. It has been built with lot of passion & rigor. In this this round of capital, not just me you would have seen that the entire management team of UGRO has also invested. There's saved capital into the company along with the investors. We genuinely believe that India's MSME deserves to change, they need to be provided credit. They need to be given opportunity to grow as because they provide employment to millions and millions of deserving people of this country given that India's ecosystem is growing. Given, that the MSME contribution to GDP is growing. Given, that our tier 2-tier 3 towns are maturing. Some of us who come from those small cities and town have this aspiration to make UGRO as India's predominantly small business financing institution. This result is in line with that passing quarter. We will continue to give you the good result, and hopefully, with all your blessings. UGRO in few years would be India's largest, most revered financial institution for SMBs. Thank you very much.

Avinash Singh: This marks the closest of this call. Thank you. Everybody for joining. Thank you.

Shachindra: Thank you. Thank you.