

UGRO Capital Ltd.

Peer Company Analysis: A Comparative Analysis of UGRO Capital Against SBFC Finance Limited

We initiated coverage on UGRO Capital on 27th Jan 2023 when the trading price was INR 150. The stock has doubled since then and is currently trading at INR 281. In this report, we compare the company's business model and financial metrics with SBFC Finance Ltd which has recently gone public. Our examination explores a multitude of critical facets to provide a comprehensive understanding of the competitive landscape and positioning within the financial sector. Considering UGRO is trading at inexpensive valuations (1.5x P/B FY25E vs. SBFC at 3.5x FY25E) despite similar band of RoE/RoA estimates for both companies, we update our price target of UGRO Capital to INR 407 (based on FY25 2.1x P/BVPS).

- ✓ **UGRO Capital Limited**(UGRO) is a non deposit DataTech driven NBFC and is at the forefront of introducing the "Lending as a Service" (LaaS) model in India, notably creating the country's most extensive Co-Lending platform. UGRO has demonstrated exceptional proficiency in harnessing co-lending partnerships. In addition to utilizing on-book leverage, UGRO effectively generates Off-Book AUM by collaborating with banks and other NBFCs. This strategic approach has facilitated rapid AUM growth, addressing the typical liability challenges faced by newer NBFCs without substantial promoter support. In FY23, UGRO has achieved an Off-Book AUM representing 40% of its total AUM, and it anticipates this figure to increase to approximately 50% by FY25. Currently, its on-book AUM stands at 57%.
- ✓ Scaling up the loan book in the diverse MSME sector has historically posed challenges due to variations in cash flows, UGRO Capital, to specialise in this, has collaborated with CRISIL to identify the top 20 lending sectors based on a range of criteria. Out of these 20 sectors, UGRO narrowed it down to eight key sectors: hospitality, light engineering, auto components, chemicals, food processing/FMCG, education, healthcare, and electrical equipment and components. These selected sectors collectively contribute 40-45% of the GDP from MSMEs. CRISIL has employed several parameters to identify these sectors, including credit ratings, improvements in financial performance, the influence of macro-economic factors on each sector, and their performance over the preceding five to six years. UGRO has also added a ninth sector (micro enterprises) based on size (turnover up to INR1cr) as such businesses exhibit similar cash flow patterns and repayment behaviour. UGRO does not lend to new-to-credit customers since not much data is available on them for statistical analysis. UGRO's focus lies on the underserved MSME rather than unserved segment to ensure a healthy book.
- ✓ UGRO has strategically positioned itself at the forefront of the evolving MSME lending landscape, which is shifting from collateral-based to cashflow-based underwriting. The company excels in this transition, leveraging a robust underwriting model driven by machine learning, GRO Score 3.0, an AI/ML-powered internal scoring model. This model stands out in the NBFC industry due to substantial data repository surpassing what many other NBFCs typically possess, this model integrates data from three key sources: banking statements from the last 24 months, bureau data, and GST information from the past 12 months. This data is seamlessly processed through API integration, allowing for efficient risk ranking of customers across five risk bands, from A (lowest probability of default) to E (highest probability of default). The company continually assesses the effectiveness of the GRO Score, monitoring default rates for both disbursed and non-disbursed loans across these risk bands on a quarterly basis. This ongoing assessment allows for fine-tuning and optimization of their lending strategies. UGRO's operational model is hybrid in nature. While the GRO Score handles the initial assessment, the company's credit officers take over to conduct a detailed physical diligence.
- ✓ UGRO has set an AUM target of INR 100 billion for FY24. For FY25 management aspires an AUM target of INR 160-180 billion with on book projected AUM of INR 78 bn and off book projected AUM of 78 bn, a Cost/Income ratio of under 45%. Post FY25 management targets RoA/RoE ~ 4%/18% respectively and a loan CAGR of 30%.

Key Stock Data

| | |
|----------------------|---------|
| Bloomberg | UGRO:IN |
| Sector | NBFC |
| Mkt Cap. (INR. bn) | 27 |
| O/s Shares (mn) | 92 |
| CMP | 281 |
| NIFTY | 19,638 |
| 52 Week H / L (INR.) | 336/224 |
| Face Value (INR.) | 10 |

Shareholding

| | Q1FY24 |
|-----------|--------|
| Promoters | 2.2% |
| DIIs | 5.5% |
| FIIIs | 22.0% |
| Others | 70.3% |

Financial Ratios

| | FY22 | FY23 | FY24E | FY25E |
|---------|-------|-------|-------|-------|
| ROE % | 1.5% | 5.8% | 11.7% | 14.2% |
| ROA % | 0.6% | 1.8% | 2.7% | 2.8% |
| P/E (x) | 80.7x | 14.9x | 17.7x | 11.3x |
| P/B (x) | | | 1.7x | 1.5x |

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Financial Snapshot

| Figures (in mn) | Q1FY24 | Q1FY23 | Y-o-Y (%) | Q4FY23 | Q-o-Q (%) | FY22 | FY23 | FY24E | FY25E |
|----------------------------|--------|--------|-----------|--------|-----------|--------|--------|--------|--------|
| Net Total Income | 1256 | 707 | 77.69% | 1268 | -0.92% | 1,761 | 3,905 | 7,463 | 11,112 |
| Pre-provisioning op profit | 565 | 197 | 186.95% | 512 | 10.41% | 496 | 1,406 | 3,439 | 5,593 |
| Profit After Tax | 252 | 73 | 245.60% | 141 | 78.93% | 146 | 398 | 1,448 | 2,261 |
| Earnings Per Share | 2.77 | 1.06 | 161.50% | 2.04 | 35.39% | 2.10 | 6.00 | 16.00 | 25.00 |
| On Book AUM | 38,629 | 28,882 | | 36,486 | | 24,642 | 36,486 | 55,897 | 77,922 |
| Off Book AUM | 29,141 | 7,676 | | 24,324 | | 5047 | 24,324 | 49,052 | 77,922 |
| Book Value Per Share | | | | | | 137 | 142 | 161 | 185 |

Source: Company, ULJK Research

ULJK research reports are available on Bloomberg (ULJK <Go>)

SBFC Finance Ltd.

Peer Company Analysis: A Comparative Analysis of UGRO Capital Against SBFC Finance Limited

✓ **SBFC Finance Limited** (SBFC) is a non-deposit taking NBFC with a specific focus on offering secured loans to MSMEs and providing loans against gold. The company primarily caters to a diverse clientele that includes entrepreneurs, small business owners, self-employed individuals, salaried workers, and working-class individuals. SBFC Finance operates in tier II and tier III cities, playing a pivotal role in fostering entrepreneurship in these regions. It specializes in serving customers who possess a strong credit history but may lack formal documentation to substantiate their income. This approach enables the company to extend financial services to individuals and businesses that might otherwise face barriers in accessing credit. One of SBFC Finance's notable strategies is its deliberate and calibrated approach to branch network expansion. It leverages neighbouring branches to assess the local credit landscape effectively. To enhance its understanding of the local market dynamics, the company focuses on recruiting local staff who possess knowledge of the catchment area, local networks, and the market conditions. This localized approach contributes to building strong customer relationships and assessing creditworthiness accurately.

✓ SBFC Finance Limited has acknowledged the historical challenges faced by traditional financial institutions in extending credit to underserved or unserved MSMEs and self-employed individuals. These challenges include the high costs of physical service delivery and perceived lending risks. To overcome these obstacles and ensure successful lending operations, SBFC Finance has made a significant commitment to in-house loan origination, with 100% of its loan portfolio being generated internally. This strategic choice reduces reliance on external agents or intermediaries, ensuring a more direct and thorough understanding of each customer's profile. SBFC Finance achieves this by directly sourcing customers through its substantial sales team, which numbered 1,911 personnel as of March 31, 2023. SBFC Finance's direct sourcing model leverages local marketing efforts led by its branches, repeat business from existing customers, and walk-in customers. This approach has proven highly effective, allowing the company to maintain continuous contact with its customers, build strong relationships, ensure high levels of customer satisfaction, and foster customer loyalty. The advantages of direct sourcing include complete control over customer quality and the loan disbursement process. This control results in improved asset quality compared to methods relying on third-party agents. Furthermore, it serves as a risk mitigation strategy by enabling SBFC Finance to cultivate a customer base with a stronger credit profile.

✓ Additionally, SBFC Finance Limited extends its expertise in loan management services to third-party financial institutions. In this capacity, it serves as a master service provider, offering experienced portfolio management, collection, and related services. Furthermore, the company acts as a backup servicer for a prominent global bank which helps boost SBFC's fee based income.

✓ In 2019, SBFC entered into a co-origination agreement with ICICI Bank Limited. Under this agreement, ICICI Bank and SBFC jointly originate Secured MSME Loans at an agreed ratio of 80:20. SBFC is responsible for servicing these loans, and they are recognized as assets in SBFC's financial statements. This partnership allows SBFC to provide priority sector loans in collaboration with ICICI Bank, facilitating a smooth flow of funds. As a result, we anticipate SBFC to report a robust total AUM of 77.3/104.6 billion for FY24E/FY25E.

✓ SBFC Finance Limited has taken strategic steps to expand its operations by incorporating a housing finance subsidiary and intends to focus on providing financing for affordable housing loans to individual borrowers from the EWS, LIG, and middle income segments, with a focus on tier II and tier III cities and towns, which it believes will benefit from increasing affordability and urbanisation, and government schemes such as Housing for All. The provision of housing loans through a registered housing finance entity provides certain competitive advantages, including increased leverage due to lower capital adequacy norms applicable to such entity, and lower risk-weightage applicable to housing finance loans. With CMP at INR 84 at 4.3x FY23 P/BV, SBFC presents a long term investment opportunity.

Key Stock Data

| | |
|----------------------|---------|
| Bloomberg | SBFC:IN |
| Sector | NBFC |
| Mkt Cap. (INR. bn) | 88 |
| O/s Shares (mn) | 1060 |
| CMP | 83 |
| NIFTY | 19,638 |
| 52 Week H / L (INR.) | 100/66 |
| Face Value (INR.) | 10 |

Shareholding Q1FY24

| | |
|-----------|--------|
| Promoters | 64.02% |
| DII's | 6.97% |
| FII's | 3.00% |
| Others | 26.00% |

Financial Ratios

| | FY22 | FY23 | FY24E | FY25E |
|---------|------|------|-------|-------|
| ROE % | 5.2% | 9.9% | 11.0% | 11.7% |
| ROA % | 1.5% | 2.9% | 2.8% | 2.5% |
| P/E (x) | | | 37.8x | 30.8x |
| P/B (x) | | | 4.0x | 3.5x |

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Financial Snapshot

| Figures (in mn) | Q1FY24 | Q1FY23 | Y-o-Y (%) | Q4FY23 | Q-o-Q (%) | FY22 | FY23 | FY24E | FY25E |
|----------------------------|--------|--------|-----------|--------|-----------|--------|--------|--------|---------|
| Net Total Income | 1,153 | 798 | 44.48% | 1,104 | 4.44% | 2,525 | 3,777 | 4,011 | 4,569 |
| Pre-provisioning op profit | 729 | 494 | 47.58% | 654 | 11.47% | 1,335 | 2,335 | 3,139 | 3,881 |
| Profit After Tax | 470 | 321 | 46.41% | 428 | 9.81% | 645 | 1,498 | 1,865 | 2,098 |
| Earnings Per Share | 0.52 | 0.37 | 40.54% | 0.48 | 8.33% | 0.8 | 1.7 | 2.2 | 2.7 |
| AUM | 53,270 | 36,280 | | 49,430 | | 31,920 | 49,430 | 76,293 | 104,601 |
| Book Value Per Share | | | | | | 16 | 19 | 21 | 24 |

Peer Analysis Report: SBFC Finance and UGRO Capital

1. Asset Under Management (AUM):

- ✓ **SBFC Finance:** Demonstrating consistent growth in AUM, the company's assets under management increased from 22 billion in FY21 to 49 billion in FY23, exemplifying successful expansion and presenting a noteworthy 2-year compound annual growth rate (CAGR) of 49%.
- ✓ **UGRO Capital:** On a comparative note, UGRO achieved much better AUM growth, boasting a 2-year CAGR of 116%. The company's AUM surged from 13 billion in FY21 to 61 billion in FY23, indicating a robust market presence and effective customer engagement. Total AUM as on Q1FY24 is 67.77 bn.
- ✓ SBFC's AUM mix emphasizes secured lending to MSMEs and collateral-based gold loans, showcasing risk mitigation. On the other hand, UGRO Capital's diverse mix encompasses various lending segments, targeting prime borrowers, micro-enterprises, supply chains, machinery loans, and strategic partnerships. UGRO has an exposure to Prime-unsecured loans to upto 31% of its Total AUM by FY23. UGRO has a broader MSME-focused loan portfolio covering various yield bands with an average ticket size of 1.8 million. In contrast, SBFC primarily operates within a narrower yield band (Offerings include Secured MSME Loans ticket size focus: Rs 5L–30L). Through the Co-lending model in addition to the on book leverage, UGRO is able to generate Off-Book AUM by partnering with Banks and NBFCs and this has helped UGRO to grow its AUM at a faster pace than any other NBFCs. Co- Lending is a value accretive model for UGRO. SBFC has recently ventured into the co-lending model, with ICICI bank as its co lending partner, with an off-book AUM of 700 crore, equivalent to around 15% of its total AUM. The management has outlined plans to maintain this at 18-20%. In contrast, UGRO Capital has embraced the co-lending model with multiple partners and has witnessed remarkable QoQ and YoY growth in its off-book AUM which stands at INR 2,929 Crore, reaching 43% of its total AUM in Q1FY24, with a target of 50%. UGRO's co-lending model offers numerous advantages, including access to substantial sanctions and readily available capital, shared risk with partner institutions. Considering these factors, it is anticipated that UGRO Capital will emerge as a significant player in the MSME lending sector, surpassing other NBFCs in terms of AUM growth.

2. Yield on Advances:

- ✓ As of March 31, 2023, **SBFC's** average yield on the Gross Loan Book reached 15.91%. Notably, Secured MSME Loans and Loans against Gold contributed 15.89% and 15.64% respectively to this yield composition. Since its inception in 2017, SBFC has exhibited rapid expansion, showcasing its ability to grow and capture market share effectively.
- ✓ **UGRO Capital**, on the other hand, maintains a Portfolio yield of 17.3%, which has exhibited a slight yet consistent increase over recent quarters. This augmentation is attributed to the company's strategic focus on high-yield products and efforts to enhance the yield on existing products.

3. Cost of Borrowings and NIMs:

- ✓ **SBFC Finance's** growth has been supported by its ability to access diversified funding sources. The company intends to further diversify its funding channels, explore new sources of capital, and implement ALM policies to optimize borrowing costs and expand its NIM. The average cost of borrowing for SBFC Finance stood at 8.11%, 7.65%, and 8.22% for FY21, FY22, and FY23, respectively, with an Incremental Cost of Borrowings at approximately 8.76% for FY23.
- ✓ **UGRO Capital's** management previously indicated that the spread income on the Off Book portion is slightly higher than the On-Book spreads, contributing to the top-line growth of the company. Additionally, there was a marginal increase of 8 bps in borrowing costs, influenced by macroeconomic factors. Term loans from banks and financial institutions remain the primary source of On-Book liabilities, accounting for 72% of the total, while the company has also diversified its funding sources through NCDs, CPs, and DFIs. The average cost of borrowing stood at 10.3%, 10.7% and 10.6% for FY21, FY22 and FY23 respectively.

Exhibit 1: UGRO Capital leads in AUM growth amongst the 2 companies. With the co-lending model as its competitive advantage and wide number of co-lending partner, UGRO's AUM growth will remain strong.

AUM and disbursements(in bn)

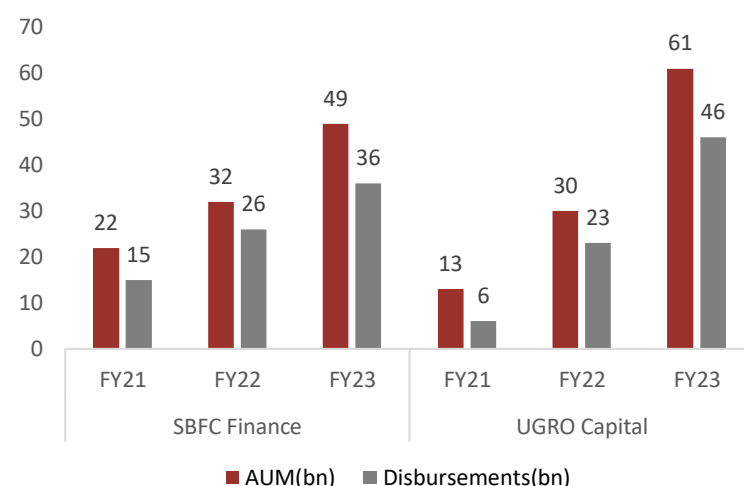


Exhibit 2 : Yield Strategies and Performance: UGRO Capital and SBFC both command high yield on advances however UGRO Leads with better NIIMS.

Yield on Advances/NIIMS

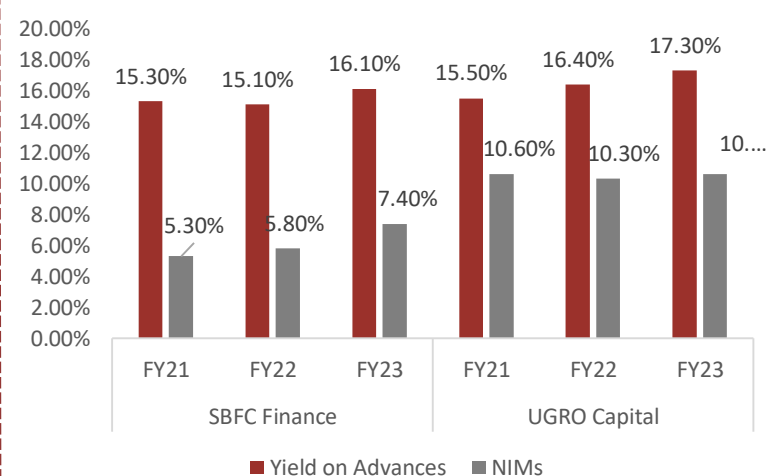
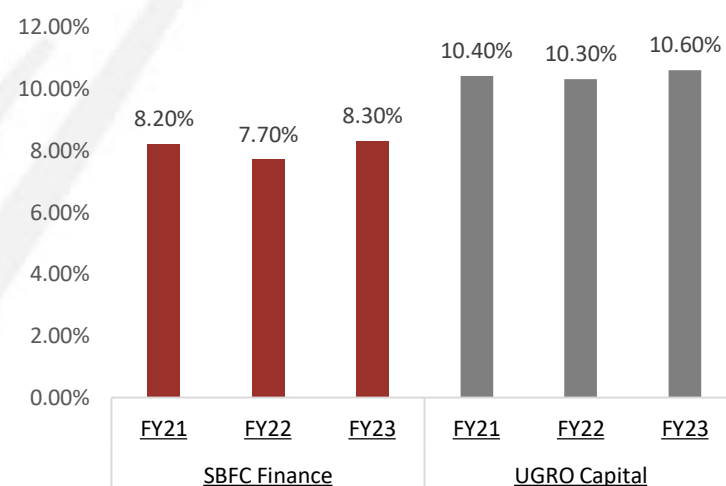


Exhibit 3 : CoB to stabilize across the Industry going forward.

CoB



Peer Analysis Report: SBFC Finance and UGRO Capital

4. AUM Mix:

1. SBFC Finance:

The loan portfolio of SBFC is primarily composed of three key product segments : Secured MSME Loans, Loans against Gold, Other Loans, which encompass personal loans, business loans, and professional loans.

Secured MSME Loans category, SBFC offers a diverse range of financial solutions tailored to assist entrepreneurs and MSMEs in meeting their increasing credit requirements. The typical loan amount in this segment averages at 90 k, with an average contractual tenure of 9.84 years, as of March 31, 2023. Repayments for Secured MSME Loans are structured in installments. Disbursement of secured msme loan stood at 22,768 mn with a GNPA of 2.55%

Gold Loan :The average loan size within the Loans against Gold segment is approximately 0.09 million, with an average loan tenure of 11 months. SBFC operates its secured Loans against Gold portfolio across 16 states and two union territories throughout India, effectively serving 59,437 borrowers as of March 31, 2023. AUM for Loans against Gold amounted 8,641.02 million in FY23, GNPA for gold loan 1.21% in FY23.**Personal Loans**: These loans are tailored for salaried individuals. The average loan size for personal loans is approximately 0.69 million, with an average contractual tenure of 4.83 years. AUM for other loan 1,587.18 mn.

| Gross Loan Portfolio Mix(in mn) | FY21 | | FY22 | | FY23 | |
|---------------------------------|--------|------|--------|------|--------|------|
| Secured Msme Loans | 14,422 | 65% | 23,262 | 73% | 39,200 | 79% |
| Loans Against Gold | 5,600 | 25% | 6,395 | 20% | 8,641 | 17% |
| Others | 2,189 | 10% | 2,263 | 7% | 1,587 | 3% |
| Total | 22,211 | 100% | 31,920 | 100% | 49,428 | 100% |

2.UGRO Capital

UGRO's portfolio is spread out across various geographic regions and industry sectors, ensuring that no individual sector comprises more than 25% of its overall exposure.

100% MSME focused, Prime loans consist of both Secured MSME as well as Unsecured MSME loans. Disbursement stood at 19,860 mn, Prime unsecured disbursement stood at 21,090 mn with a GNPA of 3.0%, micro enterprise loan stood at 5,480 mn with a GNPA of 1.1% ,supply chain disbursement stood at 5,850 mn with GNPA of 2.6%,machinery loan disbursement stood at 7,980 mn with GNPA of 0.6%,partnership loans stood at 7,500 mn. Overall UGRO has a broader MSME-focused loan portfolio covering various yield bands and ticket sizes ranging from INR 1 lakh to 5 crore.

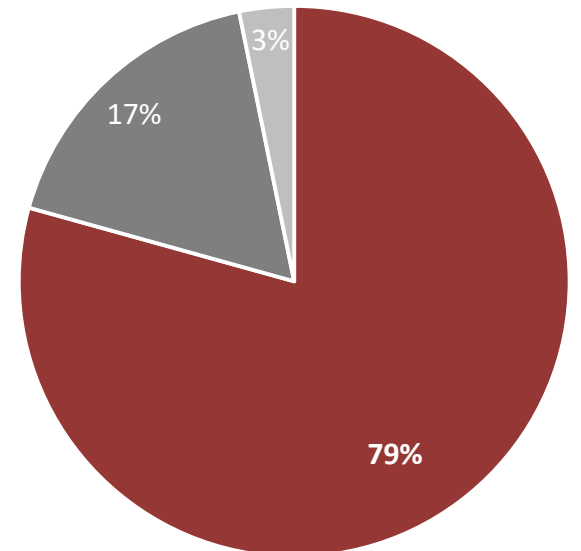
| Gross Loan Portfolio Mix | FY21 | | FY22 | | FY23 | |
|---------------------------|-------|------|--------|------|--------|------|
| Prime loans | 4,540 | 71% | 13,190 | 54% | 36,260 | 60% |
| Micro Enterprises | 0 | 0% | 1,060 | 4% | 4,720 | 8% |
| Supply Chain Financing | 230 | 4% | 2,690 | 11% | 5,670 | 9% |
| Machinery Loan | 720 | 11% | 2,410 | 10% | 7,010 | 12% |
| Partnership and Alliances | 900 | 14% | 5,190 | 21% | 7,150 | 11% |
| Total | 6,390 | 100% | 24,540 | 100% | 60,810 | 100% |

Additional Boost To UGRO's Growth story:

Fund Raise: UGRO Capital raised INR 340 Crore in April 2023, comprising INR 240 Crore from Danish Government Backed DFI, IFU through its Danish Sustainable Development Goals Investment Fund K/S, and INR 100 Crore from marquee Domestic Institutions including SBI Life, SBI General, and Go Digit. This fund raise is pivotal in maintaining the company's AUM growth trajectory. It provides sufficient capital to reach an AUM target of INR 10,000 Crore by the end of FY24. The infusion of capital enhances the company's ability to extend loans and expand its portfolio, which is critical for AUM growth. **Distribution Strength**: UGRO Capital has strategically built a diverse distribution network comprising four channels: Prime Business, Micro Business, Ecosystem, and Partnerships & Alliances. This extensive infrastructure includes 98 branches, 850+ GRO partners, 120+ Anchor/OEM partners, and 910+ sales employees. The emphasis here is on the existing distribution channels' capability to meet the AUM guidance for FY24.

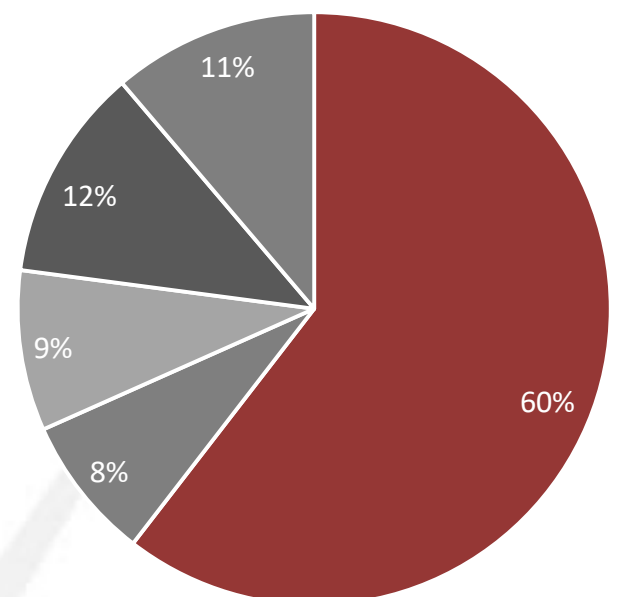
Exhibit 4: SBFC has greater portion of secured loan book. Comparatively UGRO has a diversified mix .

SBFC AUM FY23



■ Secured Msme Loans ■ Loans Against Gold ■ Others

UGRO AUM Mix FY23 with hospitality, light engineering each holding 23%, followed by micro enterprises holding 16%



■ Prime loans ■ Micro Enterprises
 ■ Supply Chain Financing ■ Machinery Loan
 ■ Partnership and Alliances

5. Asset Quality

- ✓ **SBFC Finance:** SBFC Finance also demonstrates commendable asset quality, with both GNPA and NNPA levels gradually improving over time. This improvement signifies the institution's commitment to enhancing the quality of its loan book. One noteworthy aspect of SBFC Finance's strategy is its comprehensive on-ground collections infrastructure. This infrastructure plays a crucial role in upholding and maintaining a high level of asset quality.
- ✓ **UGRO Capital:** UGRO Capital has shown improvement in its asset quality, although it initially had slightly higher GNPA and NNPA levels compared to its peers. A notable feature of UGRO Capital's approach is its stringent selection process for loan applicants. Out of 100 received loan applications, only 30 are approved and granted. This careful screening process ensures that the portfolio primarily comprises customers in the A&B categories, accounting for 86% of the total.

6. Return Ratios

- ✓ **SBFC Finance:** SBFC Finance has exhibited remarkable growth, with a CAGR of 44% in AUM from FY19 to FY23. The company has improved its Return on Equity from 7.7% in FY21 to 9.9% in FY23. Return on Assets has also increased from 2% in FY21 to 2.9% in FY23, reflecting improved asset utilization and efficiency.
- ✓ **UGRO Capital:** UGRO Capital has set ambitious management guidance, aiming for an AUM target of INR 10,000 Crore for FY24 and a loan growth rate of around 30% by FY25. UGRO Capital aims for a RoA of ~4% and RoE of 18% on a sustainable basis beyond FY25, showcasing its commitment to profitability. The company has significantly improved its cost to net total income ratio, reducing it from approximately 72% in Q1FY23 to around 55% in Q1FY24.

7. Quick snapshot of business models

| Company | UGRO Capital | SBFC Finance Ltd. |
|----------------------------|--|---|
| Vintage (years) | 5 years | 6 years |
| Growth rate (CAGR FY20-23) | 92% | 44% |
| Ratings | CRISIL A-/Positive, IND A/Stable | A+ Stable (ICRA, India Ratings, CARE) |
| Total AUM (Q1FY24) | INR 67.77 bn | INR 53.27 bn |
| Mix share of SME/MSME | 100% MSME | 79% Secured MSME, 17% Gold loan, Unsecured loan 4% |
| Business Model | Data and tech driven MSME focused NBFC offering loans across diverse yields bands. Offerings include Secured and Unsecured MSME business loans, Supply chain financing, machinery loans and micro enterprise loans. Ticket size across various products ranges between Rs 1L – 5 cr. | NBFC operating across a narrow yield band. Offerings include Secured MSME Loans (ticket size focus: Rs 5 L – 30 L). and Loans against Gold. |

8. Valuation

Based on the P/B ratios provided and their trends, it appears that **UGRO Capital is more attractively valued stock among the two institutions**. While SBFC's portfolio mix is resilient, backed by a secured loan portfolio and delivers strong return ratios, however going forward we are confident that UGRO is well-positioned to achieve an AUM of approximately INR 180 billion, with around 50% of it being off-book, while simultaneously reducing costs and enhancing return ratios. In Q1 FY24, the total AUM stood at approximately INR 68 billion, and according to the company's target, it is expected to reach around INR 100 billion by the end of FY24. Furthermore, the company anticipates doubling its current monthly disbursement run rate by the conclusion of FY24. Key metrics such as the cost-to-income ratio, ROA, and ROE are also on a positive trajectory. In Q1 FY24, the cost-to-income ratio was approximately 55%, a notable improvement from around 72% in Q1 FY23, and it is expected to further decrease to 45% by FY25E. Given this remarkable growth, we anticipate that ROA and ROE will reach approximately 2.8% and 14.2%, respectively, by FY25E, compared to the current levels of approximately 2.2% and 8.7%, respectively. **We maintain a strong BUY on UGRO Capital Ltd with a target price of INR 407 based on FY25E 2.1x P/BVPS.**

Exhibit 5: Asset Quality remains quite resilient across the sector.

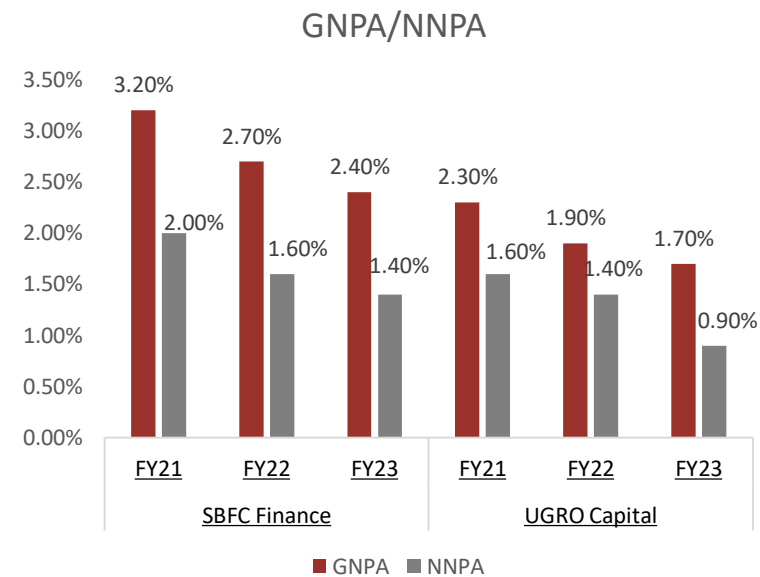


Exhibit 6: Comparing Financial Performance: UGRO expects to double its current monthly disbursement rate by FY24 end. Furthermore, it aims to reduce its cost-to-income ratio. With strong underwriting process through the distinctive GRO score model, high collection efficiency in place, UGRO is poised to deliver high return ratios compared to other similar NBFCs in the industry.

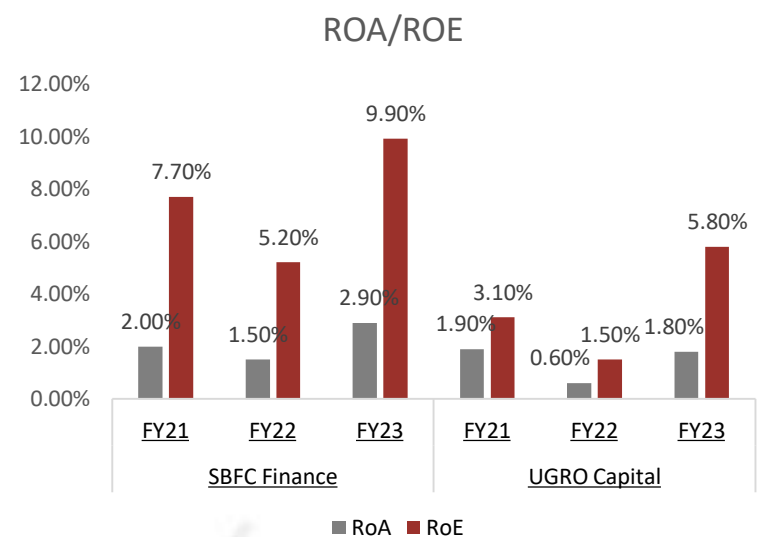
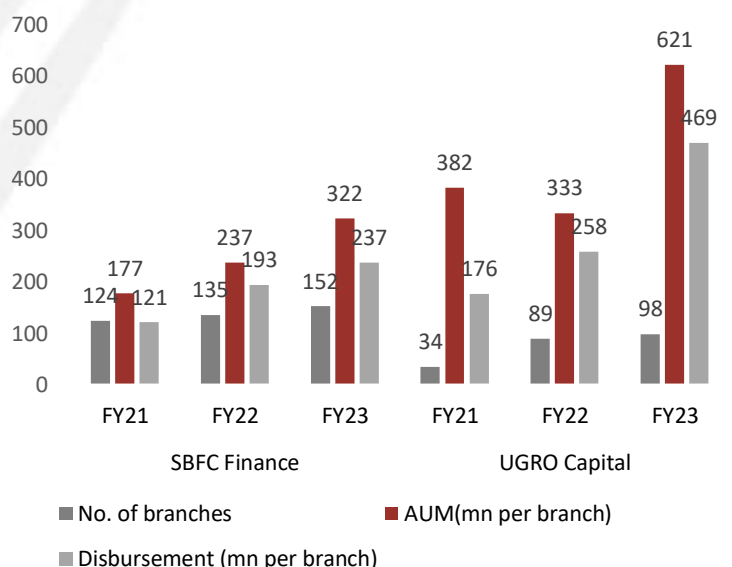


Exhibit 7: With less no. of branches as compared to SBFC, UGRO has still managed a better AUM/branch, UGRO Leads the Way with Attractive Valuation and will command stronger book value going forward.



Financial Statements & Ratios: UGRO Capital LTD.

| Income statement (INR mn) | FY22 | FY23 | FY24E | FY25E | Spread Analysis (%) | FY22 | FY23 | FY24E | FY25E |
|--|---------------|---------------|---------------|---------------|-----------------------------|-------------|-------------|--------------|--------------|
| Interest Income | 2,722 | 4,829 | 7,968 | 11,623 | Yield on loans | 16.4% | 17.3% | 17.6% | 17.9% |
| Interest Expenses | 1,374 | 2,933 | 3,917 | 5,622 | Cost of funds | 10.3% | 10.6% | 10.5% | 10.6% |
| Net Interest Income | 1,348 | 1,896 | 4,051 | 6,000 | spread | 6.1% | 6.7% | 7.1% | 7.3% |
| Other Income | 413 | 2,009 | 3,412 | 5,112 | Asset Quality (%) | FY22 | FY23 | FY24E | FY25E |
| Total Income | 1,761 | 3,905 | 7,463 | 11,112 | GNPA | 2.3% | 1.7% | 1.7% | 1.6% |
| Operating Expenses | 1,264 | 2,500 | 4,024 | 5,519 | NNPA | 1.7% | 0.9% | 0.9% | 0.8% |
| PPOP | 496 | 1,405 | 3,439 | 5,593 | Credit Cost | 1.5% | 1.4% | 1.4% | 1.5% |
| Provisions & contingencies | 294 | 568 | 1,400 | 2,408 | Valuation ratios (x) | FY22 | FY23 | FY24E | FY25E |
| PBT | 202 | 837 | 2,039 | 3,185 | P/BV | 1.2x | 1.1x | 1.7x | 1.5x |
| Tax | 56 | 441 | 591 | 924 | P/E | 80x | 14x | 17.7x | 11.3x |
| PAT | 146 | 396 | 1,448 | 2,261 | EPS | 2.1 | 10.4 | 15.9 | 24.8 |
| | | | | | BV | 137 | 137 | 161 | 185 |
| Balance Sheet (INR mn) | FY22 | FY23 | FY24E | FY25E | Dupont Analysis | FY22 | FY23 | FY24E | FY25E |
| Share capital | 705 | 693 | 912 | 912 | Net interest income* | 5.8% | 5.0% | 7.7% | 7.5% |
| Reserves and Surplus | 8,960 | 9,147 | 13,908 | 16,169 | Other Non-Interest Income* | 0.3% | 4.9% | 6.4% | 6.4% |
| Total net-worth | 9,665 | 9,840 | 14,820 | 17,081 | Operating expenses* | 5.5% | 6.0% | 7.6% | 6.9% |
| Borrowings | 18,018 | 31,489 | 46,031 | 76,865 | Provisions* | 1.3% | 2.1% | 2.6% | 3.0% |
| Other Liabilities | 860 | 1,727 | 1,986 | 2,284 | Pre Tax ROA* | 4.0% | 6.4% | 3.9% | 4.0% |
| Total Capital & Liabilities | 28,543 | 43,056 | 62,837 | 96,230 | Tax (%) | 27.7% | 52.7% | 29.0% | 29.0% |
| Cash & Bank balance | 1,883 | 2,118 | 3,682 | 4,612 | Post RoA* | 0.6% | 1.8% | 2.7% | 2.8% |
| Investment | 694 | 601 | 1,151 | 1,460 | Leverage ** | 2.4x | 3.2x | 3.4x | 3.9x |
| Loans | 24,505 | 38,064 | 51,064 | 73,028 | RoE | 1.5% | 5.8% | 11.7% | 14.2% |
| Other assets | 1,461 | 2,273 | 6,939 | 17,130 | | | | | |
| Assets | 28,543 | 43,056 | 62,837 | 78,989 | | | | | |

Source: Company, ULJK Research

* on % of Average Assets

** Equity Multiple= Average assets/Average equity

Financial Statements & Ratios (SBFC FINANCE LIMITED) :

| Income statement (INR mn) | FY22 | FY23 | FY24E | FY25E | Spread Analysis (%) | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|--------|--------|--------|----------|----------------------------|--------|--------|--------|--------|
| Interest Income | 4,731 | 6,542 | 8,250 | 11,161 | Yield on loans | 15.10% | 16.00% | 16.00% | 16.00% |
| Interest Expenses | 2,206 | 2,765 | 4,239 | 6,522 | Cost of funds | 7.70% | 8.30% | 8.30% | 8.50% |
| Net Interest Income | 2,525 | 3,777 | 4,011 | 4,639 | spread | 7.20% | 7.60% | 7.70% | 7.50% |
| Other Income | 576 | 862 | 2,266 | 3,194 | Asset Quality (%) | FY22 | FY23 | FY24E | FY25E |
| Total Income | 3,101 | 4,369 | 6,278 | 7,833 | GNPA | 2.7% | 2.4% | 2.4% | 2.4% |
| Operating Expenses | 1,873 | 2,305 | 3,139 | 3,916 | NNPA | 1.6% | 1.4% | 0.9% | 0.8% |
| PPOP | 1228 | 2,334 | 3,139 | 3,916 | Credit Cost | 1.1% | 0.6% | 0.8% | 0.8% |
| Provisions & contingencies | 361 | 321 | 413 | 628 | Valuation ratios (x) | FY22 | FY23 | FY24E | FY25E |
| PBT | 867 | 2,014 | 2,726 | 3,288 | P/BV | NA | NA | 4.0x | 3.5x |
| Tax | 222 | 516 | 709 | 855 | P/E | NA | NA | 37.8x | 30.8x |
| PAT | 645 | 1,497 | 2,017 | 2,433 | EPS | 0.8 | 1.7 | 2.2 | 2.7 |
| Balance Sheet (INR mn) | FY22 | FY23 | FY24E | FY25E | BV | 16 | 19 | 21 | 24 |
| Share capital | 8,068 | 8,896 | 9,168 | 9,168 | Dupont Analysis | FY22 | FY23 | FY24E | FY25E |
| Reserves and Surplus | 4,804 | 8,377 | 10,394 | 12,828 | Net interest income* | 15.80% | 18.10% | 17.43% | 17.85% |
| Total net-worth | 12,872 | 17,273 | 19,562 | 21,996 | Other Non-Interest Income* | 1.30% | 1.70% | 3.16% | 3.22% |
| Borrowings | 29,399 | 37,391 | 64,754 | 88,714 | operating expenses* | 15.00% | 15.30% | 17.04% | 18.85% |
| Other Liabilities | 2,880 | 2,801 | 1,526 | 1,569 | Provisions* | 0.80% | 0.60% | 0.58% | 0.63% |
| Total Capital & Liabilities | 45,151 | 57,464 | 85,843 | 1,12,278 | Pre Tax RoA* | 2.00% | 3.90% | 3.80% | 3.32% |
| Cash & Bank balance | 3,353 | 4,004 | 7,064 | 8,871 | Tax (%) | 26.00% | 26.00% | 26.00% | 26.00% |
| Investment | 8,481 | 6,006 | 10,361 | 15,081 | Post Tax RoA* | 1.50% | 2.90% | 2.82% | 2.46% |
| Loans | 29,907 | 44,261 | 58,868 | 80,649 | Leverage ** | 3.5x | 3.4x | 3.9x | 4.8x |
| Other assets | 3,409 | 3,133 | 9,550 | 7,677 | RoE | 5.20% | 9.90% | 10.95% | 11.71% |
| Assets | 45,151 | 57,464 | 85,843 | 1,12,278 | | | | | |

Source: Company, ULJK Research

* on % of Average Assets

** Equity Multiple= Average assets/Average equity

Financial Performance for the Last 3 years

| Particulars | UGRO Capital | | | SBFC Finance | | |
|--------------------------------|--------------|--------|--------|--------------|--------|--------|
| | FY21 | FY22 | FY23 | FY21 | FY22 | FY23 |
| Business(bn): | | | | | | |
| AUM(bn) | 13 | 30 | 61 | 22 | 32 | 49 |
| Growth | | 128% | 105% | 35% | 45% | 53% |
| Disbursements(bn) | 6 | 23 | 46 | 15 | 26 | 36 |
| Cost and Margins(%): | | | | | | |
| CoB | 10.30% | 10.70% | 10.60% | 8.20% | 7.70% | 8.30% |
| NIMs | 10.60% | 10.30% | 10.60% | 5.30% | 5.80% | 7.40% |
| Yield on Advances | 15.50% | 16.40% | 17.30% | 15.30% | 15.10% | 16.10% |
| RoA | 1.90% | 0.60% | 1.80% | 2.00% | 1.50% | 2.90% |
| RoE | 3.10% | 1.50% | 5.80% | 7.70% | 5.20% | 9.90% |
| Asset Quality: | | | | | | |
| GNPA | 2.30% | 1.90% | 1.70% | 3.20% | 2.70% | 2.40% |
| NNPA | 1.60% | 1.40% | 0.90% | 2.00% | 1.60% | 1.40% |
| PCR | 33% | 27% | 49% | 38% | 41% | 42% |
| Credit Cost | 1.80% | 1.50% | 1.30% | 0.80% | 1.10% | 0.60% |
| Operating Efficiencies: | | | | | | |
| No. of branches | 34 | 89 | 98 | 124 | 135 | 152 |
| AUM(mn per branch) | 382 | 333 | 621 | 177 | 237 | 322 |
| Disbursement (mn per branch) | 176 | 258 | 469 | 121 | 193 | 237 |
| Cost-income ratio | 71% | 72% | 62% | 46% | 57% | 50% |
| Balance Sheet: | | | | | | |
| CRAR | 68.60% | 34.40% | 24.70% | 26.30% | 26.20% | 31.90% |
| Leverage | 0.8 | 1.9 | 2.9 | 2.3 | 2.3 | 2.2 |
| Valuation: | | | | | | |
| Equity Capital(mn) | 705 | 706 | 693 | 7,967 | 8,068 | 8,896 |
| Net worth(mn) | 9,520 | 9,670 | 9,840 | 12,051 | 12,872 | 17,273 |
| Face Value | 10 | 10 | 10 | 10 | 10 | 10 |
| No. of shares o/s (mn) | 70.5 | 70.5 | 69.3 | 797 | 807 | 890 |
| Book Value | 135 | 137 | 144 | 15 | 16 | 19 |
| CMP | 125 | 170 | 145 | NA | NA | 84 |
| P/B x | 1.0 | 1.2 | 1.1 | NA | NA | 4.3 |

Source: Bloomberg

ULJK returns compared to peers

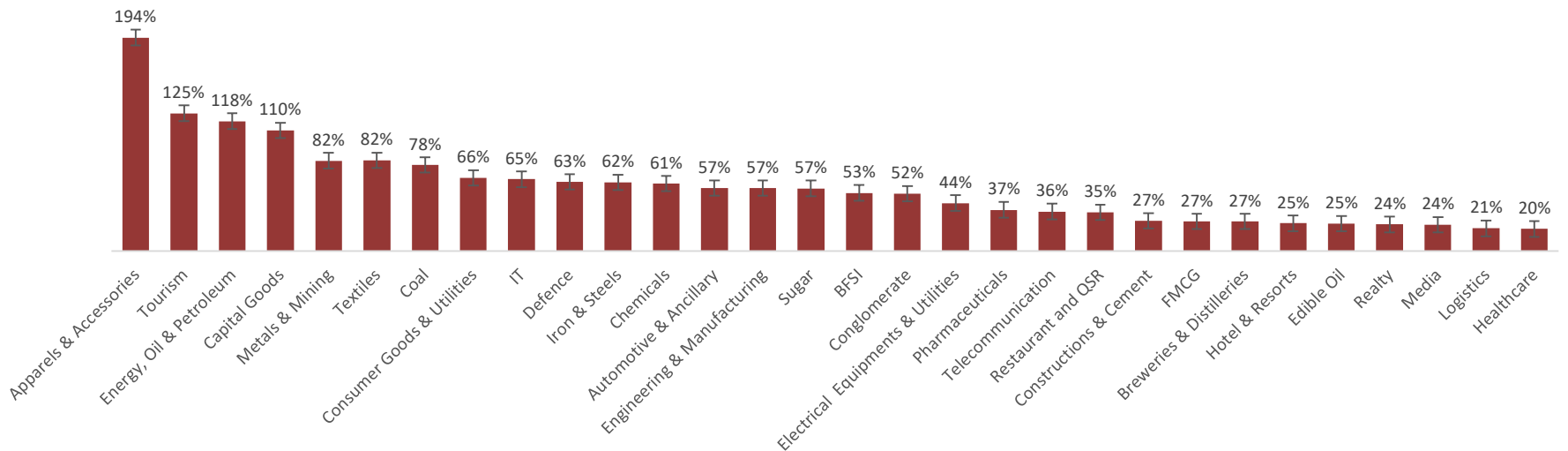
| Period (months) | ULJK Average Return % | Peers Average Return % | Outperformance/Underperformed compared to peers |
|-----------------|-----------------------|------------------------|---|
| 1 | 6.88% | 4.07% | 69.0% |
| 3 | 19.45% | 12.35% | 57.5% |
| 6 | 34.85% | 24.50% | 42.2% |
| 12 | 29.44% | 20.67% | 42.4% |
| 24 | 36.61% | 25.43% | 44.0% |
| 36 | 79.83% | 80.33% | -1% |

ULJK's 220 Companies Under Coverage

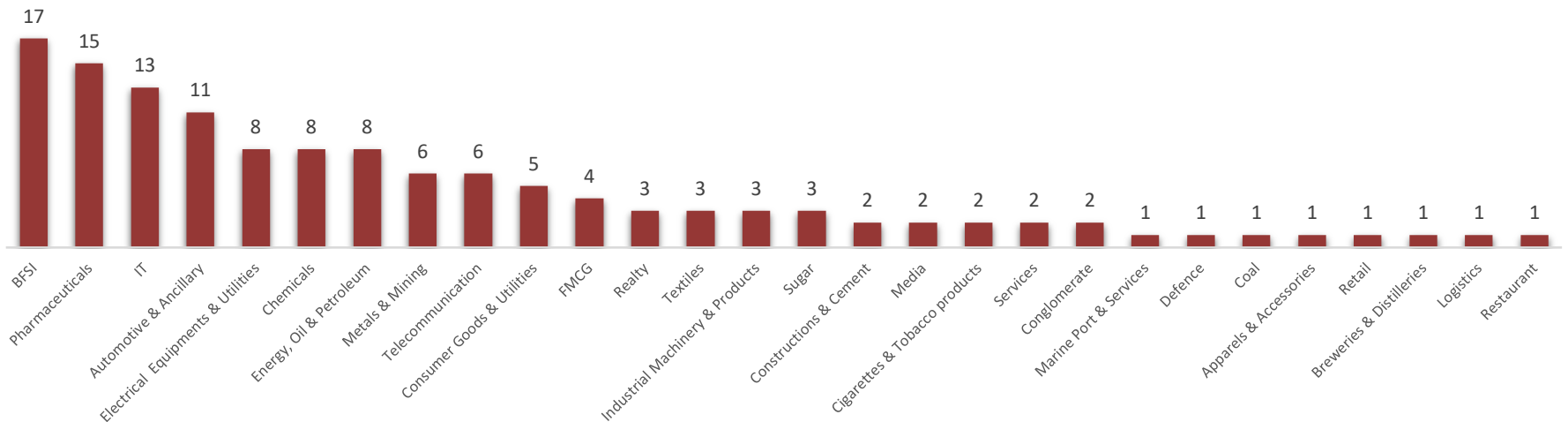
| | | | | |
|---------------------------------------|--|---|---|--------------------------------------|
| Aavas Financiers Ltd | Century Textiles and Industries Ltd | Himatsingka Seida Ltd | Mahindra & Mahindra Ltd | SP Apparel Ltd |
| ABB India Ltd | Chemplast Sanmar Ltd | Hindalco Industries Ltd | Mahindra Holidays and Resorts India Ltd | SRF Ltd |
| ABB Power Products and Systems Ltd | Cipla Ltd | Hindustan Oil Exploration Co. Ltd | Man Infraconstruction Ltd | State Bank Of India |
| ACC Ltd | City Union Bank Ltd | Hindustan Petroleum Corporation Ltd | Mangalore Chemicals & Fertilizers Ltd | Steel Authority Of India Ltd |
| Adani Ports and Special Economic Zone | Coal India Ltd | Home First Finance Company | Marksans Pharma Ltd | Stove Kraft Ltd |
| Adani Power Ltd | Coforge Ltd | HT Media Ltd | Maruti Suzuki India Ltd | Sun Pharmaceuticals Ltd |
| Adani Wilmar Ltd | Container Corporation Of India Ltd | ICICI Bank Ltd | Mazagon Dock Shipbuilders Ltd | Sun TV Network Ltd |
| Aether Industries Ltd. | Cummins India Ltd | ICICI Lombard GIC Ltd | Minda Corporation Ltd | Sunteck Realty Ltd |
| Affle (India) Ltd | Data Patterns Ltd | IDBI Bank Ltd | Mindtree Ltd | Syngene International Ltd |
| Amber Enterprises India Ltd | Devyani International Ltd | IDFC First Bank Ltd | Monte Carlo Fashion Ltd | Tata Chemicals Ltd. |
| Ambuja Cements Ltd | Dhampur Sugar Mills Ltd | India Pesticides Ltd | Motherson Sumi Systems Ltd | Tata Communications Ltd |
| AMI organics | DLF Ltd | Indiabulls Housing Finance | Nath Industries Ltd | Tata consultancy services Ltd |
| Anupam Rasayan India Limited | Dr Reddy's Laboratories Ltd | Indiabulls realestate Ltd | Nelco Ltd | Tata Motors Dvr Ltd |
| APL Apollo Tubes Ltd | Dreamfolks Services Ltd | Indian Bank Ltd | NMDC Ltd | Tata Motors Ltd |
| Apollo Tyres Ltd | Dynamatic Technologies Ltd | Indian Hotels Company Ltd | NTPC Ltd | Tata Power Co. Ltd |
| Arvind Ltd | Eclerx Services Ltd | Indian Oil Corporation Ltd | New India Assurance | Tata Steel Ltd |
| Asahi India Glass Ltd | Eris Lifesciences Ltd | Indian Railway Catering and Tourism Corporation Ltd | Oil and Natural Gas Corporation Ltd | Tech Mahindra Ltd |
| Ashok Leyland Ltd | Eveready Industries India Ltd | Indo Count Industries Ltd | Oriental Carbon & Chemicals Ltd | Technocraft Industries (India) Ltd |
| Atul Ltd | Everest Kanto Cylinder Ltd | Indoco Remedies Ltd | Parag Milk Foods Ltd | Tejas Network Ltd |
| Au Small Finance Bank Ltd | Exide Industries Ltd | Indus Tower Ltd | Parsvnath Developers | Torrent Power Ltd |
| Aurobindo Pharma Ltd | Expleo Solutions Ltd | Infibeam Avenues Ltd | Parsvnath Developers Ltd | Triveni Engineering & Industries Ltd |
| Axis Bank Ltd | Federal Bank Ltd | ITC Ltd | Pennar Industries Ltd | TVS Motor Company Ltd |
| Bajaj Healthcare Ltd | Filatex India Ltd | ITD Cementation Ltd | Pfizer Ltd | UGRO Capital |
| Balrampur Chini | Firstsource Solution Ltd | Jaiprakash Power Venture Ltd | Piramal Enterprises Ltd | Ujivan Financial Services Ltd |
| Bandhan Bank Ltd | Fortis Healthcare Ltd | Jindal SAW Ltd | Poonawalla Fincorp Ltd | United Drilling Ltd |
| Bank of Baroda | Gail (India) Ltd | Jindal Steel & Power Ltd | Power Finance Corporation Ltd | United Spirits Ltd |
| Bank of India | GE Power India Ltd | JSW Steel Ltd | Power Grid Corporation Of India | UPL Ltd |
| BASF India Ltd | GE T&D India Ltd | Jubilant Ingrevia Ltd | Praj Industries Ltd | Valiant Organics Ltd. |
| Bata India Ltd | GHCL LTD | Jubilant Pharmova Ltd | Prestige estates Projects Ltd | Verroc Engineering Ltd. |
| BF Utilities Ltd | Gland Pharma Ltd | Just Dial Ltd | Punjab National Bank | Vedanta Ltd |
| Bharat Bijlee Ltd | Glenmark Pharmaceuticals Ltd | Jyothy Labs Ltd | PVR Ltd | V-guard industries Ltd |
| Bharat Electronics Ltd | Godfrey Phillips India Ltd | Kajaria Ceramics | Quess corp Ltd | Varun Beverages Ltd |
| Bharat Forge Ltd | Graphite India Ltd | KEC INTERNATIONAL LTD | Quick Heal Technologies Ltd | Voltas Ltd |
| Bharat Heavy Electricals Ltd | Greaves Cotton Ltd | Kotak Bank Ltd | Railtel Corportaion Of India | Vinati Organics Ltd |
| Bharat Petroleum Corp Ltd | Gujarat Fluorochemicals Ltd | Krishna Institute of Medical Sciences Ltd. | RBL Bank Ltd | Welspun Corp Ltd |
| Bharti Airtel Ltd | General Insurance Corporation of India | L&T finance holdings Ltd | Reliance Industries Ltd | Welspun Enterprises Ltd |
| Birla Corporation Ltd | Happiest Minds Technologies Ltd | L&T Financial Holdings Ltd | Sadbhav Infrastructure Project Ltd | Welspun India Ltd |
| Blue Star Ltd | HBL POWER SYSTEMS LTD | larsen & Toubro Ltd | SAKSOFT Ltd | Yes Bank Ltd |
| BSE Ltd | HCL Technologies Ltd | Larsen & Tourbo Infotech Ltd | Sanghi Industries | Zee Entertainment Enterprises Ltd |
| Cadila Healthcare Ltd | HDFC bank ltd | Laurus Labs Ltd | Schneider Electric | Zensar Technologies Ltd |
| Can Fin Homes Ltd | HDFC Ltd | LIC Housing Finance Ltd | Shilpa Medicare Ltd | ZF Steering Gear India Ltd |
| Canara Bank | HEG Ltd | Lupin Ltd | Shree Cement Ltd | Zomato Ltd |
| Care Ratings Ltd | Heranba Industries Ltd | Life Insurance Corporation of India | Shree Renuka Sugars Ltd | Zydus Lifesciences Ltd |
| CDSL Ltd | Himadri Speciality Chemical Ltd | Mahanagar Gas Ltd | Siemens Ltd | Zydus Wellness Ltd |

ULJK's Performance Tracker

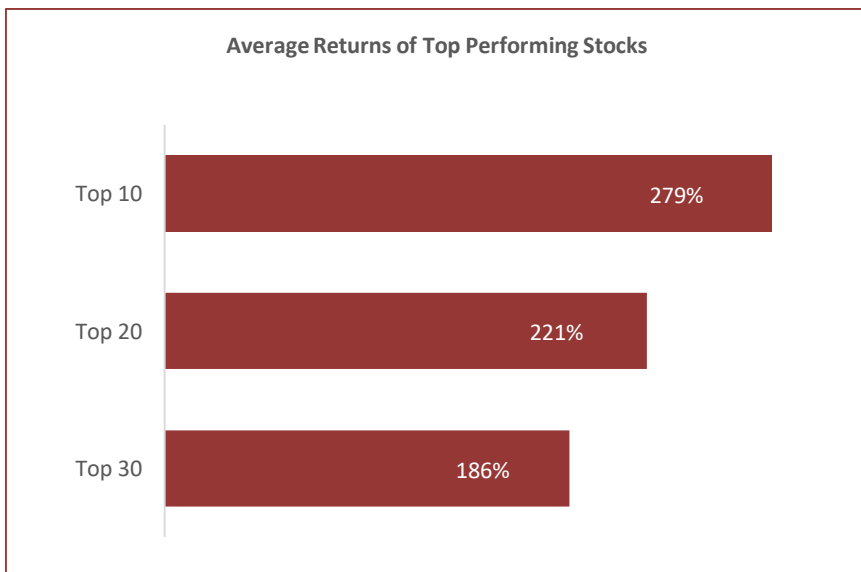
ULJK's Average Returns - Sector wise



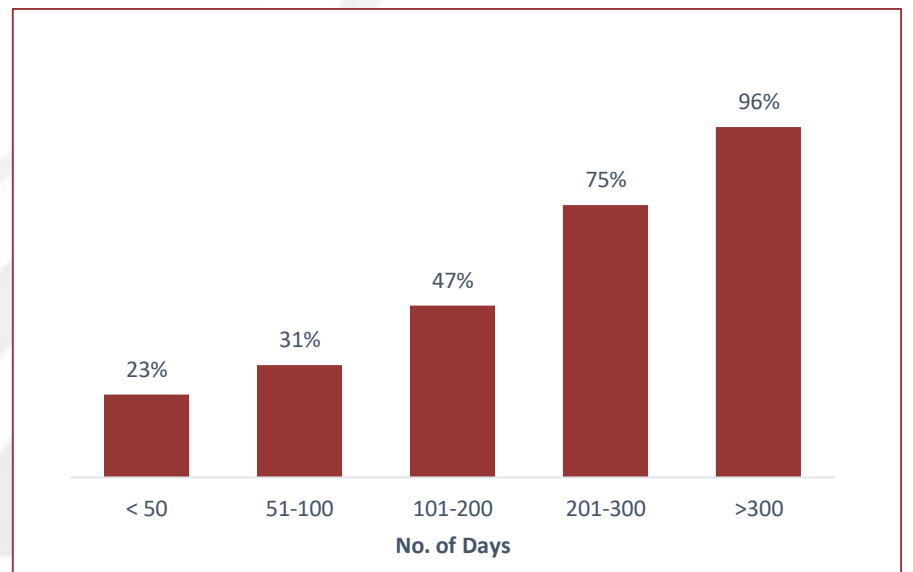
ULJK's Open Calls – Sector wise



Average Returns of Top Performing Stocks



Time wise (Days) to % Average Returns



Total Calls review: Closed Calls: 187 ; Average return: 186%; Average period: 374 days

| Stocks | Sector | Type | Call Date | Call Price | Target | Exit Date | No of Days | Total Return % |
|-------------------------------|----------------------------|------|------------|------------|--------|------------|------------|----------------|
| Adani Power Ltd | Energy, Oil & Petroleum | BUY | 11/19/2020 | 40 | 200 | 4/1/2022 | 498 | 400% |
| JSW energy Ltd | Energy, Oil & Petroleum | BUY | 4/9/2021 | 88 | 388 | 9/30/2021 | 374 | 331% |
| TATA Motors Ltd | Automotive & Ancillary | BUY | 7/7/2020 | 102 | 442 | 10/13/2021 | 463 | 335% |
| SAIL Ltd | Metals & Mining | BUY | 7/9/2020 | 31 | 140 | 4/30/2021 | 295 | 300% |
| Dynamatic Technologies Ltd | Capital Goods | BUY | 2/16/2021 | 68 | 317.5 | 9/13/2021 | 209 | 266% |
| Filatex India Ltd | Textiles | BUY | 2/1/2020 | 38 | 135 | 1/14/2022 | 401 | 255% |
| GHC Ltd | Chemicals | BUY | 9/7/2020 | 164 | 357 | 3/22/2022 | 561 | 240% |
| IRCTC Ltd | Tourism | BUY | 11/10/2020 | 1375 | 4470 | 11/6/2021 | 352 | 225% |
| Ashok Leyland Ltd | Automotive & Ancillary | BUY | 6/27/2020 | 52 | 165 | 9/3/2022 | 798 | 217% |
| Nelco Ltd | IT | BUY | 1/18/2021 | 208 | 643 | 9/28/2021 | 253 | 209% |
| Monte Carlo Fashions Ltd | Apparels & Accessories | BUY | 12/21/2020 | 256 | 752 | 7/4/2022 | 560 | 194% |
| First source solutions Ltd | IT | BUY | 8/10/2020 | 54 | 150 | 6/3/2021 | 297 | 177% |
| Eclerx Services Ltd | IT | BUY | 12/28/2020 | 894 | 2455 | 9/16/2021 | 262 | 175% |
| Tata Chemicals Ltd | Chemicals | BUY | 11/19/2020 | 352 | 949 | 10/5/2021 | 320 | 170% |
| Mangalore Chemicals Ltd | Chemicals | BUY | 12/9/2020 | 42 | 112 | 4/8/2022 | 485 | 167% |
| Indian Bank Ltd | BFSI | BUY | 8/20/2020 | 64 | 170 | 12/18/2021 | 424 | 166% |
| State Bank of India Ltd | BFSI | BUY | 7/1/2020 | 185 | 470 | 9/17/2021 | 437 | 154% |
| Canara bank Ltd | BFSI | BUY | 12/28/2020 | 120 | 303 | 11/7/2022 | 679 | 153% |
| NMDC Ltd | Metals & Mining | BUY | 7/1/2020 | 81 | 203 | 5/12/2021 | 315 | 151% |
| HEG Ltd | Capital Goods | BUY | 11/13/2020 | 865 | 2,010 | 4/2/2021 | 100 | 132% |
| Greaves Cotton Ltd | Capital Goods | BUY | 8/27/2020 | 85 | 197 | 1/1/2022 | 501 | 129% |
| Larsen & Toubro Ltd | Conglomerate | BUY | 7/3/2020 | 941 | 2092 | 11/25/2022 | 875 | 122% |
| Graphite India Ltd | Capital Goods | BUY | 12/23/2020 | 285 | 630 | 4/3/2021 | 101 | 121% |
| Tata steel Ltd | Metals & Mining | BUY | 12/28/2020 | 634 | 1391 | 7/29/2021 | 213 | 119% |
| Stove Kraft Ltd | Consumer Goods & Utilities | BUY | 5/14/2021 | 490 | 1052 | 9/28/2021 | 137 | 115% |
| ONGC Ltd | Energy, Oil & Petroleum | BUY | 10/19/2020 | 72 | 154 | 11/5/2021 | 382 | 114% |
| Minda Corp Ltd Ltd | Automotive & Ancillary | BUY | 8/21/2020 | 80 | 170 | 11/1/2021 | 437 | 113% |
| Wockhardt Ltd Ltd | Pharmaceuticals | BUY | 11/19/2020 | 332 | 685 | 5/19/2021 | 181 | 106% |
| NALCO Ltd Ltd | Metals & Mining | BUY | 7/9/2020 | 36 | 74 | 5/7/2021 | 302 | 106% |
| Eveready Industries India Ltd | Consumer Goods & Utilities | BUY | 1/11/2021 | 199 | 401 | 8/3/2021 | 204 | 102% |

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INH000006518

Disclosure Appendix

Analyst Certification

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