

November 21, 2023

BSE Limited

Corporate Relationship Department
25th Floor, Phiroze Jeejeebhoy
Towers, Dalal Street, Fort,
Mumbai - 400 001.

BSE Scrip Code: 511742

National Stock Exchange of India Limited

The Listing Department,
Exchange Plaza,
Bandra- Kurla Complex, Bandra (East),
Mumbai - 400 051.

NSE Symbol: UGROCAP

Dear Sir / Madam,

Subject: Clarification on RBI Circular dated November 16, 2023 w.r.t regulatory measures towards consumer credit and bank credit to NBFCs

We have been receiving multiple queries from media houses, investors and lenders of UGRO on the impact of Reserve Bank of India circular dated November 16, 2023 w.r.t. "Regulatory measures towards consumer credit and bank credit to NBFCs."

The attached note which is enclosed in the annexure is being published to clarify these queries. Kindly take the above for your records and disseminate to investors at large.

Thanking You,

Yours faithfully,

For UGRO Capital Limited

C. Satish Kumar

Company Secretary and Compliance Officer

Encl: a/a

Annexure

Clarification: RBI Circular dated November 16th, 2023, Regulatory measures towards consumer credit and bank credit to NBFCs

This is with reference to the circular dated 16th November 2023 issued by the Reserve Bank of India with respect to consumer credit by Banks/NBFCs and bank credit to NBFCs.

We would like to inform you that the debt equity ratio and the capital adequacy of the Company (“UGRO”) as on 30th September’2023 was 2.8x, and 24.8% respectively. UGRO is a DataTech driven dedicated MSME lender, we have a diversified portfolio managed under our branch led channel for secured and unsecured business, ecosystem channel, partnership and alliances and direct digital channel.

a) Increase of Risk Weight for Consumer & Personal Loans

UGRO’s customer base is registered Micro, Small and Medium Enterprises (MSMEs), having Udyam registrations, for both secured and unsecured loans with 100% Priority Sector Lending (“PSL”) loan book. Hence, UGRO would not have any additional risk weight on the underlying portfolio and the impact of the increased risk weights mentioned in the above referred circular on capital adequacy ratio, Return on Equity and Return on Asset would be **NIL**.

b) Increase of Risk Weight on Bank Lending to NBFC

Our borrowing is a mix of borrowing from Banks, Capital Markets, DFIs and other financial institutions. We have some of our bank borrowing towards Priority sector loans as per the RBI definition of onward lending. We don’t foresee a significant impact on liquidity because of this circular. As our asset under management qualifies for PSL classification, we do not expect any material impact on the cost of borrowing due to the increase in risk weights for Bank Credit to NBFCs.

UGRO, besides borrowing on its Balance Sheet is also focused on Co Lending with diversified set of Public & Private Sector Banks and approximately 45% of its asset under management are managed under off – balance sheet basis. With its diversified lender base, strong Co Lending partnerships and our focus on priority sector led MSME, we do not expect any impact of the increased risk weights of Bank lending to NBFCs either on our growth trajectory or profitability either on immediate basis or in foreseeable future.