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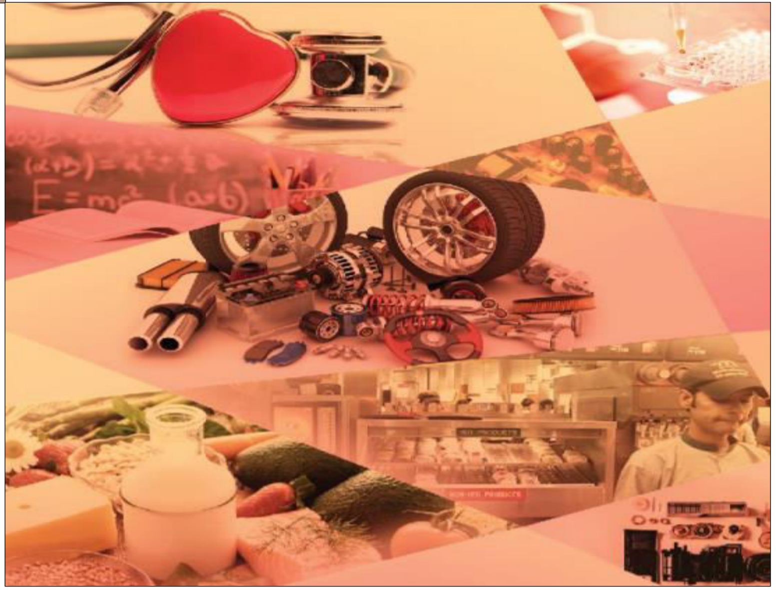
UGRO CAPITAL



VISION

The future of SMEs can be transformed by bridging the massive gap between funding and the potential for growth. It would be their endeavor to serve this sector and help fulfil their ambition.

MISSION

'Solve the Unsolved' – the US$ 600Bn Small Business Credit Need by building deep expertise around core sectors of SMEs in India coupled with a data centric, technology-enabled approach.

CMP : 129 (Date: 23rd Sep 2021)

Contents

Snapshot

- **Total Weightage % in Portfolio = 6% (CMP = 128-130)**
- **Single Phase Buying Strategy = Buy 6% between Rs 130-145**
- **Price Target = Around Rs 250+ in next 12 months, Rs 500+ in next 3 years & Rs 1500 in next 5 years.**
- U GRO Capital Limited is a listed, technology focused, small business lending platform. The Company has raised ~INR 950 crore of capital from a diversified set of private equity funds, institutional investors and well-known family offices.
- The company is focused on addressing capital needs of small businesses operating in select eight sectors by providing customized loan solutions supplemented by a fully integrated technology and analytics platform.

Market Cap: INR 909 Cr.	Current Price: INR 129	52 weeks H/L: 166/70
ROE: 3.07%	Stock P/E: 31.7	Dividend Yield: 0%
ROCE: 3.92%	Debt to Equity: 0.8	Current Ratio: 10.2
Face Value: 10	Promoter Holding: 2.88%	Pledged Percentage: 0%
Sales Growth (3Y): 252%	Profit Growth (3Y): 113%	Cash Conversion Cycle: 8.52

Source: Screener.in, As on September 23rd, 2021

Multiyear theme on capex cycle revival

Based on our research, we believe that we are going to see **repeat of "capex upcycle (2004-2010) or market cycle (2003-2008 : BIG BULL MARKET)" again this time "capex upcycle (2021-2027) or market cycle (2020-2025 : MEGA BULL MARKET)".**

- Market cycle are usually 12-18 months ahead of capex cycle. The reason why stock market kept on moving during year 2020; because major capex cycle was expected to start from 2021.
- India's long awaited capex cycle is now showing initial signs of revival. Household capex (i.e. housing, the largest part of capex) cycle has already turned in a convincing manner. Govt's capex has also started improving from FY21 and the trend forward appears encouraging though can't create a huge delta. Pvt. corp. capex uptrend is visible selectively in steel, PLI, data centers, etc., although broader revival may take 12+ months.
  - Biggest part of capex cycle - housing, has been a drag has now revived convincingly - Inventory in Top-7 cities is down to 7-8 year lows which is positive for pricing.
  - Govt / Infra capex in positive mode - Infrastructure capex has seen support from central govt. with its budgetary provisions for capex +26% YoY.
  - Private corp. capex hopes rising on PLI, Electrification - L&T has recently turned relatively positive on private capex. Combination of PLI scheme related capex and data centers can add US$10-15bn (0.3%-0.5% GDP) to annual capex spends.
- **Full-fledged capex revival 1+ year away - Unlike the decisive upturn in housing; the upturn in infra and corporate capex is not visible as yet.**
- The best way to play the "capex cycle revival story" is to bet on property developers, mortgage companies, cement, building materials / pipes etc. As the broader capex cycle gets going, infra / cap-good plays and corp. lenders will be in play. **To ride this trend, you don't need to buy many stocks just ONE is enough – UGRO Capital because it provides loan to MSME sector which is the backbone of our economy and revival in this segment is possible only when they get easy and sufficient capital from lenders.**

Story of "Professional Turned Entrepreneur"

The current era of the company started in 2018, when **ex-religare CEO Shachindra Nath raised USD 142 mn from PE firms** and acquired a listed shell NBFC called Chokhani Securities (had no operations). The company was rebranded as Ugro Capital and decided to focus on SME/MSME lending.

Company believes that lending to SME/MSME is a highly specialized segment. To do this, they have **worked with CRISIL to shortlist 8 key sectors:** Healthcare, Education, Chemicals, Food Processing / FMCG, Hospitality, Electrical Equipment and Components, Auto Components, Light Engineering. (Note each of these sectors contain multiple sub-sectors/allied sectors). They have developed a special underwriting and distribution model for each of these sectors.

Company is building a 100% digital underwriting technology for SME lending - (As per company 28% higher approval rates compared to tradition lending - for similar risks). The underwriting technology is unique for each sector. The loan products are very specialised to each of the above sectors. The turn-around time for disbursal is 4-5 days compared to a traditional lender (25-45 days).

The PE investors of the company are : **NewQuest Capital, ADV Partners, Samena Capital, PAG.** From the family office side the investors are Himasingka Group, Jaspal Bindra, Famy Care, SAR group. Other public market investors are Indgrowth Capital, PNB Metlife, Chhattisgarh Investments.

Source: Company Disclosures

U Gro = Knowledge + Technology + Governance

Knowledge

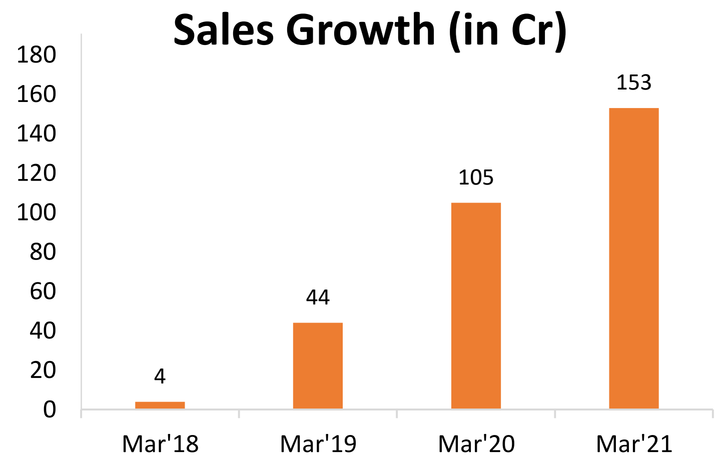
U GRO Capital believes that the problem of small businesses can be solved by building an in-depth expertise around core sectors of MSMEs in India coupled with a data-centric, technology-enabled approach. Company name and philosophy ("Know More, Grow More") says it all – it exists to enable U (the small business owner) to grow and believe that growth is a by-product of the right kind of knowledge.

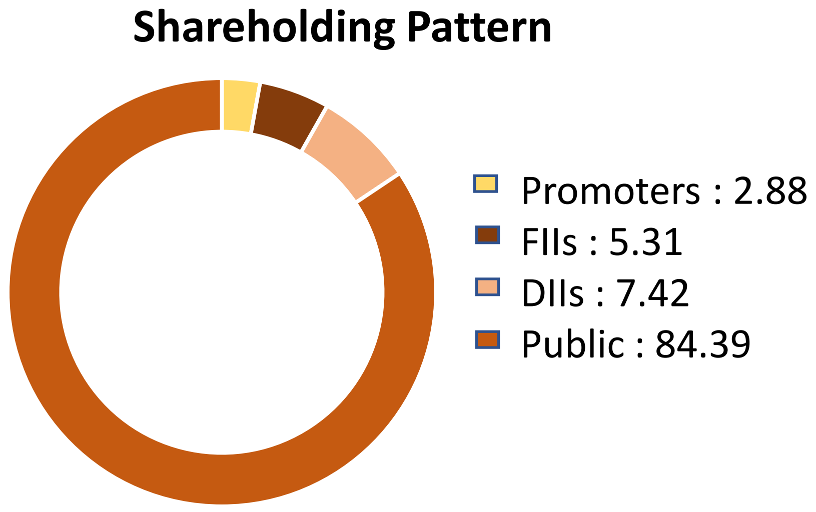
Technology

U GRO Capital integrates business intelligence with technology to create granular and insightful loan products for each subsector. Technology underpins every aspect of U GRO's lending process, from API integrations, sectoral statistical scorecards, sub-sectoral expert scorecards, state-of-the-art bank, bureau and GST statement analyzers, automated policy approvals, and machine learning OCR technology.

Governance

Creating an institution that is built to last requires strong corporate governance standards. Keeping that in mind, U GRO was founded with the philosophy of being institution owned, board controlled and management run. It has also opted to be a listed entity from day one, which demands a higher degree of regulatory oversight and transparency.





Source: Company Disclosures

Business Model

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Distribution Channels

Branch Channel | *GRO-Plus*
Prime and Micro branches across Tier I to Tier VI locations, serving a broad demographic of MSMEs

Ecosystem Channel | *GRO-Chain*
Supply Chain Financing through Anchor & Non-Anchor led ecosystem and Machinery Loan through the OEM/Dealer ecosystem

Partnerships & Alliances | *GRO-Xstream*
Partnerships with FinTechs and NBFCs for a range of secured & unsecured loans

Direct Digital Channel | *GRO-Direct*
Proprietary digital lending platform supplemented by pre-qualified leads

Knowledge Meets Technology

Fintech-Enabled Product Underwriting

Liability Sources

Traditional Balance Sheet
Lending using funds from banks; PSL nature of books to aid in obtaining bank financing

Co-origination
Co-originate loans with larger banks to maintain a strong liquidity position and generate fee income

Specialized Programs with DFIs
Impact led financing in partnerships with DFIs in sectors like healthcare, education, clean energy

Assignment
Securitization of portions of the loan portfolio so it can be purchased by MFs/Insurance Firms/Banks

Source: Q1FY22 Company Presentation

A. Distribution Channel

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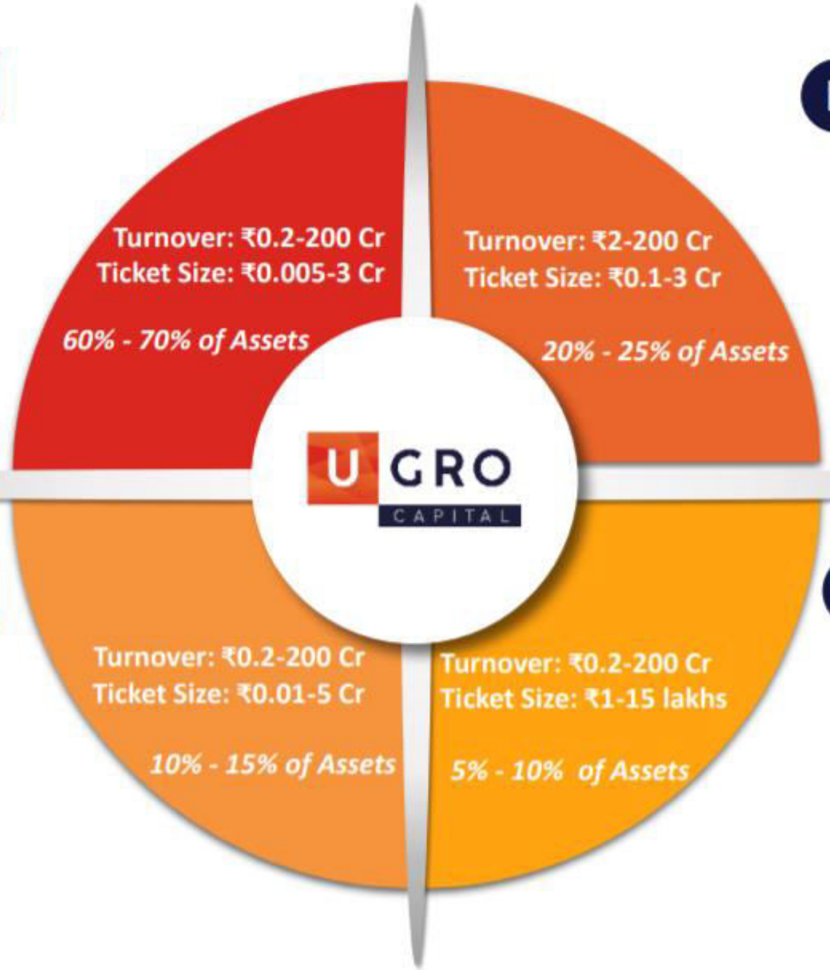
U GRO's distribution model is geared towards catering MSMEs across all geographies and ticket sizes Tailored products allow for highly structured deployment of capital – optimized for both the distribution channel and customer.

a Branch Led Channel | GRO-Plus

- **Tier 1-2 Branches** – 9 Branches with loans largely sourced by DSAs
- **Tier 3-6 Branches** - Launched 25 new branches across 5 states. Loans to be directly sourced by FOS.



b Ecosystem Channel | GRO-Chain

- **Supply Chain Financing** – Anchor and its ecosystem financing of Supply Chain
- **Machinery Finance** – Secured Loans to machine buyers with a charge on machines

c Partnerships & Alliances | GRO-XStream

- **Co-lending** – Joint lending parnerships with NBFCs on the downstream
- **FinTech Parnterships** – Partnership with FinTechs to orginate loans. Loans quasi secured with FLDG.
- **Direct Assignment & Portfolio Acquisition** – Upstream or downstream direct assignement to Banks & NBFCs respectively

d Direct Digital Channel | GRO-Direct

- **Digital Lending Platform** – Allows MSMEs to directly apply for credit further reducing TATs
- **Beta Phase launched in Dec'19** – Full scale roll out to happen in 2022

Source: Q1FY22 Company Presentation

B. Technology Modules

Each of the U GRO's channel is powered by a proprietary technology modules.

GRO PLUS

Designed for branch-led disbursement which has fully integrated every element of underwriting digitally (using all conventional parameters). The platform allows for GRO Partners (DSA network) to obtain in-principle approval within 60 minutes.

GRO CHAIN

It is an end-to-end platform for supply chain financing that will cater to ecosystem anchors, vendor borrowers and dealer/distributor borrowers. The system was fully operationalized in FY2020-21.

GRO XSTREAM

U GRO has developed & continuously innovating a FinTech Platform "GRO XStream", which is an industry-first marketplace for BFSI partners. This allows them to achieve seamless API integrations with the systems of each of the partners & hence allowing to achieve record TATs. It is designed to facilitate a wide range of transaction types between onboarded BFSIs, including co-lending, onward lending, direct assignments, portfolio buyout and securitization.

GRO DIRECT

U GRO's Direct Digital channel, a platform built to allow non-intermediated loan applications from eligible SMEs. Launched in December 2019 across two subsectors, the reach of GRODirect was greatly expanded across their focus sectors in 2020.

Source: Company Disclosures

C. Liability Sources

Liability Strategy - A Tri-Pronged Approach!

| Ability to generate significant fee income | More competitive interest rates | Ability to cater to customers of all risk profiles | Increased scale | Minimize ALM mismatch |

Relationship with 29 partners including Banks, NBFCs & DFIs

- **Diverse liability mix** to include – all major banks, debentures, capital market and insurance companies
- **Access funding** from new sources of funding such as **multilateral agencies, DFIs, impact funds,** development bank etc.

U GRO Balance Sheet

Partnerships already signed with SBI, ICICI Bank and Bank of Baroda

- **Co-origination with larger banks** to originate higher ticket loans
- **Early conversations with banks** to secure debt and co-lending partnerships

Co-origination with Larger Banks/NBFCs

- Policy of **actively securitizing the loan book** to ensure that the mismatch in the greater than 5-year bucket is funded by equity
- **Minimize asset liability mismatch**

Assignment to Financial Institutions

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Source: Q1FY22 Company Presentation

Mission of "Solving the unsolved"

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Company aims to capture 1% market share of the total MSME lending market by 2025.

The MSME/SME lending market in India is large (As per FICCI 87% of MSME in India do not have access to credit), it has a market opportunity of USD 600 Bn. **MSME sector is the backbone of Indian Economy as it contributes to 30% of the country's GDP.** Out of the estimated market of $600 Bn, only $250 Bn is currently served by the formal lending market.

With a view to foster a greater degree of financial inclusion, U GRO Capital identified Micro Enterprises as an important segment wherein large number of enterprises remain outside the purview of formal lending. At U GRO, they have always believed that to solve the problem of credit, they need to continuously evolve their underwriting methodologies.

U GRO having strong corporate governance, experienced management team, large institutional capital, deep knowledge with domain expertise and data driven approach technology has adopted a unique model to cater to the needs of MSME's. **The model of acquiring a small, listed company and raising significant capital to build a FinTech platform was an industry first conceptualization.** In most cases, the benefit of value creation through early-stage formation is only available to private investors. This distinctive model was adopted by U GRO Capital to provide the similar benefit to millions of retail investors in public markets.

"Research suggests there exists an opportunity to connect with over 5 million registered MSMEs in target states, a large majority of them would be away from the urban center. We have created business assessment frameworks for most dominant business profiles across chosen micromarkets, and rely on our strengths of data and technology to facilitate credit deeper into the ecosystem"

- SHACHINDRA NATH

Source: Company Disclosures

Filling the gap by serving the MSME sector

U GRO intends to create a specialized, scalable platform optimized for end-to-end lending.

- While most Fintech are moving via pure-digital method, the company is following an OMNI channel method - Direct via own branches, via supply-chain/ecosystem partners (B2B2B/B2B2C) , Digital, Co-lending.
- Developed special underwriting and distribution model with strong lending capabilities (Cashflow based lending Vs. Traditional Lending).
- Company has built a plug & play platform for lending (Where banks, NBFCs and other Fintechs can partner). It already has a co-origination lending model in place with **ICICI, SBI & BOB.**

Source: Company Disclosures

3C Capitals (SEBI Registered RA), http://www.3ccapitals.com/wa/, mail@3ccapitals.com, Ph +91 9354179604

Robust growth since inception

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U GRO Birth

Dec'2017
Acquisition of Chokhani Securities
Onboarding of New Management Team
Demerger of the lending business of Asia Pragati approved – **$25M**

Fund Raise

Dec'2017 – Aug'2018
Raised **~Rs 920 crore** of Capital from multiple PE investors of global repute

Business Launch

Jan'2019
Disbursement started in Jan'2019

1,000 Cr Milestone

Dec'2019
Crossed Rs 1,000 crore in cumulative disbursement

₹2,500 Cr Milestone

Mar'2021
Crossed Rs 2,500 crore in cumulative disbursement

- **73%** Secured Portfolio
- **8256** Customers
- **34** Branches
- **2.3%** GNPA
- **816 Cr** Gross Debt
- **955 Cr** Net Worth
- **1.9%** NNPA
- **32** Lenders
- **392** Employees
- **3105 Cr** Disbursements
- **708** GRO Partners

Source: Company Disclosures

Focus on 8 Specialized Sectors

- The company shortlisted **8 sectors** after careful filtration of 180+ sectors in an 18-month process involving extensive study of macro and microeconomic parameters carried out alongside market experts like CRISIL to arrive at specialized sectors namely Healthcare, Education, Chemicals, Food Processing / FMCG, Hospitality, Electrical Equipment and Components, Auto Components, Light Engineering.
- **~50% - Contribution of these 8 sectors to the overall MSME lending market in India.**
- **The company added a ninth sector – Micro Enterprises, to their list of 8 sectors in FY2020-21.**

The sectors contain multiple sub-sectors/allied sectors which are:

Healthcare

Key sub-sectors: General nursing homes, eye clinics, dental clinics, diagnostic labs, radiology/pathology labs, pharma retailers
Key clusters: NCR, Mumbai, Bengaluru, Hyderabad and Chennai

Education

Key sub-sectors: K-12 schools, play schools
Key clusters: NCR, Mumbai, Coimbatore, Chennai, Hyderabad and Pune

Chemicals

Key sub-sectors: Dyes and pigments, bulk and polymers, agrochemicals
Key clusters: Mumbai, NCR, Ahmedabad, Vadodara and Surat

Hospitality

Key sub-sectors: Fine dining (standalone), QSRs, fine dining chains, manpower agencies, boutique hotels, guest houses
Key clusters: NA

Electrical Equipment and Components

Key sub-sectors: B2B, B2C
Key clusters: NCR, Pune, Bengaluru, Chennai, Aurangabad and Rajkot

Microenterprises

Key sub-sectors: Kirana stores, family run businesses, first generation entrepreneurs
Key clusters: Mumbai, Kolkata, NCR, Hyderabad, Bengaluru and numerous Tier II and Tier III locations

Food Processing/FMCG

Key sub-sectors: Dairy and dairy products, non-alcoholic beverages, consumer foods, poultry, sea food, food and beverage traders
Key clusters: NCR, Mumbai, Chennai, Hyderabad and Pune

Auto & Light Engineering

Key sub-sectors: Casting and forging, medical equipment and devices, engine parts, drive transmissions etc.
Key clusters: NCR, Chennai, Pune, Kolkata, Ludhiana, Bengaluru, Ahmedabad and Rajkot

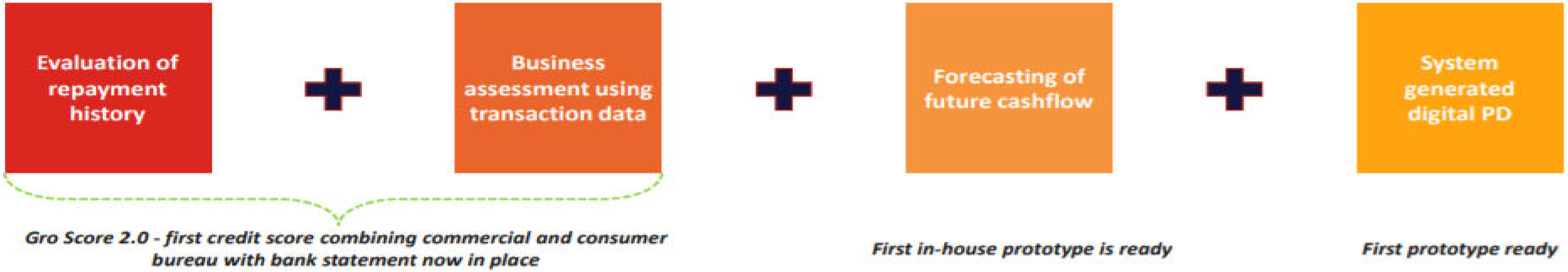
Why these 8 chosen sectors?

Large lending opportunity + Lower impact of regulatory changes + Relatively less competition from banks + Secular consumption driven growth + Low geographical concentration

Source: Company Disclosures

GRO Score 2.0

A superior underwriting framework, launched to make selection sharper.



- The company has built a proprietary GRO Score 2.0 which **combines credit bureau data & banking data** and provides superior performance through use of ML Models.
- A holistic credit score for MSMEs built by combining **repayment history** and **cashflow transaction** data; provides improved performance by fitment on own data, extensive feature creation and use of machine learning models.
- It combines entity, individual and banking data into **ONE model**.
- It **reduces dependency** on any specific bureau data and provides **10-20% higher approval rates** for similar or lesser risk cases.
- Trained on own data – eliminates "**look-alike**" sector definition bias.

Source: Company Disclosures

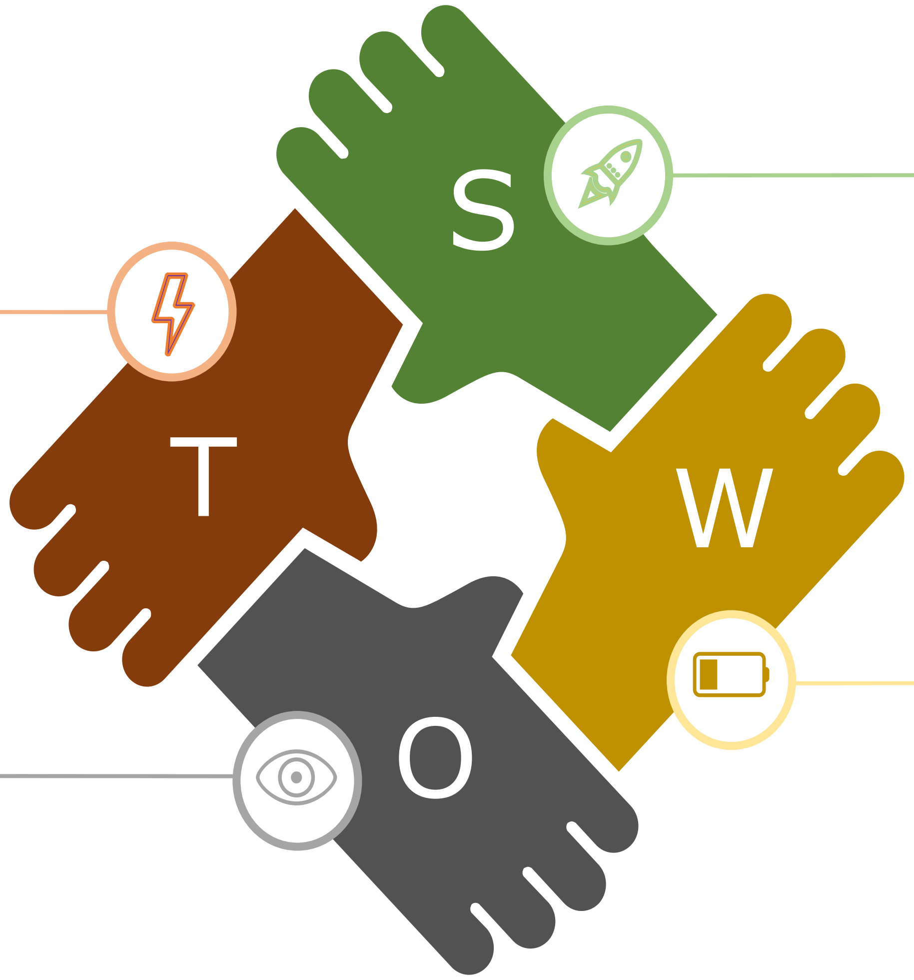
SWOT Analysis

THREATS

- MSME / SME sectors are highly impacted by covid
- Competition from existing traditional banks who will look to enter this segment for a larger play
- Ability to successfully develop the technology and scale accordingly.

OPPORTUNITIES

- MSME/SME lending market in India is large providing a lot of opportunities
- Should the company undertake a stock-split / bonus share in future, the liquidity will improve
- Company has low leverage of 0.59x and a CRAR of 78%
- The stock is illiquid, the increase in share price can make it rise faster



STRENGTHS

- Backed by Marquee Private Equity Funds
- Company has zero promoter pledge
- Industry's first conceptualization unique business model serving MSME/SME
- Trusted, Efficient, Committed & Visionary Management

WEAKNESSES

- Founder stake is low at 2.88%
- High Interest Payments compared to Earnings
- Company has high debt

Source: Company Disclosures

Financial & Business Analysis

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	FY18	FY19	FY20	FY21	Jun 21
Total Revenue (INR Cr.)	4	44	105	153	51
Operating Profit (INR Cr.)	3	8	24	68	35
Operating Profit Margins (%)	97%	18%	23%	45%	68%
Net Profit (INR Cr.)	3	4	20	29	17
Net Profit Margins (%)	75.00%	09.25%	19.05%	18.95%	33.19%

- Company has low leverage of 0.59x and a CRAR of 78%. The **low leverage levels implies that the company has sufficient runway to grow without the need for any further equity dilution.** There are no further dilutive warrants/instruments in the company as on date.
- MSME / SME sectors are highly impacted by Covid. This is the key segment of the company. The company had a bounce rate of 20% in unsecured and 15% in secured.
- The company has unencumbered cash of 338 Cr as on March 2021 which is sufficient to absorb losses from Covid.
- Stock price of the company is trading at a discount of ~10% to its book value as on date.
- FY19-21: Revenue growth 252%; Net Profit growth 113%; OPM & NPM grew at 18% and 10% respectively.
- The total debt to equity ratio is 0.8 while the current ratio is 10.2 times as on March 31, 2020.

Source: Company Disclosures

Quarterly Results Analysis

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All Fig in ₹ Cr	Q1FY22	Q4FY21	Q1FY21	FY21
AUM	1,375	1,317	847	1,317
Net worth	955	952	926	952
Branches	34	34	9	34
Lenders	32	29	9	29
Employees	392	361	175+	361
Interest Income	49.8	43.8	30.6	147.4
Interest Expense	22.4	16.3	6.8	44.6
NII	27.4	27.5	23.8	102.8
Operating Expense	21.6	21.3	18.7	77.0
Credit Cost	4.9	8.7	1.2	19.6
PBT	2.4	2.4	4.1	12.1
Portfolio Yield[2]	15.8%	15.5%	14.1%	15.5%
Borrowing Cost	10.6%	10.4%	11.2%	10.4%

Credit Costs

- GNPA stood at 2.3% and NNPA stood at 1.9%
- Collection efficiencies was at 96% in Branch-led channel, 95% in Machinery Finance and 92% for Partnership & Alliances channel in Jun-21
- Selectively restructured around 7.5% of the portfolio for fundamentally sound businesses with short term cash flow issues

Profitability

- PBT stood at ₹2.4 Cr in Q1FY22 compared to ₹4.1 Cr in Q1FY21 falling on account of higher provisions

Liability Management

- Diversified lender base of 32 active lenders with addition of 23 new lenders in last 12 months
- Borrowing costs on a sequential downtrend; average cost of debt stood at ~10.5% in Q1FY22 compared to ~11.2% in Q1FY21

Net Interest Income

- NII for the year Q1FY22 stood at ₹27.4 Cr compared to ₹23.8 Cr in Q1FY21. ~15% increase on Y-o-Y basis

AUM & Disbursement

- AUM stood at ₹1,375 Cr as on Jun'21 (₹847 Cr as on Jun'20), ~62% increase on Y-o-Y basis.
- Total Gross Disbursement for Q1FY22 was ₹311 Cr and Disbursements (considering only incremental AUM in SCF1) was ₹159 Cr

Net Worth

- Net worth stood at ₹955 Cr in Mar-21 and CRAR was ~62%
- Debt-to-equity ratio stood at 0.84x indicating a long runway for growth as they leverage their balance sheet

Operating Expense

- Cost to Income ratio saw a marginal increase in Q1FY22 rising to 75% compared 74% in Q1FY21
- Opex has risen by 16% but the interest income has risen by 63% on a Y-o-Y basis

Source: Q1FY22 Company Presentation

Major Portfolio Restructuring in 2021

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Channel	Sector	Restructured	% of Total Restructured	% of AUM restructured
Branch-Led	Auto Components	0.5	0.5%	3.9%
	Chemicals	5.4	5.2%	5.2%
	Education	16.1	15.7%	11.9%
	Electrical Equipment	2.5	2.4%	3.9%
	Food Processing	6.8	6.6%	4.6%
	Healthcare	2.5	2.4%	2.6%
	Hospitality	20.3	19.7%	22.1%
	Light Engineering	24.1	23.3%	11.1%
	MSME	0.1	0.0%	0.2%
Eco-system Channel	Supply Chain Finance – Auto Components**	13.0	12.6%	35.7%
	Supply Chain Finance – Electrical Equipment	3.6	3.4%	4.3%
	Machinery – Light Engineering	0.5	0.5%	0.7%
Partnerships & Alliances	Onward Lending	5.0	4.8%	24.8%
	DA &Portfolio Acquisition*	2.9	2.8%	3.5%
	Total	**103.2**	**100.0%**	**7.5%**

- Restructured 7.5% (103.2 Cr) of the portfolio as on Jun-21, 67% of the restructured pool was current as of Jun-21.
- Majority of the restructuring was done in the Hospitality sector in line with the trend in the broader economy.
- Hospitality & Education were the most affected part of their portfolio.

Balance Sheet Analysis

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	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Share Capital +	5	37	71	71
Reserves	32	574	851	882
Borrowings	-0	10	255	766
Other Liabilities -	**-0**	**261**	**36**	**33**
Trade Payables	0.01	0.91	10.49	7.36
Other liability items	-0.01	260.11	25.90	25.39
Total Liabilities	**37**	**868**	**1,212**	**1,751**
Fixed Assets +	-0	20	38	36
CWIP	-0	11	1	4
Investments	36	107	73	55
Other Assets -	**1**	**731**	**1,101**	**1,656**
Inventories	0	0	0	0
Trade receivables	0	2	7	4
Cash Equivalents	0	457	150	316
Loans n Advances	1	192	117	67
Other asset items	-0	79	828	1,268
Total Assets	**37**	**868**	**1,212**	**1,751**

- UGRO was founded by Shachindra Nath on **July 5th, 2018** with the buyout of Chokhani Securities Limited.
- With a vision to reinvigorate it as an **SME & MSME focused financing platform** catering to select sub-sectors within the market, the Company has **raised INR 950 Crores** of Equity Capital from a diversified set of investors including 4 large private equity funds. This raised equity capital has been increasing company's reserves since FY19.
- Liabilities arising out of securitization transactions are resulting into **recording of borrowings** credit enhancement provided **through fixed deposits and loan receivables.**
- Term loans from banks and other parties are secured by way of exclusive charge on hypothecation on the standard asset portfolio of receivables. However in **some of the borrowing made from financial institutions the Company has provided bank fixed deposit and cash collateral** which can be seen in FY20.
- The Company **maintains an actively managed capital** base to cover risks inherent in the business **and is meeting the capital adequacy requirements** as prescribed by Reserve Bank of India (RBI).
- **UGRO's Cash equivalents, Loans & advances and Other asset items are high because of the company's nature of business of lending funds.**

Cash Flow Analysis

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- The raised equity capital for lending to the MSME/SME segment has been increasing company's cash flow from financing activity and decreasing investing and operating activities.
- The Operating Activity has increased negatively since FY19 and is mainly impacted by Loans Advances. In FY21, the cash flow is still negative but has decreased from -799 Cr in FY20 to -347 Cr in FY21.
- UGRO's Investing Activity has shown major fluctuations because of the investments purchased and sold.
- Financing Activity is high in FY19 because of the share capital issue while its high due to borrowing proceeds in FY20 and FY21.

	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity -	1	-86	-799	-347
Profit from operations	2	-3	9	46
Receivables	0	-2	-4	3
Inventory	0	0	0	0
Payables	0	6	4	-4
Loans Advances	0	-79	-764	-466
Other WC items	-0	-5	-40	76
Working capital changes	-0	-80	-805	-391
Direct taxes	-0	-3	-3	-2
Exceptional CF items	0	0	0	0
Cash from Investing Activity -	-1	-347	179	-46
Fixed assets purchased	0	-15	-10	-12
Fixed assets sold	0	0	0	0
Investments purchased	-58	-1,311	-1,923	-55
Investments sold	57	1,256	1,974	73
Interest received	0	0	0	0
Dividends received	0	0	0	0
Other investing items	0	-278	137	-51
Cash from Financing Activity -	-0	754	308	508
Proceeds from shares	0	746	0	0
Proceeds from borrowings	0	10	245	511
Dividends paid	0	-2	0	0
Financial liabilities	0	-1	-2	-3
Other financing items	0	1	66	0
Net Cash Flow	0	321	-312	115

Peer Comparison

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Companies	Stock Price	Market Cap (In Cr)	P/B	P/E	Sales/Profit	PEG Ratio	EV	OPM	AUM (in Cr)	ROE%	ROCE%
Paisalo Digital Limited	888.90	3759	4.59	59.91	341/61	10.53	5033	71.37	2317	7.69	11.71
U Gro Capital Limited	128.80	911	0.95	31.72	153/29	0.55	1360	44.63	1700	3.07	3.92

U GRO's current Stock price and Market Capital is below Paisalo Digital as well as the entry price of PE firms. The price of company is trading at a discount of ~10% to its book value as on date.

A P/B ratio under 1 is considered a potentially good undervalued stock. UGro has a P/B ratio of 0.95 which is less than 1 and hence is considered a good stock while Paisalo has a P/B of 4.59.

Higher the P/E ratio, the better the stock. UGRO's P/E ratio is lower than Paisalo and investors are willing to buy because of growth expectations in future.

Sales of Paisalo is 2x times Ugro's sale and Profit is 3x times. This means that if everything goes as planned, Ugro has a lot of potential to grow.

Paisalo has AUM of 2317 Cr while Ugro has AUM of 1700 Cr as on date, while Mcap of Paisalo is almost 3-4x as compare to Ugro.

PEG Ratio of 1 or lower suggests a stock is fairly priced or undervalued. This indicates that UGRO's stock is undervalued as its below 1 while Paisalo is overvalued.

OPM measures how much profit a company makes per sales after paying operating expenses. Paisalo's OPM are higher than UGRO.

Higher the ROE, the better the company's profit. Paisalo has higher ROE but both ROE's are below 10 indicating inefficient usage of equity capital.

If the ROCE is higher than ROE, it means that the company is making good use of debt and has managed to reduce its cost of capital. Paisalo and UGRO have ROCE>ROE which is a good sign.

Overall on a peer comparison basis Ugro Capital is trading at a valuation of 1/3 to Paisalo Digital hence there is lot of scope of appreciation and upside in Ugro Capital in medium term.

Source: Company Disclosures

Strategy and Vision to achieve goals

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Asset Side Strategy

- Opening of new branches in line with our plans and training & specializing frontline sales to achieve growth targets
- Rapid build out of partnerships to steadily ramp up our partnership channel
- Addition of financially sound anchors & improvise from our experiences

Liability Side Strategy

- Adequately raise debt to fuel the build out of asset
- Raise long term, low-cost debt from DFIs & large banks
- Achieve high credit rating through build-out of quality portfolio
- Lower the cost of debt
- Maintain focus on ALM

Organizational Build-up

- Become an employer of choice by groom internal talent for leadership roles
- Hire the right talent and cross train manpower to assume bigger roles
- Focus on training and development to ensure continuous upskilling of manpower

Technology Vision

- Consistent Improvement through upgradation to latest cutting-edge technology
- Capture customer data point at every touch point & improve our forecasting algorithm through AI/ML models

__Company guidance for next 5 years ?__

Company plans to have an AUM of 200 bn with cumulative disbursements of 119 bn and a CAGR of 68% over FY20-25.

- Target Interest Yield: 16.3%
- Target NIM: 8.5%
- Target RoA: 4.2%
- Target RoE: 18.8%
- Target Debt / Equity Ratio: 3.8x
- Target number of branches: 270

Source: Company Disclosures

Experienced Management Team

Shachindra Nath
Executive Chairman & Managing Director
Experience – ~26 years

Anuj Pandey
Chief Risk Officer
Experience – ~22 years

Sandeep Zanvar
Chief Financial & Operations Officer
Experience – ~20 years

J Sathiayan
Chief Business Officer
Experience – ~29 years

Pia Shome
Chief People Officer
Experience – ~15 years

Amit Gupta
Chief Treasury Officer
Experience – ~18 years

Sunil Lotke
Chief – Legal & Compliance
Experience – ~18 years

Nirav Shah
Chief Strategy Officer
Experience – ~16 years

350+ employee count

Fully formed team

4/5 Rated employees

Deep and large ESOP Pool which vest basis RoA and AuM Performance

Source: Company Disclosures

Facts and Figures

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- U GRO Capital was **instituted by Mr. Shachindra Nath** (erstwhile Group-CEO of Religare Enterprise), with the buyout of Chokhani Securities Limited.
- The Company has **raised INR 950 Crores** of Equity Capital from a diversified set of investors including 4 large private equity funds – PAG, ADV Partners, Samena Capital and NewQuest, public market funds such as Abakkus, IndGrowth, Chattisgarh Investments and multiple family offices/HNIs.
- U GRO Capital is highly specialized, technology-enabled lending platform – specifically designed to **solve the credit availability issue**.
- This model of **acquiring a small, listed company and raising significant capital to build a FinTech platform was an industry first conceptualization.** This distinctive model was adopted by U GRO Capital to provide the similar benefit to millions of retail investors in public markets.
- **Ugro's well-capitalised business model** and inherent balance sheet serves as a strength at a time **when most NBFCs are struggling with liquidity stress.**
- **Founder stake is low at 2.88% which is not a cause of concern because he has 100% skin in the game considering that a professional has invested all his capital for his ambitious entrepreneurial journey.** Founder is a first generation technocrat and has raised high amount of money (USD 142 mn) in the first round itself shows his high aspirations.
- **Stock price is trading at a discount of ~10% to its book value as on date**. PE funds invested during 2018 at a price of Rs 140 per share & today we are getting it at cheaper than the Private Equity investor’s price even after 4 years. It is a great deal indeed.
- Strong revival in AUM figures on account of good disbursement momentum observed from Jul-21. **AUM = 1729 Cr (Aug'21)-> Expected to be 3500 Cr by Mar’22. Disbursement M-o-M till Jun-21 was approx. 100-200 Cr, but from July'21 the run-rate is 250-260 Cr per month.**

Exponential Growth visible Ugro Capital. It's RIGHT TIME to get onboard this little GEM. U GRO Capital is not only available at reasonable valuation but also hold immense potential to become a large institution. It's clear case of "Heads you win (Upside is 10x in 5 years), Tails you don’t lose much (Little downside)".

Statutory Disclosure

SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, **the analyst have no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
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6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.