

22nd May 2023

**BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001**

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

Scrip Code: 511742

NSE Symbol: UGROCAP

Sub: Transcript of the Earnings Call with Analysts/Investors held on 16th May 2023

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 16th May 2023 to discuss the financial results of the Company for the quarter and financial year ended on 31st March 2023.

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,

**Namrata Sajnani
Company Secretary and Compliance Officer**

Encl: a/a

UGRO CAPITAL LIMITED

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“UGRO Capital Limited
Q4’FY ‘23 Earnings Conference Call”
May 16, 2023



MANAGEMENT: **MR. SHACHINDRA NATH – VICE CHAIRMAN AND
MANAGING DIRECTOR**
MR. AMIT MANDE – CHIEF REVENUE OFFICER
MR. ANUJ PANDEY – CHIEF RISK OFFICER
MR. KISHORE LODHA – CHIEF FINANCIAL OFFICER

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

Moderator: Ladies and gentlemen, good day, and welcome to UGRO Capital Limited Q4FY23 Earnings Call. At this moment all participant lines will be in the listen-only mode. Later we will conduct a question and answer (Q&A) session. At that time, you may click on the raise hand icon to ask

a live question. Please note that this conference is being recorded. I now hand the conference over to Mr. Avinash Singh from Emkay Global Financial Services. Thank you, and over to you, sir.

Avinash Singh:

Yes. Thank you. Ladies and gentlemen, good afternoon. On behalf of Emkay Global Financial Services, I welcome you all to the Q4 FY23 results conference call of UGRO Capital Limited. We have with us from the management, Mr. Shachindra Nath, the Vice Chairman and Managing Director; Mr. Anuj Pandey, the Chief Risk Officer; Mr. Amit Mande, the Chief Revenue Officer; and Mr. Kishore Lodha, the Chief Financial Officer. So, without any further delay, I would like to hand over the floor to the management for their opening comments.

Thank you, and over to you, Kishore.

Kishore Lodha:

Good evening to all the participants on behalf of UGRO Capital, we thank all the participants to take time out and participate in our investor concall for the result of this quarter. We continue with our growth momentum and have achieved an AUM of INR6,000+ crores versus INR3,000 crores last year registering a growth of ~105%. I will quickly run you'll through the financial performance for the quarter ended Q4FY23 and full year FY23. FY23 gross disbursement stood at around INR7,200 crores vis a vis INR3,138 crores during FY22. We have emerged as one of the fastest-growing and one of the largest Lending-as-a-Service providers in the MSME co-lending space where our total off-book AUM proportion is 40% and on book AUM proportion is about 60%.

Our total income for FY23 increased by ~119% to INR 683 crores versus INR 312 crores in the previous year. Total net income increased by about 123% to INR 390 crores versus INR 175 crores of the previous year. Profit before tax has increased four fold to INR 83 crores versus INR 20 crores of the previous year and profit after tax stood at INR 39 crores versus INR 14 crores during the previous year. This year, we have taken a one-time hit of INR 20.6 crores as a write-off w.r.t deferred tax assets, if we adjust that then our profit after tax would have been INR 60 crores versus INR 14 crores of the previous year.

The company has delivered a ROTA of 1.1% during the year. If we adjust with the deferred tax adjustment, then it would have been 1.7% vis-a-vis 0.6% in the previous year. As a result, this company has delivered an ROE of 4.1% and on an adjusted basis ROE stands at 6.2% vis a vis 1.5% during FY22. We have increased by fourfold in ROE as well. We have seen another good quarter in terms of profitability and QoQ profitability has steadily increased. Last quarter i.e. Q3'FY23 our PBT was about ~ INR 22 crores where as this quarter, is the same is ~INR 33 crores.

Our cost-to-income ratio is steadily going down. Last year, our cost-to-income ratio was ~72% and this year, we have brought it down to 62%. Our Q4'FY23 cost to income ratio exit was roughly around 56%. In the guidance, we will continue to walk down this path and next year our cost to income ratio will go down to ~47%. Our overall debt stood at around INR 3,149 crores as on March 31, 2023 and our Mar'23 leverage stood at 3.2x. Our capital adequacy was ~20%

for the year ended March 31, 2023, this does not factor in the capital raise which we have done in the month of April and May.

As you all of you must be aware that in the month of April, we have raised INR 340 crores through a combination of Preferential Issue and QIP, INR 240 crores has been raised through Preferential issue where Denmark government backed sovereign fund IFU has participated and invested INR 240 crores and our QIP amounting to ~INR 100 Cr was completed during the month of April where funds were raised from domestic institutions and some of the large insurance companies participated as primary participants of the issue. Overall, the credit quality has remained quite stable. Our gross NPA as a % of Total AUM has come down from 2.0% to 1.6% and our net NPA has decreased from 1.6% to 0.9%, which is quite healthy. PCR has gone up from 26% to 48% during the year. Borrowing cost has remained more or less stable for us. During the quarter, the borrowing cost has increased by ~7 bps from 10.50% to 10.57%. On full year basis, where the overall rate has increased by 225 bps for the broader market our overall borrowing costs has gone up from 10.30% to 10.57%, registering only ~ 27 bps increase in borrowing cost.

With this, I hand it over to our Vice Chairman and the Managing Director, Mr. Shachindra Nath, to take you through our journey so far and our plans ahead. Over to you Mr. Nath.

Shachindra Nath:

Thank you, Kishore. Before actually, we start the formal presentation all of you normally see the quarterly result presentation, which is all about the numbers. As a young company, which has just started its journey four years back, we recently launched our brand campaign, and we wanted to show you the campaign itself. The reason that why we wanted to show you the campaign is because we provide a unique proposition for our customers and we have tried to portray that proposition through what goes in lending when we provide instant credit.

So, it's a film about a business owner inquiring about the unavailability of raw material due to shortage of funds. He sends an SOS via his mobile phone, which is represented in a bottled message and is picked up by a pelican. How an analyst represented by rooster, an emperor, how the KYC, how the large portion of data is used and then within minutes, the credit is delivered is represented by this film. Please watch.

[Video Presentation]

Thanks. Moving on, MSMEs in India have traditionally been a credit starved business segment. While MSMEs employ ~110 million people and account for ~30% of the country's GDP they have generally suffered difficult time because of the late payment, and disputes which suffocate their cash flow. Lending institutions have largely been reliant on collateral to provide loans to MSME segment and this is now transitioning. We genuinely believe that the next decade or two decades belong to MSME financing in India. We have seen this for consumer financing and multiple institutions have been built around it that same thing will now happen for MSME financing wherein a few set digitalized data lenders would explode the credit for MSME.

With the advent of GST smaller entities are now finding it advantageous to report top line, resulting in very robust compliance. If you combine multiple other data set which is the banking data, repayment behaviour from Bureau and now more inputs which are getting added, and if you have the ability to combine all this then you can genuinely assess the repayment capacity of a borrower. While all of us as lenders continue to do pure cash flow-based lending with collateral but eventually our belief is that lending would not remain restricted purely basis the collateral.

There is a massive ecosystem around, OCEN, and Account Aggregation that is getting built up. UGRO is a pioneer in most of that and the following video will showcase how actually it is functioning before we do a quick deep dive in terms of what we have built around it.

[Video Presentation]

Thank you. I now hand over the conference to Mr. Anuj Pandey. Anuj, as you know is our Chief Risk Officer, our entire technology team and our data analytics team report to him. He not only passionate about it, but also the entire ecosystem around our data and tech is built basis his guidance and leadership along with his team.

Over to you, Anuj.

Anuj Pandey:

Thank you, Shachin. Good evening, everyone. This is a good opportunity to look back, and I wanted to tell you all when we had started in 2018, our mission what we used to call it was “Solving the Unsolved” and that solution in our mind was to make a scientific template around underwriting MSMEs, which is sustainable and scalable. In the next few slides, I will demonstrate and tell you what all we have achieved in that direction. This is a short highlight slide on how we have scaled up and how the data system and ecosystem around us has also evolved.

Just to give you a few numbers in the last four years, our proprietary GRO score has been applied to 63,000 plus customers. We have analysed more than 1.9 lakh Bureau records. We have analysed more than 93,000 bank statements, and we have analysed more than 34,000 GST records. This has happened because we have been able to make a platform where onboarding of documents by customer has been made seamless with a click of button, and on the back end, there is a technology module, which is working tirelessly 24/7. This has resulted in UGRO having 48,000 live customers. The gross banking turnover of the customers whom we serve is now close to 1.6 lakh crores.

We are into about 25% of the top pin codes in the country where the SME concentration is high. We serve 115+ anchors and OEMs but what I'm most excited to share is what the future is looking like and the power of network science, which we now have the capability to see and in very short future to encash. Just to illustrate to you today in our network of customers, we have demographic records of 25+ lakh counterparties. We cover more than 10% of India's registered companies and this is what happens when we are reaching a tipping point and where because of

the GST linkages in the ecosystem, we will be able to identify and solve customers' working capital needs across the trade corridor.

Today, in our network, we cover more than 95% of India's top 500 companies and 19% of all GST registered companies are in one way or other part of the GST ecosystem of the companies, which we serve directly. We have it all set, our data science team is working on cutting-edge solutions and we are very confident that our stated goal of serving at least 1% of MSMEs lending market will be solved in near future. What we will do now is give you a glimpse of our latest version of GRO Score, which we internally call GRO Score 3.0 and what it is capable of. So, we'll start the video.

[Video Presentation]

So, you would have watched the video. I'll take a few minutes more to explain the building blocks of our flagship GRO Score 3.0. This is at the very heart of the underwriting model which we have developed for SMEs. At the very basic, our GRO Score is based on three components. We use GST transaction data for last 24 months, which is available on a click of button through consent of the customer. We take last 12 months bank statement of the customer, which, again, today is possible with a click of a button and the repayment history of the customer from the credit Bureau. Our belief right from day one was that we should take the documents, which are very easy to upload for the customer and at the same time, gives us the most accurate picture of the current cash flows.

So, all our modelling has been done basis these three document sets. Currently we are in the third generation that's why it's GRO Score 3.0, what we have done during the course is that we have invested a lot and developed a very large library, which we call feature liability. What it does is it looks at all the possible parameters in the repayment history or in the banking transaction or the GST transaction, which can have correlation with the future repayment behaviour of the customer. And then we allow this data feature library to be accessed by the in-house developed machine learning platform.

What it does is it keeps triangulating this data and keeps checking with the corresponding future portfolio behaviour of the customer and during this process, it comes up with a scorecard incorporating the most important characteristics. The beauty of this model is that it keeps evolving on its own. The GRO Score today, which we have made has the ability to predict probability of default for the next 12 months. So typically we allow it to run for at least a year, look at the results and then the machine weighs in on how accurate it was and if required, changes itself.

So, this is a self-sustaining model and it has a capacity to keep enriching itself as more and more data feature is discovered. Finally, it's very important that we keep checking whether the GRO Score, which we have developed has been working well or not and for that, we have arrived at a framework where not only we keep checking the repayment behaviour of the customers whom we approved but also we keep checking the repayment behaviour of the customers whom we

have rejected. This allows us to not only get data of our own disbursements but also what the customer and how the customer is behaving with other financiers.

Just to illustrate the same we have made a very simple two-line graphs. The bottom line is the portfolio behaviour of the customers whom we have disbursed by the risk banks of GRO Score. Our GRO Score gives classification of customer in five risk banks, A, B, C, D & E. A being the best customer, the probability of default for the next 12 months would be the least and E being the worst customer where the probability of default in the next 12 months will be higher. The picture on the left-hand side illustrates that the risk ranking and the portfolio behaviour as predicted by our GRO Score across risk banks A, B, C, D, E is not only holding for our own customers, but also for the customers who were scored but not disbursed.

Across the width of the data, which is available, it is a proof that it is working well. On the right-hand side, we have demonstrated the portfolio contribution by GRO Score. And currently, approximately 88% of the portfolio customers have a GRO Score of A & B, which is very encouraging because we know that overall, the portfolio performance will continue to do well.

Thank you. Now I hand over the mic to Amit, and he will take you through more business details. Over to you, Amit.

Amit Mande:

So, thank you. Thank you all for joining the call. As we move ahead, I just wanted to run you through our journey for last five years. This five years journey has been nothing but eventful. As you would recollect, we raised our first capital in July 2018, a capital raise of ~INR 900 crores, and we set foot for this interesting journey to really empower the MSME ecosystem. During these first six months, we built risk models, we built an entire sectoral approach and we disbursed our first loan in Jan '19. I think after that setup phase when we were ready to really scale up, we saw two macroeconomic events, which were disruptive and that changed that kind of changed the course. We had IL&FS crisis that happened and then, of course, in March 2020, COVID set in and by then we had created a book of ~ INR 860 crores.

Once COVID set in we took a little pause and with the power of capital behind us we decided to invest our time and energies into building infrastructure, hire the right set of people, built our technology stacks and continuously enriched our risk models. Once we had built these blocks during our COVID times and once COVID was past us we started our growth phase. Since Q3FY21 we have been growing at a brisk pace. All our asset engines and our investments in infra and technology have been reaping benefits.

People who have been following us would see that our AUM has steadily increased since then and we crossed INR 6,000 crores AUM this March. As we now go forward, we will continue to harness the efficiency of our GRO Score 3.0 model. We will continue to scale our Lending-as-a-Service model where we will have multiple partnerships on co-lending and co-origination. More importantly, now that we have launched our direct-to-customer model, we will start acquiring large number of customers, which will only enrich our ecosystem that Anuj spoke about through network sciences and ensure that we become a data powers for the MSMEs.

Now that we're also supported by the capital raise that just happened in April, we look forward to a great FY24. Very quickly in terms of the last three pillars that will help us grow next year at the centre of course is the key and our proprietary GRO Score 3.0 model. Our asset side continues to grow with INR 4,500 crores of net disbursements last year and INR 1,400+ -crores of net disbursements in Q4FY23. Somewhere the exit run rates in March are between INR 550 crores to INR 600 crores and they will continue to slowly inch up and that gives a sense of where we will reach by end of next year, somewhere in the five-digit AUM range.

We will continue to strengthen our infrastructure and our digital platforms and ensure that the current opex delivers far more than what we delivered last year. On the other side, our liability platform is only getting robust by each passing day, apart from the 10 co-lending and co-origination partners that support our Lending-as-a-Service model. We have 66 lenders on board and our liability is only looking robust by the day. With these three pillars of a strong asset engine, a robust risk model and our robust liability engine that is ready to power our asset engine, growth I think next year looks extremely promising for all of us at UGRO.

Having said this, I will now open the floor for questions. I will let the moderator instruct the participants on how to take it forward.

Moderator: Thank you very much. We'll take our first question from the line of Rishi Kesh, a Retail Investor.

Rishi Kesh: Congratulations on a great set of numbers yet again. I do have a couple of questions with regards to how the business on the GRO X is going to be like? I mean do we have control over what the funds are being used when it's app-based lending or is it on a particular purpose where we actually end up paying their vendors or their suppliers?

Shachindra Nath: So, this app-based lending, which we have launched, is basically to serve the need of very small merchant. Think of a scenario of a small retail store, which does daily buying in the morning and does sales for a whole day and next day morning or two days when he has excess cash he wants to return the money. He can get the credit limit uploaded into the app, he can use and dispense money through UPI and other method. At the time of dispensation of our credit, we will not be able to control where the money is going.

But what we can control is that we are only aligned with Udyam Aadhar registered entities to avail the credit, which means that the credit is being given only to a business entity, and it is not a loan for consumption purposes, it's not a personal loan. Over a period of time and that is what differentiates banks and us, we will try to perfect and we will do very specific need-based lending. But at the initial phase where we want to get more customer, we want our data to get more mature, we have not defined it for the end purpose, but we have a presumption is that 80% to 90% loan given to business entity would be used for business purposes only.

Rishi Kesh: Understood. I have another question. So, is there any statistics available on how the GRO Xstream platform is currently performing without U GRO being a part of the deal, like deals between NBFCs and banks, where you grow it just taking a fee?

Shachindra Nath: No, sir. We have not opened our platform for that purpose. We are still not a platform play. GRO Xstream platform predominantly connects our distribution and origination to our bank partner. Some of the banks actually are using third-party platform because they don't want to connect to just one lenders' platform and so as other lenders also don't want to connect to one lender platform. Till the time we fully mature, we have not monetized the platform as a platform play. It is currently playing a role of facilitation for UGRO ecosystem.

Rishi Kesh: Understood. One final question, if I may. So, this is on the equity fund raise that was recently done from the Danish government. So, I was trying to understand the background for this. I mean, it is a substantial dilution in terms of them becoming almost the largest shareholders now. Does this mean they would participate in future rounds like to reduce our cost of capital by way of bonds or foreign currency bonds or NCDs? Is that envisioned to happen like that?

Shachindra Nath: They are not our largest shareholder, sir. Their shareholder is exactly equal to what TPG and ADV Capital have. So, they will also be roughly around 16.5% on here about so as the TPG and ADV as well. Our purpose in this round of capital was to ensure that on our cap table, we have a certain number of shareholders who have longevity of duration because lending as a business is a business of duration. That's why we found it appropriate to attract DFIs because, as you know, sovereign entities have the capacity to hold the equity stake for a very, very long period of time.

Second, one of the source of our financing is impact financing because we are building a very robust impact financing business and also, we are focusing on renewable and sustainability and that's why as the third largest European DFI invests in us, our recognition within the DFI world would increase with them coming on our capital structure. We see that during this year, almost all large DFIs would be on the lender side. Generally, sir, in the DFI parallels, when they take the equity exposure, it is calculated as 4x to debt exposure, and it actually reduces their capacity of providing debt to us.

So, most of them whether it is IFU, DEG, Proparco, IFC when they put in equity money, they don't put debt money simultaneously. But what we have also seen and we have seen this during the period of COVID very effectively is that DFIs generally support their existing, what they call client at the time of stress. So, all DFIs in the world have special programs for their existing client during COVID period, and they support all their portfolio companies through debt support at that period of time and that's why we feel confident that at the point of time, when we need money, investors like IFU would be very, very supportive.

Moderator: We'll take our next question from the line of Nirvana Laha, an Individual Investor. Please go ahead.

Nirvana Laha: So, how do you see the cost of borrowing trending in FY24? And another question on the cost front, how many branches do you see opening beyond 98 and FY24?

Kishore Lodha: So, as we have recently seen that inflation is coming slowly under control. April month inflation numbers are very encouraging, where the retail inflation has come down to 4.7%. And in fact, WPI has gone into negative, which has happened after almost 18 months. And RBI has also taken a pause in their last meeting. What we internally believe in general release in the borrowing market is that we have upgraded as far as the cost of borrowing is concerned.

From here on, we may see some amount of stability where the cost will remain similar, which is of course is on the higher side and then we may see a cycle of lowering down, which is the early period. For this year we don't anticipate a significant increase in the cost of borrowing and for our purpose, we have taken it as flattish. On number of branches and cost of opex, Amit can take.

Amit Mande: On the number of branches, one would have seen that over last year post Q1, we really did not set up any new branches and the number has been stagnant and there was a reason. We set up about 75 branches in Q4FY22 and the early part of FY23. and we wanted to see the proof of concept that these branches can breakeven between 12 to 15 months. These were essentially the micro enterprise loan branches, the 75 branches that we have in Rajasthan, Gujarat, Karnataka, Tamil Nadu and Telangana.

As we now approach about 12 months, we've seen that most of our branches have actually reached the breakeven point. Our average productivity of branches is higher than our peer set. So now we are confident that we will be able to now scale up. We will give another quarter or so for this to really mature and understand that all our branches breakeven. Having said this, in the first two quarters, we will open between 20 to 25 micro enterprises branches, and we will take a call in the last quarter on further expansion. Eventually, in the next 24 to 30 months, we will have about total 250 branches across the country.

Nirvana Laha: Okay. And with that number, do you think you are on track to hit the cost-to-income ratio that you've targeted for FY25 or are you running above budget?

Amit Mande: No, absolutely. Like I said, we are only talking about 20 incremental micro enterprise branches, which are low cost branches that we will be expanding. So opex in that sense is really flat this year and with the AUM growth happening we will see our cost-to-income ratio touch the desired levels of 47% more a year.

Nirvana Laha: Okay. One more follow-up question on the branches. So, the prime branches, you say that it's intermediated. So, can you explain what that means? Is it 100% DSA or is it through our own employees?

Amit Mande: Prime branches have multiple products. It has standard loan against property and unsecured loans as one set of product. It also has equipment finance and supply chain finance as the ecosystem products in the prime branches that we do. The prime products or rather those against property and the business on products are DSA-driven and intermediated. The equipment finance, the supply chain and our direct-to-customer product, there is no intermediation. The

prime branches house both these businesses, and so in that ratio, it does have the intermediate business.

Nirvana Laha: Okay. So, at an overall disbursement level, can you tell us what percentage is sourced through DSAs and what percentage is sourced through our own employees?

Amit Mande: 56% at this point of time on the overall disbursement is intermediated. The rest is direct.

Shachindra Nath: I must add, intermediated doesn't mean that we don't have distribution cost or sales front end. Actually, a large portion of our sales forces and what we call the upper end of the sales force, relative per person cost being higher are actually in prime branches because there is a twin level of servicing, which is required because we compete with the intermediaries because they are open architecture intermediaries to get to the door and then ultimately serve the customer to get them accept our offer and take the loan. So actually, only the hunting part is not done by us. But post origination by the intermediary to get to the client to our system is all done by our sales forces.

Nirvana Laha: Okay. Got it. Final question from my side last quarter, I think you had confirmed that the tax rates from the lapse DTAs are over. So, can you just confirm that for this FY24? Are we foreseeing any further taxes?

Kishore Lodha: No sir, actually the carry forward deferred tax, which is still there in the balance sheet is about INR 10 crores, out of which INR 6.9 crores is coming for lapse in the coming year. So, a profit has to absorb it for the year FY24.

Moderator: We have our next question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Congratulations on the good set of numbers. Sir, I have a few other follow-up questions from the previous call. So last time, you said that you are always open for evaluating any other sector to add up for the loans. So, have you evaluated any of the new sectors to be added?

Anuj Pandey: So, we keep evaluating sectors. At this point of time, we have nine sectors. Eight sectors which we started with and ninth we added during the course of the journey and also, as a policy of about 20% of our total portfolio, we have deliberately kept it open for all other sectors so that whenever we choose to open, we have some kind of data to make room. At this point in time, with the state of macro economy and the way the sectors are performing, we are not thinking of opening up anything new.

Within the light engineering sectors and electrical equipment, there have been very interesting subsectors, which have opened up, especially on green energy and solar. Those are part of our large sector list and have opened newer opportunities for us. For the near to medium term, we don't see any reason to open a new sector but of course, we will keep exploring interesting opportunities within other sectors which we work with.

- Darshil Pandya:** Okay. And as you said on the last time, you would be increasing the mix of off-book and on-book AUM. So right now, it's at 40% to 60%, 40% is for the off-book and 60% is on the on-book. Where do you see this mix coming up like going forward?
- Kishore Lodha:** Going forward, we will steadily increase the percentage of off book and as I stated objectively, we have said that by year 2025, we will reach 50% as off-book and 50% on the balance sheet. We are slightly ahead of time in terms of achieving our off-book numbers. This year, we have reached slightly more than what we have envisaged on off-book side. Next year, we will reach closer to 47% on off-book and 53% will remain on balance sheet. But I think our goal is to reach 50-50.
- Moderator:** We have our next question from the line of GMO PG India Private Limited. Kindly announce your name and go ahead with your question, please.
- Piyush Potra:** I'm Piyush Potra from GMO PG India. So, congratulations on the tremendous growth in the AUM. So, my question is on the next and this year AUM. So last year, you almost doubled the AUM and this year it is pretty aggressive on the AUM side. So, for the on-balance AUM, how much will be funded by equity and how much do you plan to fund it by debt, if you can share?
- Kishore Lodha:** So, I will take this question. So, for this for full 12 months, we are not envisaging further equity increase. So, the INR 340 crores, which has come in that would be the only equity in season for this 12 months starting from April 2023 and balance of the entire balance sheet growth would come from debt. So, this year only we have planned for raising about INR 2,500 crores of fresh liability for the whole year.
- Piyush Potra:** So, do you feel any stress on the capital adequacy with no equity?
- Kishore Lodha:** –We ended the year with a capital adequacy of 20.23%. And then over and above in April and May, we have raised INR 340 crores. If I take that back into March 31, roughly, we are around 30% of capital adequacy, which will be sufficient to cater all the needs for this entire year, and we don't see capital adequacy going below the current level for the full year in this equity base.
- Piyush Potra:** Okay. So, 20%. Is it 20% or 30%?
- Kishore Lodha:** Yes, 20%.
- Moderator:** We have our next question from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** Sir, I had one question on your machine learning model. Can you tell us something, first of all, the rejection rates. So how many people approach you? And out of that, how many people do not get a loan from you because you say no irrespective of the five buckets irrespective of where they stand in the five buckets how many people do you deny loans to?
- Anuj Pandey:** So, on average, this varies by product, but on an average for a full portfolio for every 100 customers who apply we give loans to 30.

- Agastya Dave:** Okay. So, 70% rejection rates.
- Anuj Pandey:** Yes.
- Agastya Dave:** Great. A related question. How many false positives do you see where probably like the error rate in your model, where you predict that default won't happen, but it happens and the other way around where you think that default would happen and it doesn't happen? So, all the true positives, false positives, false negatives and true negatives. Do you have that data with you?
- Anuj Pandey:** So, it is about probabilities. And our model is giving a probability and the model has a genie coefficient and all our models have a genie coefficient of more than 50%. I get the gist of your question, broadly, you are asking by this band if the probability of default for next 12 months at a portfolio level was X percent. After 12 months, what do you see? Is that the question? Yes. So, we have seen that it is very similar to what the model is predicted. In absolute terms, it may not match exactly. But from trending terms, it is directionally what our score has been predicting.
- Agastya Dave:** Okay. So loss given default, what kind of losses do you see if default happens?
- Anuj Pandey:** So, our scores are probability focused on probability of default, loss given default is a function of collateral and our litigation ability. So, in our own experience so far, the loss given default on secured loan is close to zero. On loss-given defaults on unsecured loans is relatively higher, but it is not 100%.
- Agastya Dave:** And generally, what is the percentage of secured loans that you have?
- Anuj Pandey:** Of the total portfolio, 70% of the portfolio is secured.
- Agastya Dave:** With what kind of LTV?
- Anuj Pandey:** So, I'll divide this into two, secured is for hard collateral, either property or machinery. For property on average, the portfolio LTVs are around 52%. On machinery the portfolio LTV would be closer to 70%.
- Agastya Dave:** Okay, okay. That's reasonable. That's pretty reasonable. One final question, sir. The only thing which comes out like two things which are slightly problematic at least from my point of view as of now and I could be proven completely wrong in the future. One is that you guys have a very low ROE. And where do you see this ROE finally settling?
- Once you reach a state which is more stages, where do you see this ROE settling? And the second thing is the growth is like way too aggressive, way, way too aggressive so where do you see like a normalized growth rate for you? How will these two numbers finally settle? How and when?
- Shachindra Nath:** I presume you're in Bombay, right?
- Agastya Dave:** Yes, sir.

Shachindra Nath:

Okay. So, there are multiple ways people make convention centres, right, or make banquet hall. So, think of somebody making a small banquet hall then that goes to full capacity, then they make another banquet hall and then make a third banquet hall. But it may so happen that the land parcel near to your first banquet hall may not be available.

So that's the one way to do it and second is, you have seen Jio's Convention Centre, right, wherein you take large land parcel and you make a large convention centre and such large convention centre and such large convention centre it would happen that in first event itself would have 5, 7 lakh people coming into that. So UGRO has been designed and built like that.

We've raised a significant amount of capital without having any business, right, on a piece of paper, INR 900 crores equal capital. Then we bought all the land and we'll build a large building. And now that large building is being utilized for this capacity. So, our growth rate is not a function of surprise. It is a function of upfront capacity, which has been built. Personally speaking, I still think so that our capacity is underutilized, and it's a function of our liability funnel, and we could have been much better. We are growing at this rate when you've just heard that our approval rate is only 30%. So, for a month of March, when we dispersed INR600-odd-crores, we originated INR 2,000 crores loan.

So, which means that we have kept our credit completely tight, but still the funnel is very big, and that's why it is throwing big numbers. Second question, and Kishore can give you the numbers is, again, the same. Because you have built all capacity upfront, then obviously, that upfront capacity would yield a little bit of time to generate the bottom-line performance.

So, this company has moved from a INR 20 crores of PBT last year to INR 84 crores this year and as you have just heard the commentary from Amit that now we are not increasing the opex and on the current run rate basis, we will touch roughly around INR 10,000 crores of AUM, which means your bottom-line performance from the current INR 84 crores would be at least 2.5x, 3x. So, we would be into the median ROE, a two-digit ROE number in the current year and we'll be near to high double-digit ROE number a year forward, Kishore, if I'm correct.

Kishore Lodha:

Yes, absolutely. This year will be our kind of level will hit double digit and from single digit where we are. And the year after, we will move into high teens.

Agastya Dave:

And let's say at INR 20,000 cores, INR 25,000 crores AUM, can you guys pay around 18%, 20% ROEs? Is that the scalability metric that I should keep my eye on whenever that happens, I'm not asking for timeline, sir?

Shachindra Nath:

No, no. But we are working on a timeline. I think somewhere near about that and that's why in a few quarters back, we had actually put a very good number and that number was more aspirational, but INR 1,000 crores here and there you miss. Our target to get to the kind of ROE number is by end of 2025 or so.

Agastya Dave:

Around 18% to 20%. Thank you very much, sir. The process seems very interesting.

Moderator: We'll take a next question from Dishant, an Individual Investor. It's a text question. What will your FY24 outlook be?

Shachindra Nath: Kishore, you want to take that?

Kishore Lodha: So, FY24, as we have discussed during our previous deliberation that we have a robust pipeline in terms of overall infrastructure. We have closed March month within disbursement of closer to INR 600 crores. So, this year, full year, we have planned for disbursement of close to INR 6,400 crores and we'll try to achieve an AUM of INR 10,000 crores with an ROA of 3.1% and ROE of about 10%. So, this is the plan, which has been approved by our Board during our February meeting and we are working on that.

Moderator: We'll take our next question from the line of Phalguni Mahajan from Scient Capital Private Limited.

Phalguni Mahajan: Can you guide me on your net interest margins over the year and for the quarter as well? And what is your target for FY'24?

Kishore Lodha: So, this year, on the balance sheet basis it is roughly around 12.8%. And if we take the AUM, it is roughly around 9%, 8.9% for the year. This trend will continue with some variation based on the product mix and other factors. This is where we are and the range is likely to be in that case.

Moderator: We have a text question from Neeraj Jain from NJ Investments. The question is after DBZ Cyprus sold its shares, what comes as an unpleasant surprise is another major shareholder Chhattisgarh Investments Limited, which was recently allocated shares as part of the recent QIP also sold a big chunk of shares. Is the management aware of the reason why CIL sold so soon after QIP?

Shachindra Nath: I think sir, the price has gone up too quickly.

Moderator: We have a text question from Siddharth Arur an Independent Investor. Congratulations on a strong set of numbers. Though the NPAs have reduced from 2% to 1.6% in March '23, on absolute basis, GNPA's have increased materially. What is the company doing to arrest this?

Anuj Pandey: Okay. I'll take that. So, I'm not very sure what the question meant because on absolute terms, as AUM goes up, NPAs will go up. That is the business model we have. But overall, from modelling perspective for each of our business verticals, we have a budget or NPA budget, and that is how the GRO Score models have been worked out. So as a general philosophy for an unsecured business at a yield of 19%, we are okay to go up to 3%, 3.5% NPA lifetime.

For a secured loan backed by a hard collateral-like property, we are fine to go up to 0.5% to 0.75% NPA in the lifetime. So far, we have been well below that. Our scores and our underwriting has been calibrated so that we don't cross these benchmarks. The absolute number of GNPA has increased, but as a percentage, it has come down, and that is how this has to be looked at.

Moderator: We have a text question from Pramod Jain from Purshottam Investofin Limited. When you intend to raise next capital as you're moving up the ladder in the world of financing, where you will face interest war? Since you are still A rated, so your cost of funds will be much higher than your peers. How will you be able to meet the competition?

Kishore Lodha: So next round of capital that we have said in our commentary earlier that for this full year, we are not looking at raising any equity. Probably in the mid of next year, we will look at another round of equity for the growth capital. On the interest rate side, of course, that can be used by anyone. As an institution we believe and we are looking upon is that we have proven our sales to the markets, to our lenders with our transparency, our governance and robustness of our underwriting model, and it will pay a dividend at some point of time. And I personally believe that time has arrived where people would give some premiums of all the efforts that hard work that have gone into this company for the last four years.

The robust underwriting model that it has created, the governance model company has been demonstrating over the entire journey of five years and our transparency in disclosure and data to all sets of investors, whether it is equity investors, all our lenders, where we will get some advantage. So this is my personal belief, there is no signs around it, that I really believe that our cost of funds should come down proportion to the markets, positive to open market, where rates can go up and down, but we will have some advantage over our peers as we move forward.

Shachindra Nath: If I may add, Mr. Jain, I think so one of the cardinal principle of lending is vintage. So, there are two formats of businesses. Businesses, wherein the cost of borrowing is a function of parentage. So, there are entities which may be much younger, five years, six years, we have a cost of borrowing which reflects the cost of borrowing of who their parent is. Obviously, they have a disproportionate advantage vis a vis us, but actually they are our partners, most of them. All those such entities are actually doing business with us, so that shows our capability.

Second, there is always an inflection point. I will give you an example of AU, which in the first 10 years of its journey, actually started as a BBB- company and then went to a AA+. In current world, look at Five Star, which is into the microest of the micro-enterprises segment, which was started as a double BB+ company and now double AA- company. As long as you continue on your vintage journey, maintain credit costs, create healthy growth and generate bottom line performance, your cost of borrowing and rating, both would start improving. So, I think so with every passing year, that would keep happening for us, like it has happened for many other institutions in India.

Moderator: Thank you. We have next question from Krishnakumar Srinivasan from Lion Hill Capital. Can you give us a sense of incremental credit risk assessment done by your co-lenders?

Shachindra Nath: I can take that. So, look, the way the co-lending for regulations have been formulated and where it get differentiated between a direct assignment or a portfolio sale, banks as under the RBI circular of co-lending, which is November 2020, are mandated to do customer level underwriting. So, there are two things which banks have to do. One, they have to pre-agree the

policy framework under which the loan would be given. So now actually all the banks look at our policy and with some variation actually adopt our policy. This is the biggest change which has come because of our vintage of portfolio or portfolio performance, more or less they are aligning them themselves to our policy.

Then once we disburse a customer, when the file moves either through technology or through, digital formats, then they are obligated to check every parameter of the policy and whether the loan is as per policy or not. So, to that extent it isn't work which banks have to do and this is where banking system is getting more comfortable because they are taking actual customer level risk and not the entity level risk. So that is the way, you know, it is happening right now.

Kishore, if you want to add or Amit you want to add something?

Anuj Pandey:

No, this more or less covers that.

Moderator:

Thank you. We have a live question from the line of Sanjay Kumar Elangovan from Ithought Pms. Please go ahead.

Sanjay Elangovan:

Hi, thanks for the opportunity. First question, so if I look at the prime unsecured, INR 1,900 crores AUM and GNPA of 2.9%, which is roughly INR 55 crores. So, if I look at this absolute GNPA against one year ago, AUM of INR 1,000 crores prime unsecured, it is 5.5%. And even if I take six month ago, AUM of INR 1,200 crores, roughly 4.5% GNPA, the lagged GNPA. So, comments on this, is it, do you think at least in your view, is it deterioration in asset quality, one? Two, the components in our borrowing, are they for overall AUM or is it product specific?

Anuj Pandey:

So, I'll take that. So out of the total INR 55 crores GNPA unsecured book, little less than INR 30 crores has come out from the restructured book during COVID. So sourcing post-COVID, post-reimplemented those code 2.0 is actually very, very healthy. And we have hardly seen anything. So, to your question of how do we foresee this, we will see some bit of recovery because some of those restructured stress portfolio also are now coming back alive.

But on the new portfolio source, and we have been tracking this on vintage curves very, very closely, we don't foresee the gross NPAs for lifetime to go above 3% to 3.5%.

Kishore Lodha:

On the Covenant, there is no specific product specific Covenant. Covenant, most of the time, it is on the AUM of the company. And on very few basis it could be on the on balance sheet AUM. So, no product specific Covenant is there for any of our borrowing needs.

Sanjay Elangovan:

Okay sir. Thank you. The second on the provision coverage. So, we are at 49%. So how comfortable are you again, looking at the overall PCR kind of miscues, because can you provide the product-wise PCR especially for the unsecured loans?

Anuj Pandey:

So, to answer the first question first, now we are hitting kind of our desired numbers on provision coverage. We are actually quite comfortable internally. We have benchmarked it to between

45% to 50%. It is actually a function of the portfolio mix in stage 3, the kind of products and the kind of estimates from the ground of how our litigation and collection action is taking through.

On a broad level, for unsecured, the provision coverage is closer to 65% to 70%. On secured, it will be closer to between 20% to 30%.

Sanjay Elangovan:

Just a product-specific question, sir. So GNPA is also higher in supply chain financing, although the yields are very similar to your prime secured kind of wheel. So why is this divergence, sir? And why are the yields so high in micro enterprise loans?

Anuj Pandey:

So, I'll answer the second question first. On the micro segment, we do secured loans up to INR 25 lakh for micro enterprises at on an average yield of about 21%. And we do unsecured loans up to INR 5 lakh, specifically for micro enterprises at around 24%. So that's the way market is. When the way we have defined this is on measuring the quality of cash flow, the quality of collateral and the quality of repayment behaviour. For micro customers, all these three are not standard and less than prime and that is how the risk-based pricing has been arrived at.

On the supply chain, yes, you're right. The NPAs are higher but if you would have seen our journey, this is on account of two large anchors going bust just before COVID. And this NPA number used to be around a little higher than 4%. We have been successfully able to recover part of that stressed assets. And in the next two to three quarters, it is expected that we will recover more. For everything sourced after that, we have hardly seen any forward flows.

Shachindra Nath:

Last part of your question, which you asked that yields look similar to some of our other secured products. Actually, we are graduating from a vendor-based financing to purchase based financing, which means that we are now financing the distribution chains of anchors. So, anchor to distributor, distributor to retailer. That's why you will see an uptick in the yields curve.

Second, sir, we look at price and duration both. So, one of the great advantage of supply chain portfolio is its duration because it's a short tenured duration because we have to ensure that we have all liquidity profile of assets in our balance sheet because on the liability side also, we get all kind of duration of loans.

So just having only long duration loans are not sustainable if you're not a bank. So that's why we mix product by LGD calculation, by collateral, we mix product by duration and we also look at what gives us the broad market access. Some of our products, supply chain, machinery finance, GRO X, actually our products which are bringing the funnel of large customer bases, wherein in future, massive cross-sell would happen.

Every supply chain financing or a dealer or a retailer is a customer where in 12 months to 18 months time, I would be able to cross-sell a machine. I'll be able to cross-sell a rooftop solar. I will be able to cross-sell a secured loan, so on and so forth. So, I think, sir, that is the philosophy of why we are doing certain businesses.

- Sanjay Elangovan:** Thanks for the clarification because that was my last question or request. You could add the average tenure, along with the ticket size and ROI?
- Shachindra Nath:** We will do that. It was supposed to be done this time. We have missed it. We'll do it, sir.
- Moderator:** We have our next question from Saptarshee Chatterjee from Centrum PMS. Please go ahead.
- Saptarshee Chatterjee:** My question is in terms of, one is if you can talk about how much should be your in-house origination versus outside like DSA-based origination?
- Amit Mande:** Saptarshee, actually kind of touched upon and answered this question. So, our intermediated origination is about 55%. The rest 45% is direct origination.
- Saptarshee Chatterjee:** Great. And if you can talk about also your collection infrastructure. I mean, what would be your maybe 30 DPD? And like how many collection agents you would be having and also our plan like one will be touching, let's say, INR 10,000 crores kind of AUM, what would be our plan to how many collection agents we'll be having on the field?
- Anuj Pandey:** I'll take that. So, our total Stage 1 assets are around 96.1% and if you see last few preceding quarters, it has remained that way, so which basically means our 30 plus is in the range of 3.8% to 3.9%. Going forward, we don't see too many changes in this kind because the way the portfolio construct is and in each product the way the risk cut-offs are for approvals and rejects.
- On the collection infrastructure, we have a very large in-house team headed by a large litigation team and an early warning system, which is developed by the in-house analytics team, which gives early warning signals for the current assets to the in-house call centre. And hence there's a very large infrastructure which we have built. From numbers perspective, we have close to 180 resources in collections. And as the portfolio goes up, that number will steadily grow up.
- Saptarshee Chatterjee:** Sure. And if you can also quantify for the year FY 23, what would be the slippage and then the accreditation and recovery and write-off number for FY 23?
- Anuj Pandey:** In FY 23, we have hardly taken any write-off. from slippages perspective, the trend which we have seen so far, approximately once that account becomes an NPA, approximately 1% to 2% of that per month is what we have been able to roll back in unsecured loans. In secured loans, we have been able to roll back almost 100% of this within 12-18 months.
- Saptarshee Chatterjee:** And last question on makers, you can like give us two, three insights, which is like from your machine learning models versus your GRO Score 2.0 to GRO Score 3.0, which are the key learnings and key upgradations that you have done?
- Anuj Pandey:** So, the primary addition from GRO Score 2.0 to GRO Score 3.0 is the GST parameter. We have always been using GST, but primarily as an eligibility tool. In GRO Score 3.0, what we have done is we have added that as a statistical parameter and all the data features, which can emanate from the GST return, we have added that.

The primary hypothesis is that the earliest warning signal for a stressed customer is not the Bureau, not the banking but the GST. Bureau takes typically four to five months lag before a stress is reported. Banking early warning is a little better but still, one doesn't know till the cheque bounces. In GST, the moment the sale starts going down, that is the first and your primary early warning signal. This was our hypothesis and with this, we build and included that as a major parameter in GRO Score.

Moderator: We have a next question from Shubham Sethi an Individual Investor. Please go ahead.

Shubham Sethi: So, my question is regarding the slide in the presentation, where you have given a sample illustration where we compare the on balance sheet versus the co-lending model. So, so I understand the co-lending spread income, but there is some other income as well, which is around INR 1,200. This is on page number 38 of the slide 38. So, I'm trying to understand what is the other income because it's a significant part of the co-lending model?

Kishore Lodha: So, it is the primary the processing fees and documentation charges, etc., which is normally at the time of origination.

Shubham Sethi: Okay. So, it's a onetime thing that happens when the loan is originated. Am I correct? It's not like for the entire duration of the loan like the spread?

Kishore Lodha: No, this is one time.

Shubham Sethi: Okay. Understood. Another question I had was basically in like most of the banks that we have co-lending with, are I'm not talking about the NBFC, I'm talking about the big banks are mostly the government banks, state banks, right. So, like any plans to add private banks also like any big banks because that will give us even more confidence.

Shachindra Nath: And why you would say that?

Shubham Sethi: I mean, like it's just more like forgive me like naivety. But like if you see like most of the scams and all, right, there's a perception that they happen in the government banks. And so that is why like I mean, there is I may not be 100% correct.

Shachindra Nath: May I remind you that in India, the banks which have undergone and have got busted were only private sector banks. Global Trust Bank, Yes Bank and multiple cooperative banks. And all that always happens to the private sector banks so that's point number one. Number two, you're also making the same assumption and the presumption that private sector banks are superior when it comes to their understanding of the credit.

But you should also remember all of the people who are seeing over here and the rest of the 1,700, 1,800 people who work for UGRO also have come from the same set of the bank. So, in terms of the intellectual calibre, in terms of the years which we have spent is no less than the banks.

Number three, why actually the first quote of call for us is public sector bank because in India, the custodian of the money is public sector bank because general public have more trust and faith in the public sector banking system so the liquidity always flows to them, but that does not necessarily mean that they have the same comparable infrastructure on the asset side.

That's why they are hungrier on the asset side than the private sector banks and third, in last five to seven years, majority of the private sector banks have grown on the basis of wholesale credit, and that's why this half decade or next four, five years, they are very, very focused on retail growth of their own.

And that's why there is less motivation for them to add indirect sources of origination like co-lending, but since all of you keep asking this question over a period of this and next quarter, there'll be at least two to three private sector banks, which we would add. We have more number of private sector banks coming to us, but we have exhausted our asset side capacity to take on more co-lending partners. Sorry, I'm actually tired of this question being asked multiple times. That's why I've given you this answer.

Shubham Sethi: No, no. I mean, I truly understand. But it's more of a perception thing and not more of -- I mean it gives more confidence to investors. That's all.

Moderator: We have a text question from Sujay Kamat. There are two questions. Clearly, you have developed some very strong tech. How much of MOAT do you think this is? How do you compare yourselves with some of the tech driven NBFC like Bajaj Finance, PayTm? And the second question is how much of your customer base has an overlap with the Reliance Group which is on the verge of entering Fin?

Shachindra Nath: I would take that and Amit you can add on to that. Number one, I think so Bajaj democratized the consumer credit in India starting from 2008 till 2023. In 2008, it was roughly around INR 7,500 crores, it is at INR 2,50,000 crores or INR 2,75,000 crores so an exponential growth of 45% CAGR continuously for almost 15 years. That has happened because of three things: Bajaj brand, cost of capital; and third, their early adoption of data, but that data was consumer-related data, Bureau, existing loan data, which they had and consumer behaviour and that automated credit for consumer-related loans.

I think our MOAT is that what Bajaj was able to do in 2008, 2009, 2010, 2011, post Global Financial Crisis and what we have been able to create post-COVID crisis is exactly same. So, our MOAT is that when it comes to the MSME financing in India, we have a five year of head start in understanding the data and underwriting credit on the basis of data and which any other player into the market have to catch up with us.

So that's one. Second, you took two names on the tech driven NBFC, only one of them is NBFC. Other is only pure originator, so I won't comment on that.

Moderator: We have a text question from Chetan Bharat from Vishnu Bharat & Company. Has the RBI started discouraging co-lending? If yes, how does it affect you U GRO?

Shachindra Nath: RBI is encouraging co-lending, sir. So, I think one media report in Hindu Business line, which has not been verified by anyone and from RBI does not mean that RBI has discouraging co-lending. If you look at from a policy perspective, government ease 4.0 has a stated objective of increasing the credit dissemination for priority sector through co-lending. It has a very well-defined philosophy by both policy, which is the government and the regulator want to increase the penetration of co-lending. This emanated from the default which happened from DHFL and a few other large NBFCs. Banks exposure to NBFC, one has a 100% risk weight.

Second, bank's ability to control the enterprise level risk is very, very limited. So, to balance that out and recognition of the fact that NBFC actually do the credit dissemination part to the deserving sector, which otherwise banks are not being able to do, this marriage was consummated. So, this was an arrangement marriage done by the regulator and the government, and it was not a love marriage to begin with, but it is converging to love marriage and I don't think so there is any apprehension or a rethinking from a policy perspective.

But every time, this is the job of the regulator, that anything when it grows, regulator has to ensure that the checks and balances are being maintained and nobody is exploiting the system. But that's the journey that has happened for direct assignment that has happened for securitization that keep happening for every product into the market. But I would continue to believe that we have just seen tip of the iceberg. My presumption in next two, three years at the current base of the newspaper report, which has quoted some numbers, you will see at least 10-fold jumps from there.

Moderator: We have a text question from Pramod Jain from Purshottam Investofin Limited. You just said that CIL may have exited because of quick price jump of mere 10%, which is negligible for a long-term investor. It appears from the trade that this apparently is a negotiated deal. Since the company knows CIL as they are your old investors is it in your knowledge who is the new investor?

Shachindra Nath: Yes. So, this is true. Actually, CIL has been invested in our first series of capital raise. They also came in this round as well. And at the time of our QIP, we had more demand than what we have decided the QIP. And actually, CIL has already committed. Our belief is that, and we have not confirmed it with CIL and have not looked at data that some of the very large marquee public market investors have negotiated and bought that stake, and that's why they were also willing to sell that stake to them.

Moderator: We have a text question again from S. Bhatnagar, an Individual investor. In the road map 2025 slides shared earlier, you have mentioned a target of INR 20,000-plus-crores AUM by FY '25. To reach that number, AUM after FY '23 was supposed to be INR 7,000-plus-crores. We are around INR 900 crores short of that target. So, are we still targeting INR 20,000 crores AUM for FY'25 or that number will be revised?

Shachindra Nath: So, I think, when we gave our two-year number, that was in the context of -- at that point of time, because our base was very small. We had a large capital. We have an AUM of INR 1,300-

only-odd-crores and when we were giving big numbers informally that this is the aspiration of ours, people who are not presuming. We wanted to put out that number that this company its capital structure, its opex structure, is tech and people infrastructure is designed for a sizable organization.

So, I think we build businesses as entrepreneurs for decades and multi-decades and we are building a generational institution. So INR 1,000 crores short in a one year and INR 2,000 crores excess in another year, actually doesn't matter. We are broadly in line to that aspirational number and even much bigger than that. But we will see. Every year is a year which we have to pass and we have to complete that journey and there are multiple factors which play in that liability, macros, overall economic scenario, interest rate cycle, but all things remaining stable, we'll be very near to that number.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments.

Shachindra Nath: So, thank you very much. It was a very well spent 1.5 hour. We saw very big participation on our investor call. We are a little different than most of the other lending institution and especially the NBFC you see. We are still very, very early. We are very humble. We have an aspiration to build an institution and this management team is working tirelessly to do that.

They are one of the large shareholders in terms of the ESOP, 8% of the company's ownership in their hand and we want to deliver an institution to India. That's why we've taken extra effort every now and then to keep explaining our business in detail and what is the difference. We are very thankful for all of you to listen to all of what we have put up beyond what the numbers are. Thank you very much, and we'll see you in the end of the first quarter again.

Moderator: Thank you, sir. On behalf of U GRO Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.