

Date :- 08th May 2025

IDBI Trusteeship Services Limited (ITSL),
Universal Insurance Building,
Ground Floor, Sir P.M. Road,
Fort, Mumbai - 400001

Dear Sir/ Madam,

Subject: Clarification in respect of the breach of covenant w.r.to CRAR ratio.

Greetings of the day from UGRO Capital Limited ("UGRO" or "Company") !!

We are grateful to you for patronage and the support extended by you to us in realizing our mission of credit access to MSMEs.

This has reference to the Notice and Intimation of the meeting of the Debenture Holders issued by IDBI Trusteeship Services Limited with reference to the non-compliance of covenant by UGRO of maintenance of 20% CRAR as of 31st March'2025. In this regard, we would like to bring to your attention the below mentioned points :-

- 1) At the outset, the Company had issued 5,00,000 rated, secured, senior, listed, transferable, redeemable non-convertible debentures each having a face value of INR 1000 (Indian Rupees One Thousand only) of the aggregate nominal value of INR 50,00,00,000 (Indian Rupees Fifty Crores only) with an option to retain over-subscription up to INR 50,00,00,000 (Indian Rupees Fifty Crores only), aggregating up to INR 100,00,00,000 (Indian Rupees One Hundred Crores only) pursuant to a Debenture Trust Deed, dated September 23, 2022 ("DTD"). In such DTD, the Company had agreed to a condition to maintain CRAR (Capital to Risk weighted Asset Ratio) of 20%.
- 2) The Company had complied with this covenant all along except for non-compliance of this covenant as of 31st March'2025 when it was 19.41% instead of 20%.
- 3) As you are aware, UGRO is a NBFC and is regulated by the Reserve Bank of India (RBI). We request you to note that RBI has stipulated that NBFCs should maintain a CRAR of minimum of 15% only. You are also requested to note that as of 31st March 2025, the Company maintains CRAR of 19.41% which is still way above the CRAR of 15% regulatorily required to be maintained. However, it is just marginally below the contractually agreed CRAR of 20%. CRAR ratio higher than 15% demonstrates that, NBFCs have sufficient capital to absorb potential losses from their risk-weighted assets, both on and off-balance sheet. As such, CRAR of 19.41% demonstrates a sound capital base and financial health of the Company.
- 4) We would like to state that in September 2022 when debentures under ISIN- INE583007315 were issued, the Company was in its growth phase and it had agreed to high CRAR of 20%. You

UGRO CAPITAL LTD.



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S.R. No. 100475

are requested to note that for most of the subsequent Public as well as Private NCD issuances of the Company, the Company has agreed to a covenant to maintain CRAR of 15% only i.e. minimum CRAR stipulated by RBI. Therefore, even when the CRAR is at 19.41% it is still much higher than agreed with the investors under other NCD issuances i.e. 15%.

- 5) It is significant to note that the Company has maintained the CRAR in the range of 20%+ for all the previous financial years until now.
- 6) The Company has been steadily adding Rs ~ 3,000 crores of AUM on an annual basis and is expected to grow at the same rate. Hence, considering the projected growth, the Company came out with issue of Rs 1,264 crores through Compulsorily Convertible Debentures ("CCD") (Rs 257.94 crores) and Share Warrants (Rs 1,006.70 crores) in the financial year 2024-25. The Company has already received through issuance of the above-mentioned instruments Rs 513.37 crores (i.e. Rs. 257.94 Crores through CCDs and Rs. 255.43 Crores through 25% of Share Warrants) in June 2024. The above instruments are required to be converted within a period of 18 months from the date of issuance i.e. June 2024. Hence, the capital call is to be made in November 2025 for the balance amount of Share Warrants of Rs. 751.27 Crores. Once the capital comes in, our CRAR will again go up well above 20%.
- 7) From the above, it would be clear that (i) the fall of CRAR was only marginal and (ii) it is a temporary phenomenon as the same is likely to go above 20% soon in November 2025 with a capital call of share warrants.
- 8) Further, clause 12.1 (c) of the DTD provides that any breach of covenant, if curable, can be cured within 30 working days of breach of such covenant. The Company has already initiated the necessary steps to cure the above referred non-compliance of the covenant and it is the endeavour of the Company to comply with the same.
- 9) Further, these NCDs are maturing in September 2025 which is less than 6 months from now. The Company assures you that, your principal and interest will be paid on or before the due date i.e. 28th September'2025.

In view of the above referred facts, the Company requests to all the Debenture Holders to waive off the condition of maintenance of CRAR of 20% for this issuance by accepting and voting in favour of it.

We also would call upon the Debenture Trustee to present us the opportunity to remain present during the meeting of the Debenture Holders and allow us to provide them an insight into the current situation and impact, if any, on them.

Thanking You,
Yours Sincerely,
UGRO Capital Limited

Authorised Signatory



★ UGRO CAPITAL LTD.

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