UGRO CAPITAL LIMITED

Bridging India's MSME Credit Gap

INITIATING COVERAGE REPORT

Initiating Coverage
29th June 2026

UGRO Capital Ltd

Strategic reset toward high-yield lending

CMP: INR 97.21

Rating: BUY

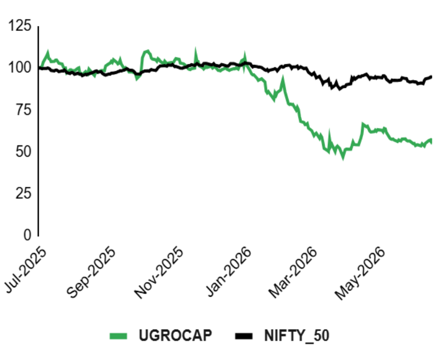
Target: INR 157

Stock Info	
BSE	511742
NSE	UGROCAP
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	1,530
Mkt Cap (INR Mn)	15,090
52w H/L (INR)	193 / 80.0
Avg Daily Vol (in 000')	516.12

Shareholding Pattern % *(As on May, 2026)*	
Promoters	2.88%
Public & Others	97.12%

Stock Performance (%)	1m	6m	12m
Ugro Capital Ltd	(0.54)	(42.08)	(43.76)
Nifty 50	1.69	(7.69)	(6.16)

UGRO Capital Ltd Vs Nifty 50



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UGRO Capital Ltd is a pure play, MSME focused NBFC that lends to small businesses through a network of 317 branches and a digital embedded finance channel through the MyShubhLife platform. Loan underwriting is underpinned by its proprietary GRO Score, a patented engine that combines bureau, GST and banking data to deliver a credit decision quickly. With an AUM of INR 153,330 mn, UGRO is shifting toward an on-book, annuity led lending model aimed at India's deeply underpenetrated MSME credit market. It is backed by marquee investors including IFU Denmark (15.8%), Samena Capital (12.9%), ADV Partners (9.7%), TPG NewQuest (9.5%) and Patni Family Office (5.9%). Founder and promoters group holds about 2.9%. In February 2026 UGRO announced a strategic realignment to exit low yield DSA led intermediated products and concentrate on Emerging Market LAP (about 18% yield) and Embedded Merchant Finance via MyShubhLife (24% to 26% yield), targeting 85% of AUM from these high yield segments by FY29E.

Investment Rationale

Strategic pivot from growth to profitability marks a structural inflection point: From Feb 2026, UGRO has formally exited DSA led originations in low-yield prime LAP and business loans (13-15% yield); channeling all incremental disbursements into Emerging Market LAP (18-21% yield) and embedded merchant finance via MyShubhLife (24-26% yield). Machinery finance continues through OEM partnerships. This makes a complete exit from DSA led intermediated origination, not a gradual rebalancing. The company targets 85% of AUM from high-yield segments within three years, up from approximately 38% as of Mar'26, supporting a portfolio yield improvement over FY26 to FY29E, with NIM moving from 3.9% in FY26 to about 4.7% by FY29E, after bottoming near 3.7% in FY27E. Poonawalla Finance post-Magma, IIFL Finance and Piramal post-DHFL all demonstrated that a 2-4 year repositioning phase is followed by a sharp multiple re-rating as RoA normalizes. UGRO appears to be in a similar positioning phase and the stock is being valued on current depressed return ratios rather than the improving trajectory ahead.

Three independent levers drive RoA recovery from 1.5% to about 2.5% over FY26 to FY29E: 1. The larger driver of the RoA recovery is operating leverage resulting out of maturity of the emerging market branches. Out of 317 branches, 81 branches are already at a productivity of 8 mn as of March'26 and another 156 sub 6 month branches are expected to mature without any incremental infrastructure investment. 2. The cost synergies of INR 2.20 Bn announced as part of strategic realignment in Feb'26 have been executed and the impact of the same would result in improvement in the ROA. We believe these levers hold the opex base broadly flat at about INR 6.1 bn even as operating income compounds,taking cost to income from 57.5% to about 41.4% by FY29E. 3. We expect the cost of borrowings broadly stable, easing modestly from about 10.8% to about 10.4% by FY29E. The current rating of the company is Ind-Ra A+ (Positive), CRISIL A (Stable). Any rating upgrade from hereon would result in further reduction in the borrowing cost.

Patented GRO Score is an underwriting moat with no peer equivalent: The GRO Score, patented in December 2024, processes over 25,000 data features per application integrating CIBIL bureau data, GST return analytics and banking transaction analysis to deliver in principal approval within 60 minutes. Trained on 5+ years of UGRO's own origination data across 22 sectors and 317 branches, this dataset cannot be replicated by competitors, and no comparable MSME NBFC of similar scale has replicated this system. Every loan originated improves model accuracy and widens the competitive gap further, giving UGRO's branch executives the ability to commit in principal approval to the borrower within the same day and driving referral-based sourcing in the EM segment.

Profectus and MyShubhLife acquisitions are complementary and value-adding: MyShubhLife enables embedded merchant lending at 24-26% yield with daily UPI/POS collections and zero incremental branch cost, the company targets scaling to INR 40,000 mn AUM by FY29E. Profectus Capital adds about INR 30 bn of secured AUM, including a school finance book with sub-0.5% historical GNPA, 8-12 year tenures improving ALM, and about INR 1.3 bn in annualized opex synergies. Together these two acquisitions deliver AUM scale, yield improvement, credit quality enhancement and cost savings simultaneously, with synergy benefits already partially visible in FY26 cost trends.

Shift from upfront co-lending fees to annuity interest income improves earnings quality, with no equity dilution through FY29: Under co-lending and direct assignment, UGRO originates a loan, retains only a small share and books a large part of the spread upfront as a one-time gain, income that is lumpy and needs fresh assignments every quarter to keep growing. As the 62:38 on-book/off-book split shifts decisively toward on-book, the same lending instead earns a recurring net interest spread over the life of each loan, a more durable and predictable stream whose retained profit accretes directly to net worth. On funding, ratings of Ind-Ra A+ (Positive) and CRISIL A (Stable) are unlocking access to insurance companies and provident funds, large low-cost pools that lend only under minimum-rating mandates; as the Positive outlook moves the rating toward those thresholds, the lender universe widens and cost of funds compresses. Reflecting this, debt to equity of 3.7x in FY26 moderates to about 3.1x by FY29E even as the book grows, because net worth compounds from retained earnings rather than fresh equity, directly countering the market's fear of a dilutive capital raise.

Valuation & View: We initiate coverage on UGRO Capital with a BUY rating and a target price of INR 157. UGRO is a pure play, technology led MSME lender that is turning the corner on profitability after a deliberate realignment toward its two high yield focus verticals, Emerging Market LAP and Embedded Merchant Finance. We expect RoA to recover from 1.5% in FY26 to about 2.5% by FY29E, and RoE to improve from 7.1% to about 10.7% (10.2% on an adjusted, ex-intangibles basis), driven by operating leverage from a fully built branch network, Profectus cost synergies and a richer portfolio mix. We expect PAT to compound at about 31% over FY26 to FY29E. At a CMP of INR 97.21, the stock trades at just about 0.40x FY29E ABV of INR 241, a level we believe gives little credit to the recovery already underway. **We value UGRO at 0.65x FY29E ABV, a multiple derived from a Gordon Growth framework using a steady state adjusted RoE of 10.2%, cost of equity of 12.5% and terminal growth of 6%, to arrive at a target price of INR 157, implying upside of about 61%.**

Exhibit 1: Financial Summary (Standalone)

Y/E March (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	2.62	3.31	4.16	4.67	5.31	6.73
PAT	1.19	1.44	1.75	2.46	3.08	3.91
Networth	14	20	29	32	35	39
BVPS (INR)	156	222	187	199	219	244
ABVPS (INR)	155	221	186	197	216	241
EPS (INR)	13.0	15.6	14.1	16.1	20.1	25.6
P/E (x)	7.5	6.2	6.9	6.0	4.8	3.8
P/Adj. BV (x)	0.6	0.4	0.5	0.5	0.4	0.4

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Story in Charts

Exhibit 2: AUM (INR Mn) and YoY Growth (%)

Total AUM grows modestly, by about 2% in FY27E and about 7% in each of FY28E and FY29E, as on-book growth of roughly 9% per year outpaces a broadly flat off-book book. We believe the headline understates the underlying shift, with the high-yield on-book portfolio compounding steadily through the transition.

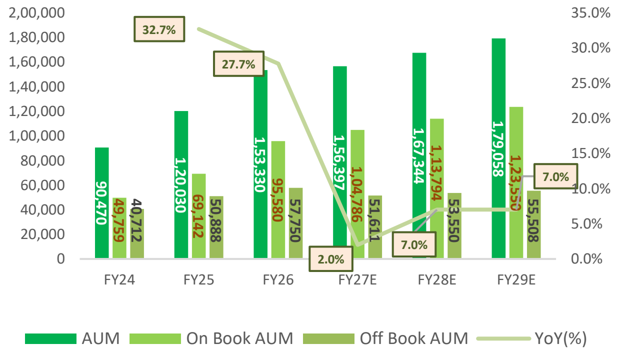


Exhibit 3: Net Interest Income (INR Mn)

NII is expected to grow from INR 4.2 bn in FY26 to INR 6.7 bn in FY29E, up about 27% in FY29E, as the high yield mix lifts blended yields alongside book growth. We believe net interest income growth is likely to outpace book growth over the forecast period.

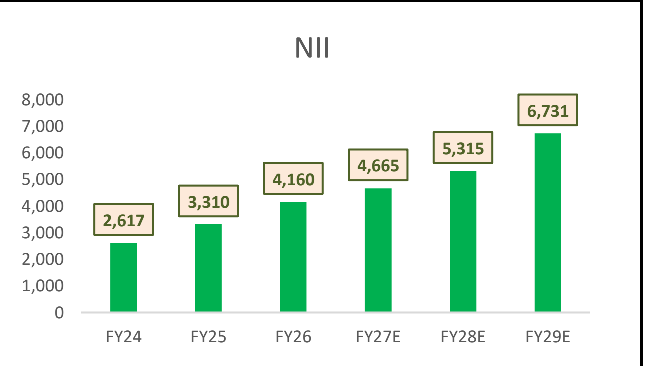


Exhibit 4: Net Interest Margin (%)

NIM declined from 4.6% in FY25 to 3.9% in FY26 and is expected to bottom near 3.7% in FY27E before recovering to about 4.7% by FY29E, supported by the shift toward Emerging Market LAP and Embedded Merchant Finance.

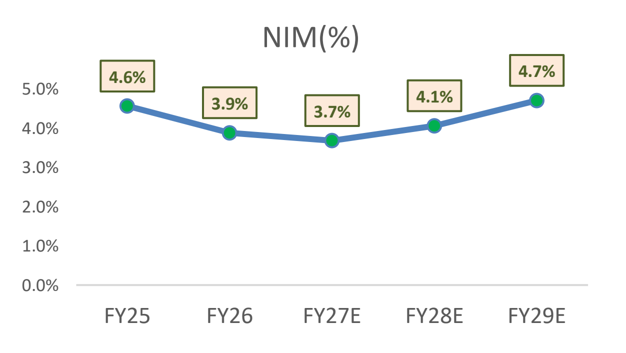


Exhibit 5: Total Opex (INR Mn) and Cost-to-Income (%)

Opex rose to INR 6,139 mn in FY26 due to Profectus integration. We expect cost to income to improve from 57.5% in FY26 to about 41.4% in FY29E.

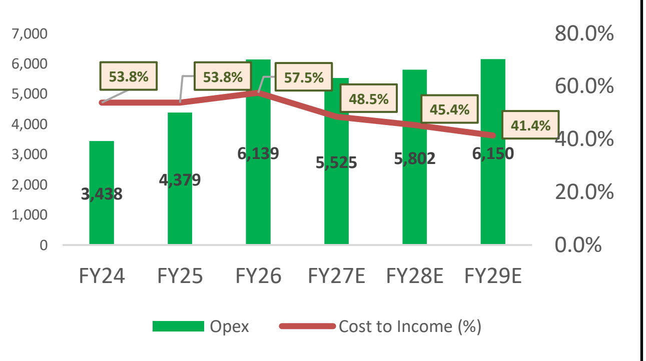


Exhibit 6: RoA (%) and RoE (%)

RoA is expected to recover from 1.5% in FY26 to about 2.5% by FY29E, and RoE from 7.1% to about 10.7% (10.24% on an adjusted, ex-intangibles basis), as operating leverage and portfolio mix improve. We believe return ratios are likely to normalise gradually rather than sharply.

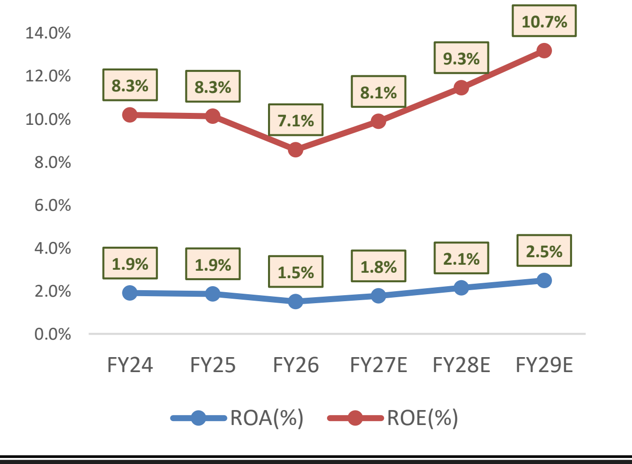
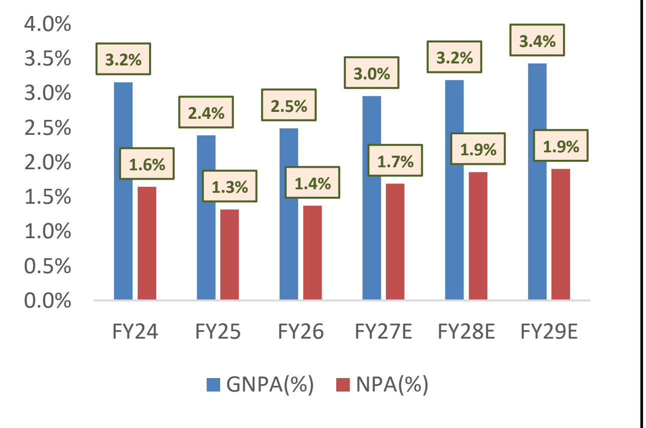


Exhibit 7: GNPA (%) and NNPA (%)

Asset quality is expected to soften only modestly as the book seasons, with GNPA rising from 2.5% in FY26 to about 3.4% by FY29E and NNPA from 1.4% to about 1.9%. We believe this remains manageable given the secured, granular nature of the book and adequate provision coverage, and does not signal any structural deterioration in credit quality.

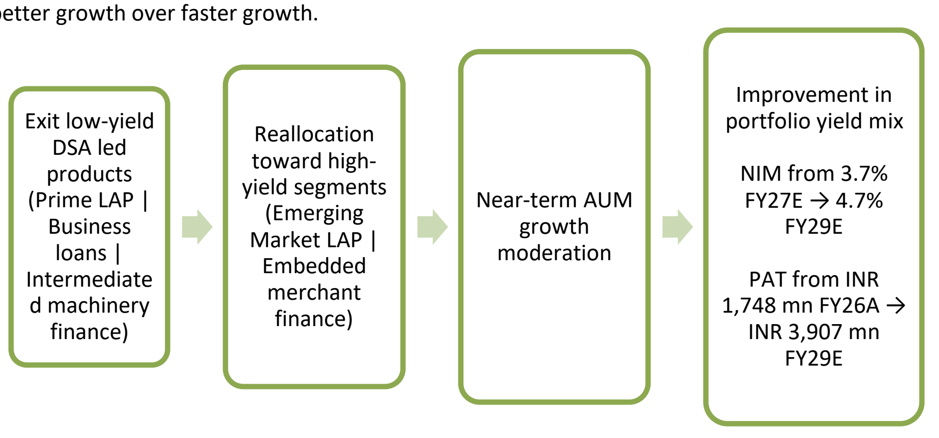


Investment Rationale

Strategic pivot from growth to profitability marks a structural inflection point

UGRO Capital has reached a strategic inflection point where the company is deliberately prioritizing profitability over sheer balance sheet growth. After spending the last few years building sourcing capability, branch reach, underwriting infrastructure and partnerships, the company is now rebalancing the portfolio away from low-yield products and toward segments that can generate better spreads and stronger return ratios. This is a conscious strategic reset, not a sign of weak demand or franchise deterioration.

The company has formally exited lower-yield intermediated products such as prime LAP and business loans, and is redirecting incremental disbursements toward higher-yield segments such as Emerging Market LAP and embedded merchant finance. Machinery finance would continue through the network OEMs. As a result, AUM growth may remain moderate in the near term, but portfolio quality and margin profile should improve steadily. In simple terms, UGRO is choosing better growth over faster growth.



- **Hard exit from the DSA channel, not a soft rebalancing:**

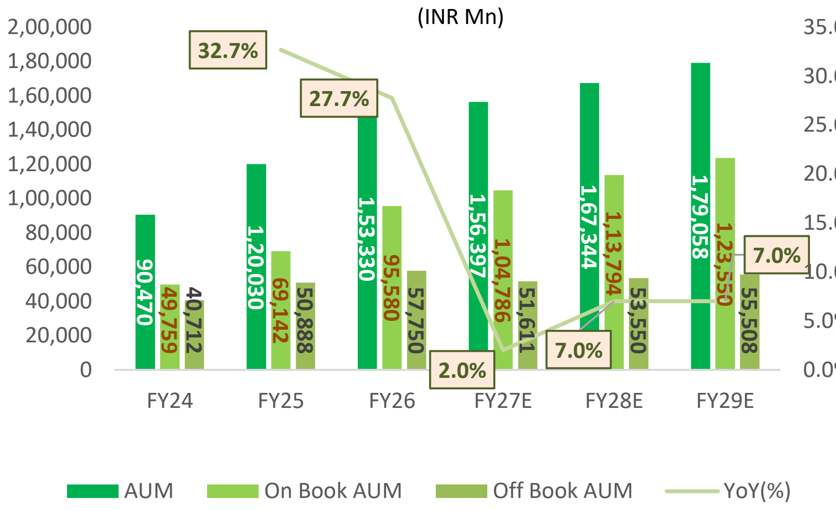
From Feb 2026, UGRO has formally exited DSA led originations in low-yield prime LAP and business loans (13-15% yield), channeling all incremental disbursements into Emerging Market LAP (18-21% yield) and embedded merchant finance via MyShubhLife (24-26% yield). Machinery finance would continue through the network OEMs. This is a hard exit from DSA led intermediated origination, with segment-level P&L accountability. The company targets 85% of AUM from high-yield segments within three years, up from approximately 38% as of Mar'26.

- **Precedent: Poonawalla, IIFL, Piramal all re-rated post repositioning:**

Poonawalla, IIFL and Piramal all re-rated after repositioning: Indian NBFC history offers a clear template for what UGRO is attempting. Poonawalla Fincorp after the Magma takeover, IIFL Finance through its product clean up, and Piramal after the DHFL integration each spent two to four years repositioning their books, during which reported return ratios stayed depressed and the market valued each franchise on trailing numbers. In every case, once RoA normalised and the new book seasoned, the multiple re-rated sharply. We believe UGRO is in the early part of a similar phase, being valued on depressed FY26 ratios of 1.5% RoA and 7.1% RoE, even though our estimates point to a recovery to about 2.5% RoA and 10.7% RoE by FY29E. We believe this gap between the current valuation and the improving earnings path is the core of the opportunity.

- **Yield mix to drive portfolio improvement:**

Yield mix to drive portfolio improvement: This product level shift is expected to lift the blended portfolio yield over FY26 to FY29E as high yield segments rise toward 85% of AUM. We expect NIM to move from 3.9% in FY26 to about 4.7% by FY29E, after bottoming near 3.7% in FY27E as the lower yield book runs off first. On the balance sheet, We expect the on-book loan book to grow about 9% in FY27E and about 9-10% in each of FY28E and FY29E, as high-yield disbursements scale while the lower-yield off-book book is run down. This reflects a deliberate shift in mix toward higher-return on-book assets.



Three independent levers drive RoA from 1.5% in FY26 to about 2.5% by FY29E.

The RoA recovery from 1.5% to 2.5% is underpinned by three levers, each operating independently and each trackable on a quarterly basis. The first and largest is operating leverage: as the 317-branch network matures beyond its fixed-cost absorption phase, productivity scales without incremental infrastructure spend, while the INR 2,200 mn cost programme from the Feb 2026 realignment compresses the opex base further. The second is the portfolio yield shift: as EM LAP and Embedded Merchant Finance replace lower-yielding intermediated segments, blended yields rise structurally regardless of what happens on the liability side. The third is cost of funds: a rating upgrade from the current Ind-Ra A+ (Positive) and CRISIL A (Stable) would compress borrowing costs, though we treat this as a tailwind rather than a precondition for the recovery. Because each lever is driven by a different mechanism, partial delivery on any two of the three should still produce meaningful earnings improvement. The risk of all three stalling simultaneously is low.

Cost of funds broadly stable (~10.8% to ~10.4%)

Cost to income from 57.5% to 41.4% by FY29E

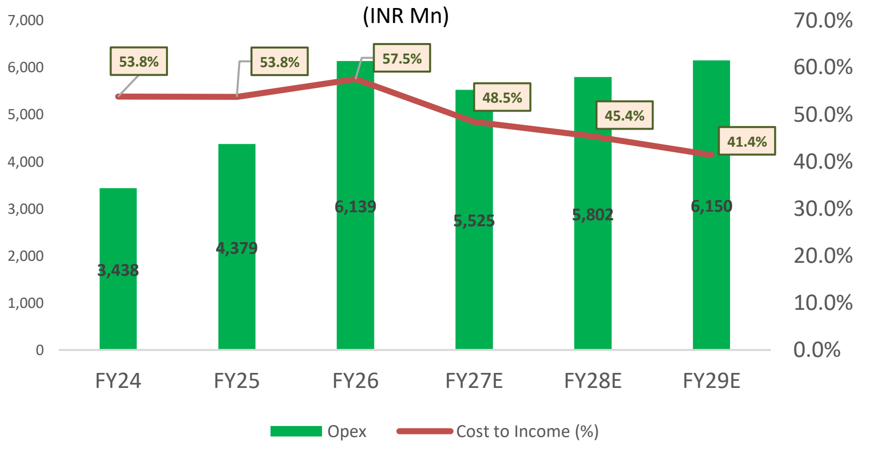
NIM from 3.9% to 4.7% by FY29E

- **Operating leverage from branch maturity and Opex synergies**

Operating leverage from branch maturity and Opex synergies: UGRO's 317 branches have absorbed their upfront fixed costs and are entering the productivity scaling phase, with about 80 branches older than 12 months now trending toward INR 8.0 to 8.5 mn of monthly disbursements, while the remaining 156 sub-six-month branches are queued as the next leg of annuity growth. The company also expects annualized cost savings of about INR 2,200 mn from the strategic realignment announced in Feb 2026. Together, we expect these to bring opex to total assets down from 4.4% in FY26 to about 3.8% by FY29E even as income compounds, and cost to income from 57.5% to about 41.4% by FY29E.

- **Cost of funds to ease modestly:**

Cost of funds to remain broadly stable: Ratings of the company are Ind-Ra A+ (Positive) and CRISIL A (Stable). We expect cost of borrowings to remain broadly stable, easing modestly from about 10.8% in FY26 to about 10.4% by FY29E. We believe this is a supportive tailwind for margins rather than the primary driver of the RoA recovery, which rests mainly on operating leverage and the yield mix shift. With a rating upgrade, the cost of borrowing could reduce further, resulting in additional improvement in RoA.



- **Yield mix improvement from portfolio pivot**

Yield mix improvement from portfolio pivot: As low yield prime LAP and business loan exposures run off and are replaced by Emerging Market LAP (about 18% yield) and MyShubhLife merchant finance (24-26% yield), portfolio yields are expected to rise. We expect NIM to bottom at about 3.7% in FY27E and recover to about 4.7% by FY29E. NII growth is expected to accelerate to about 27% in FY29E as the yield mix shifts alongside book growth. We believe this lever works independently of cost of funds; even if cost of funds does not decline, the yield shift alone should support margin expansion.

Metric	FY26A	FY27E	FY28E	FY29E
NIM (%)	3.9%	3.7%	4.1%	4.7%
Opex/Assets (%)	4.4%	4.0%	3.9%	3.8%
Cost-to-Income (%)	57.5%	48.5%	45.4%	41.4%
RoA (%)	1.5%	1.8%	2.1%	2.5%
RoE (%)	7.1%	8.1%	9.3%	10.7%

Q4FY26 already validates the trajectory

Q4FY26 was the first full quarter after the 7 February 2026 strategic realignment, and the mix shift came through fast. Focus verticals (EM LAP + Embedded Merchant Finance) moved from 33% to 38% of AUM in a single quarter - the fastest quarterly shift on record. EM LAP AUM grew from INR 31,990 mn to INR 35,810 mn (+12% QoQ) and Embedded Merchant Finance from INR 17,980 mn to INR 22,800 mn (+27% QoQ), while defocused verticals declined 9% QoQ. Net total income rose 51% YoY and consolidated PAT grew 26% YoY, even after Q4 absorbed a one-time restructuring cost of about INR 250 mn tied to the prime exit. We read the quarter as early confirmation that the portfolio pivot is translating into a richer, higher-yielding mix.

Focus Vertical	AUM Dec-25 (INR mn)	AUM Mar-26 (INR mn)	QoQ Change
Emerging Market LAP	31,990	35,810	12%
Embedded Merchant Finance	17,980	22,800	27%
Focus verticals total	**49,970**	**58,610**	**17%**
Other defocused	104,580	94,730	-9%

Patented GRO Score is an underwriting moat with no peer equivalent

The GRO Score, patented in December 2024, is UGRO's proprietary credit decisioning engine built over 5+ years of origination data across 22 sectors and 317 branches across 13 states. It processes over 25,000 data features per application - integrating CIBIL bureau data, GST return analytics and banking transaction analysis - to deliver in principal approval within 60 minutes. This proprietary dataset cannot be licensed or externally sourced, and no comparable MSME NBFC of similar scale has replicated this system.

In principal approval in 60 mins.

For Emerging Market LAP, the scoring model combines bureau data, banking records and GST data (wherever applicable) leading to an in principal approval within 60 mins which can be communicated to the borrower within same day, driving referral-based sourcing. For Embedded Merchant Finance, the process is largely automated - bureau, platform (GMV, location, vintage) and transactional data feed into an ML-driven risk band predictor (R1-R5). Only R1 and R2 bands are auto-approved, maintaining an approval rate of approximately 40%.

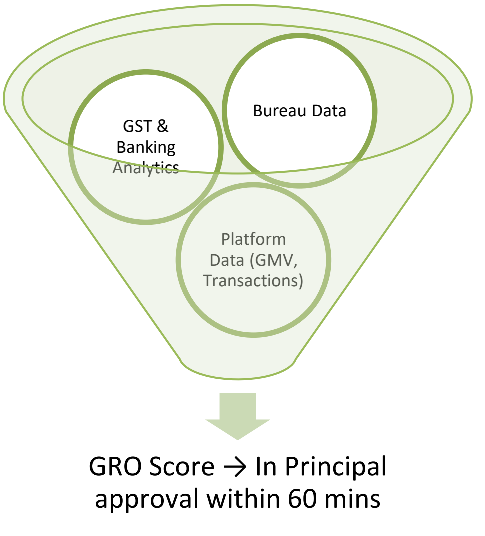
Every loan improves the model - a self reinforcing moat

With about 321,000 active loans across the portfolio, each new origination adds to the training dataset, improving model accuracy and widening the competitive gap. We believe new entrants would find it difficult to replicate over five years of sector specific credit data across 13 states.

Asset quality proves the model works

Collection efficiency stood at 98% in Q4FY26. Stage 1 assets constitute 93.1% of total loan exposure as of March 2026. Focus verticals show strong quality - EM LAP GNPA at 1.2% and Embedded Merchant Finance at 1.7%, both within underwritten expectations.

Product	AUM (INR Mn)	GNPA (%)	Remarks
Emerging Market LAP	35,810	1.20%	Stable through growth
Embedded Merchant Finance	22,800	1.70%	Within underwritten band
Other defocused	94,730	3.20%	Running down
Total	**153,330**	**2.50%**	



Profectus and MyShubhLife: Two acquisitions delivering scale, yield, quality and cost savings simultaneously

UGRO's two acquisitions are not diversification plays. They are architecturally complementary, each solving a specific gap in the platform. MyShubhLife adds a high-yield digital channel with zero branch cost, while Profectus adds long-tenure secured AUM that improves ALM and brings immediate cost synergies.

- **MyShubhLife (Embedded Merchant Finance):**

MyShubhLife enables embedded merchant lending at 24-26% yield through digital ecosystem partners such as Paytm, PhonePe and other payment gateways. The platform lends to online and offline merchants based on their payment gateway data and places a lien on prepaid sales, providing a structural collection mechanism. 95% of EMI payments are currently on daily repayment, with API-driven fund reconciliation handled by in-house tech infrastructure. AUM has scaled about 7.5x from INR 3,020 mn (Dec-24) to INR 22,800 mn (Mar-26) with approximately 250,000 active customers, making this one of the fastest scaling embedded finance books among Indian NBFCs.

MyShubhLife → Yield + Digital scale

The underwriting is largely automated with minimal manual intervention. Bureau data, platform data (date of birth, pincode, TPV, vintage, loan segment) and transactional data (GMV transactions, active days, partner rating) feed into a proprietary ML-driven risk band predictor that classifies merchants into R1 through R5 bands. R1 and R2 are auto-approved while R4 and R5 are auto-rejected, maintaining a strict approval rate of approximately 40%. Loan approval happens within minutes of merchant application submission. The 3-tier collection mechanism includes partner feet-on-ground monthly merchant meetings, digital tele-calling in parallel and in-house field collections for loans above INR 400,000.

GNPA on the Embedded Merchant Finance portfolio stands at 1.7% as of Mar-26, which is within the underwritten expectation band. The company has factored this into its credit cost assumptions for this portfolio. Company guidance of 20-25% AUM CAGR implies about INR 40,000 mn by FY29E; we conservatively factor INR 34,000 mn, with active customers targeted at 450,000. Zero incremental branch cost makes this the highest margin product in UGRO's portfolio.

Period	AUM (INR mn)	Active Customers	GNPA (%)
Dec-24	3,020	29,000	
Mar-25	7,430	75,000	0.20%
Jun-25	10,110	118,000	0.20%
Sep-25	12,700	153,000	1.30%
Dec-25	17,980	190,000	1.50%
Mar-26	22,800	250,000	1.70%
Mar-29E	34,000	450,000	

- **Profectus Capital:**

Profectus Capital was acquired in December 2025 and adds about INR 30 bn of secured AUM, including a school finance book with a roughly 0.5% historical GNPA. The 8 to 12 year loan tenures meaningfully improve UGRO's ALM profile, which was previously skewed toward shorter duration assets. The consolidated opex base of UGRO and Profectus combined was approximately INR 7,500 mn, which the company expects to bring down to about INR 4,900 mn in FY27 through opex synergies, removal of standalone compliance and audit costs, consolidation of IT infrastructure and removal of duplicate overheads.

Profectus → ALM + Cost synergies

We expect this to deliver annualised cost savings of about INR 2,200 mn. Consolidation is effective from 8 December 2025, so Q3FY26 includes Profectus from that date and quarterly numbers may not be fully comparable with prior periods.

Shift from upfront co-lending fees to annuity interest income improves earnings quality, with no equity dilution through FY29

UGRO currently holds about 62% of AUM on its own books and 38% off-book through co-lending and direct assignment. As the company deliberately tapers co-lending, this split will shift decisively toward on-book interest income that is recognised over the life of the loan and accretes to net worth. We believe this transition improves earnings quality and reduces volatility, even if it temporarily moderates reported fee income through FY27.

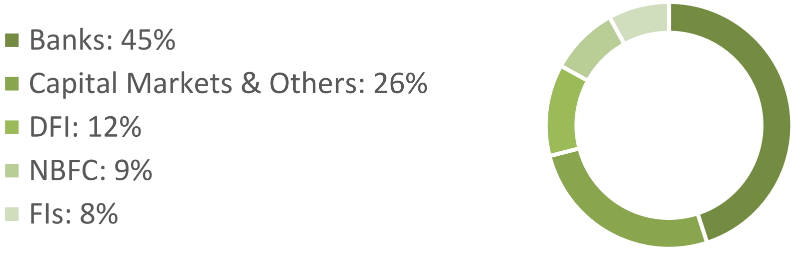
- **Co-lending income deliberately tapered toward annuity interest income:**

Off-book originations generated income of INR 4,450 mn in FY26, up 16% YoY, currently about a quarter of total income. The company plans to taper this down over FY27 to FY29 in favour of on-book interest income, which is recognised over the life of the loan and strengthens the balance sheet directly. We note co-lending income does not count toward regulatory net worth until realised in cash, which is why this shift improves the quality of reported earnings even as headline fee income moderates.

- **Diversified lender base with declining cost of borrowings:**

Total debt stands at INR 107,823 mn as of Mar-26 with a diversified lender base: banks 45%, capital markets 26%, DFIs 12%, NBFCs 9% and FIs 8%. Lenders include SBI, Union Bank, IDFC First, RBL, Bandhan, ADB, FMO, SIDBI, Poonawalla and Canara Bank among others. Cost of borrowings has declined steadily from 10.61% in Q4FY25 to 10.16% in Q4FY26, down 45 bps YoY. Ratings of Ind-Ra A+ (Positive) and CRISIL A (Stable), along with scaling of longer tenor DFI and ECB lines, are opening access to lower cost pools, though the company expects only a gradual easing from here. We model cost of borrowings remaining broadly stable, easing modestly from about 10.8% to about 10.4% by FY29E.

Liability mix



Quarter	Total Debt (INR mn)	CoB (%)
Q4FY25	69,040	10.61
Q1FY26	75,860	10.55
Q2FY26	80,880	10.37
Q3FY26	107,160	10.24
Q4FY26	107,823	10.16

- **No incremental equity for 3 years, self-funding via annuity RoA:**

CAR improved to 21.1% as of Mar-26 from 20.8% in Dec-25. Net worth stands at INR 29,060 mn with debt to equity of 3.7x. The company has committed to no equity dilution through FY29, self-funding growth through internal accruals. We noted on the Q4FY26 call that for the first time the company is generating capital rather than consuming it, with operating profit accreting to net worth. The institutional base provides additional comfort: IFU Denmark 15.8%, Samena Capital 12.9%, ADV Partners 9.7% and TPG NewQuest 9.5%.

About the Company

Company overview:

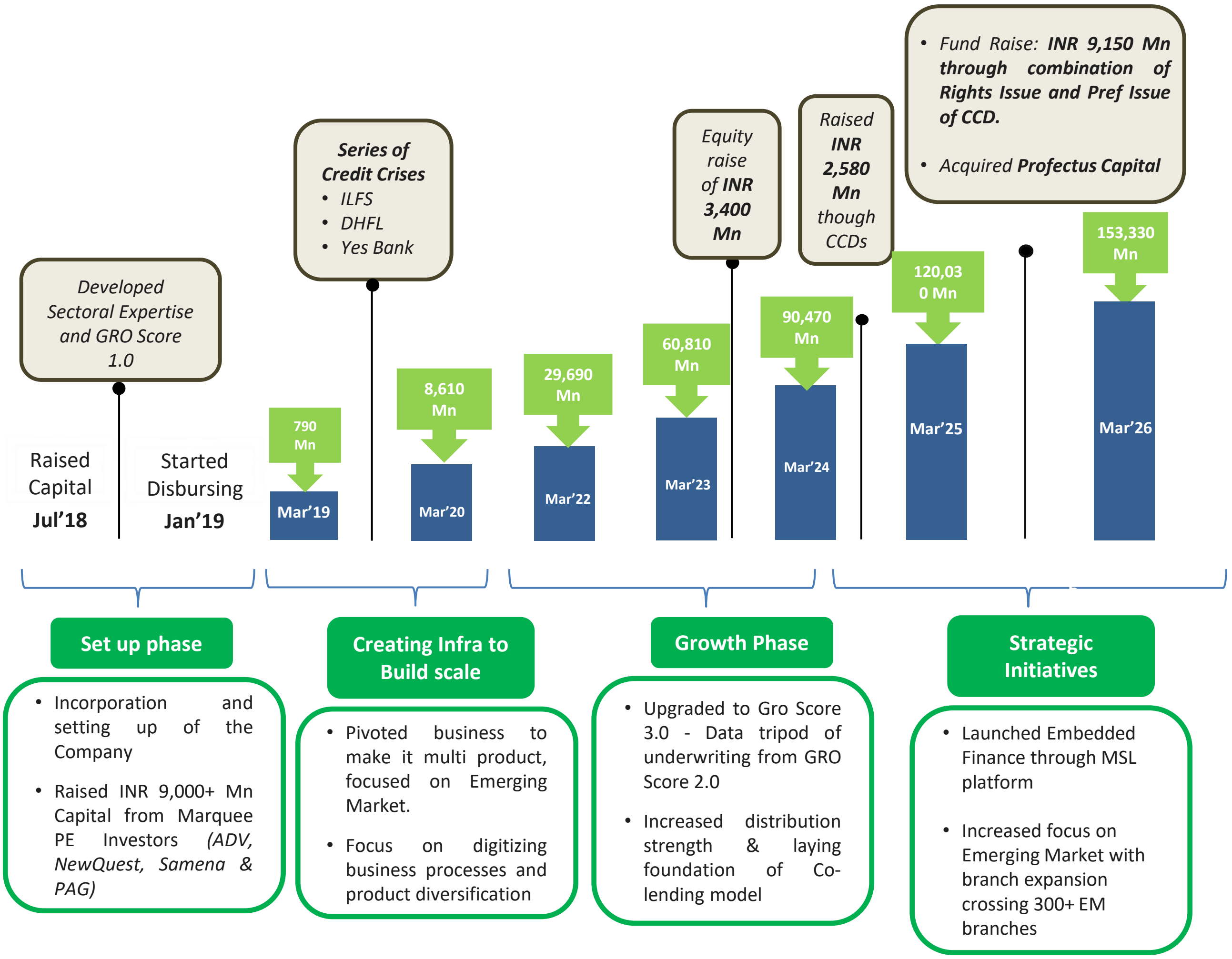
UGRO Capital Ltd (formerly Chokhani Securities Ltd) was incorporated on February 10, 1993 and is listed on both BSE (scrip code 511742) and NSE (symbol UGROCAP). The company was reconstituted in 2018 under Shachindra Nath with INR 9,000+ Mn of capital from marquee PE investors including ADV Partners, NewQuest, Samena Capital and PAG, to build India's first pure-play MSME focused NBFC on a data-tech platform. It is registered with RBI as a systemically important non-deposit taking NBFC. The company aims to address the INR 20-25 tn MSME credit gap in India, where the vast majority of small businesses lack access to formal credit matched to their cash flows, through sector expertise, proprietary data science and multi-channel distribution. Over five years, the company invested upfront in building a 317-branch Emerging Market network across 13 states, developed the patented GRO Score underwriting engine processing 25,000+ data features per application, acquired MyShubhLife to enter embedded merchant finance, and acquired Profectus Capital to add INR 30 bn of long-tenure secured AUM. That infrastructure build is now complete. On February 7, 2026, the company announced a structural realignment to focus entirely on two verticals where it has proprietary origination, superior data and demonstrably better credit outcomes: Emerging Market LAP (secured, 18% yield, 1.2% GNPA) and Embedded Merchant Finance via MyShubhLife (24-26% yield, 1.7% GNPA, daily EMI). The intermediated, DSA-led book in lower-yield segments has been stopped and is being run down at 15-20% annually. Management has made five publicly tracked commitments through FY29: shift focus verticals to 85% of AUM, take out INR 2,200 Mn of annualized costs, run down the intermediated portfolio, fund growth entirely from internal accruals with no equity dilution, and transition to a steady-state annuity-led RoA of 3.0-3.5% with negligible contribution from co-lending income.

Distribution channels:

The company operates through three channels: (1) Direct branch-based origination through 317 branches across 13 states with approximately 1,900 sales executives for Emerging Market LAP. Average ticket size of INR 1.7 mn to INR 1.9 mn, portfolio yield of approximately 18%, LTV up to 75%, targeting micro-SMEs with turnover below INR 30 mn in Tier 2, Tier 3 and Tier 4 towns. Eligibility criteria are stringent, with minimum thresholds on business vintage, bureau scores and commercial credit ratings, and the company requires a co-applicant for every loan and takes insurance premium of 2.5-3.0% on each disbursement. (2) Embedded merchant lending via MyShubhLife, 100% digitally sourced through ecosystem partners (Paytm, PhonePe, BharatPe), average ticket size of approximately INR 100,000, 1 year tenure, 95% daily EMI repayment, portfolio yield of 24-26%. Eligibility is restricted to merchants with adequate platform vintage and transaction history, ensuring a demonstrated pattern of cash flows before credit is extended. The company lends based on payment gateway data with lien on prepaid sales. The company also acquired Profectus Capital in December 2025, adding about INR 30 bn of secured AUM, including a school finance book with roughly 0.5% GNPA and 8-12 year tenures.

Metric	Value
AUM (Mar-26)	INR 153,330 mn
Net Worth	INR 29,060 mn
Branches	317 across 13 states
Active Loans	321,000
Lending Partners	60+
GNPA / NNPA	2.5% / 1.4%
CAR (Standalone)	21.1%
Portfolio Yield	17.5%

UGRO's build quick scale basis its distribution and data led credit underwriting



On February 7, 2026, the company announced a structural realignment and committed to five measurable targets, each tracked publicly every quarter:

- **Portfolio mix:** Shift EM LAP and Embedded Merchant Finance to 85% of total AUM by FY29 (38% as of Mar 2026)
- **Cost programme:** Take out INR 2,200 Mn of annualized opex from the combined UGRO + Profectus base (INR 7,500 Mn to INR 4,900 Mn; fully actioned)
- **Legacy rundown:** Run down the Prime Intermediated portfolio at 15-20% annually (Prime disbursements stopped from Feb 7, 2026)
- **No equity dilution:** No incremental equity through FY29; growth funded entirely from internal accruals (fully diluted shares at 153 mn as of Mar 2026)
- **Earnings quality:** Transition to steady-state annuity-led RoA of 3.0-3.5% by FY29, with negligible contribution from co-lending and direct assignment income (co-lending currently ~25% of total income)

Business Model

Between 2019 and 2025, UGRO operated across seven MSME lending products spanning secured and unsecured segments. The Prime LAP book was sourced through DSAs in the top 25 metro cities, serving borrowers with INR 30-150 mn turnover at yields of 13-13.5%, with 10-year tenures. Business Loans were unsecured, DSA-sourced at 18-19% yields. Machinery Loans were secured against equipment. The company also ran a Supply Chain Finance product and a liberal-collateral LAP product called Saathi, both of which were discontinued earlier due to unfavourable risk-return profiles. Co-lending and direct assignment were used across all these segments, with banks taking roughly 80% of the loan and UGRO retaining 20%, generating upfront fee income but volatile, non-annuity earnings. In parallel, the company was building two proprietary verticals from scratch: Emerging Market LAP through a dedicated branch network in Tier 2-4 towns, and Embedded Merchant Finance through the MyShubhLife platform integrated into payment ecosystems.

On February 7, 2026, the company formally exited the intermediated segments and consolidated around the two focus verticals. The rationale was straightforward: the prime DSA-led segments required a cost-of-borrowing advantage that UGRO did not have, the intermediaries controlled customer relationships leading to high churn, and the structural margin after credit cost and opex was roughly 1%, which was not accretive to shareholders. The two focus verticals, by contrast, are originated directly (no DSA dependency), yield 18% and 24-26% respectively against a cost of funds of about 10.8%, and carry demonstrably better credit outcomes (EM LAP GNPA 1.2%, Embedded Finance GNPA 1.7% versus 3.2% in defocused segments). The Profectus Capital acquisition in December 2025 added about INR 30 bn of secured AUM including a school finance book with sub-0.5% GNPA, which is now being repositioned into the top 50 EM branch locations at higher yields of 16-17% versus the original 13%.

EM LAP

- 317 branches, 13 states
- Direct sourcing, no DSA
- Ticket: INR 1.7-1.9 mn
- Tenure: 120 months
- Yield: 18%
- GNPA: 1.2%

Embedded Finance

- 100% digital, zero branch cost
- Paytm, PhonePe,
- BharatPe
- Ticket: INR 100,000
- Tenure: 1 year, daily repayment
- Yield: 24-26%
- GNPA: 1.7%

Borrower Sourcing → GRO Score (60 min) → Credit Approval (~40% approval) → Disbursement → Collections

EM LAP process

UGRO's EM LAP franchise runs on a PAN-India network of 317 branches across 13 states, organised through regional, state and cluster management layers, with each branch serving a 50-75 km catchment. Field sales executives directly approach micro-SME borrowers; basic details are auto-fetched using PAN and the borrower shares consent for GST data. Each borrower is met in person before disbursement, property valuation and legal verification is done with LTV capped at 75%, and collections are handled by branch-level teams. For assets greater than INR 2 mn, the company uses SARFAESI with typical resolution of 12-15 months.

Embedded Finance process

For Embedded Merchant Finance, platform partners filter merchants based on GMV and offer loan eligibility. The company accesses payment data through automated API integration. The ML-driven risk band predictor classifies merchants into R1 to R5 bands with only R1 and R2 auto-approved. Loan approval happens within minutes. The company places a lien on prepaid sales via the payment gateway. 95% of EMI payments are on daily repayment through three layers: partner meetings, digital tele-calling, and in-house field collections.

Emerging Market LAP: Secured lending to MSMEs in Tier 2+ towns

Emerging Market LAP is UGRO's core branch-based product providing collateral-backed business loans to micro-SMEs in Tier 2, Tier 3 and Tier 4 towns. Loans are used for working capital or business expansion. This is the product around which the entire 317 branch infrastructure has been built over the last three years. As of Mar-26, EM LAP AUM stands at INR 35,810 mn (23% of total AUM) with GNPA of just 1.2%.

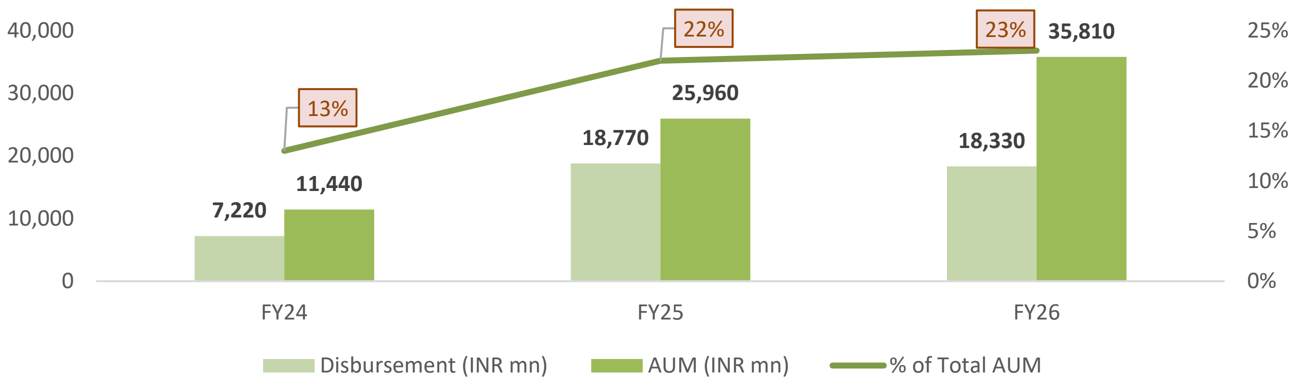
Parameter	Detail
Loan size range	INR 750,000 to INR 5,000,000
Average ticket size	INR 1.7 mn to INR 1.9 mn
Tenure range	12 to 180 months (most common: 120 months)
Portfolio yield	Approximately 18% (micro), 14-15% (high-ticket)
Processing fees	2.0 to 2.5%
Insurance premium	2.5 to 3.0%
LTV cap	Up to 75%
DSCR requirement	Above 1.2x
Borrower type	SENP, LLPs, Pvt. Ltd., Trusts in manufacturing, services, trading
Turnover requirement	Below INR 30 mn annually
Business vintage	Minimum 3 years
CIBIL score	Above 650
CMR score	7 or below
Credit discipline	No EMI bounces in last 6 months, no 30+ DPD in last 12 months
Co-applicant	Mandatory
Collateral location	Within 50-75 km of a company approved branch

Branch network:

UGRO's Emerging Market LAP franchise is built on a PAN-India branch network comprising 317 branches across 13 states (27% North, 29% West, 44% South), operating through a cluster-based distribution model with approximately 1,900 sales executives. Each branch follows a templated operating structure with dedicated sales, credit, operations and collections personnel, enabling consistent execution and local market coverage. The network is organised through regional, state and cluster management layers, with each branch serving a 50-75 km catchment area, providing deep customer access and scalable distribution in underserved MSME markets.

Branch build-out is now complete. The focus has shifted from expansion to productivity. Less than 6 months old branches are producing about INR 4.8 mn per month in Q4FY26, approaching the company's blended target of INR 8.0 to 8.5 mn per month. The greater than 12 month cohort grew from 52 to 81 branches in one quarter. 156 sub-six-month branches are queued as the next growth leg. EM AUM is expected to grow at 20-25% CAGR through FY29 as per the company's guidance.

Metric	FY24	FY25	FY26
Branches	127	212	317
States	8	11	13
Disbursement (INR mn)	7,220	18,770	18,330
AUM (INR mn)	11,440	25,960	35,810
% of Total AUM	13%	22%	23%



+29 branches: the over-12-month cohort grew from 52 to 81 in a single quarter.

156 branches: the sub-6-month cohort, the next leg of the annuity runway.

80 branches in the 6-12 month cohort: the bridge pipeline maturing into peak productivity over the next year

Branch Productivity Inflection

The three-year branch build-out phase is now complete. The focus has shifted entirely from opening new branches to increasing productivity per branch. As branches mature, their monthly disbursement output increases significantly. The company's internal data shows a clear productivity curve: branches in the less than 6 month cohort produced INR 4.8 mn per month in Q4FY26, while the 6 to 12 month cohort produced INR 7.5 mn per month and the greater than 12 month cohort produced INR 8 mn per month. The company targets blended productivity of INR 8.0 to 8.5 mn per month over the next 12 months. 156 branches are currently in the sub-6-month stage, representing a significant pipeline of future productivity gains as they mature into higher-producing cohorts.

The maturing of the branch base is visible in one quarter. The over-12-month cohort grew from 52 to 81 branches, and as that cohort expands, blended productivity rises toward the management target.

Cohort (by vintage)	Dec-25	Mar-26	Change
Greater than 12 months	52	81	+29
6 to 12 months	66	80	+14
Less than 6 months	195	156	-39
Total branches	313	317	+4

Embedded Merchant Finance: high velocity digital lending through MyShubhLife

Embedded Merchant Finance is UGRO's digital lending engine, run through its MyShubhLife platform. It provides small, short tenor working capital loans to digitally active merchants, embedded directly within payment ecosystems such as PhonePe and BharatPe. Credit is underwritten on merchant transaction data and GMV rather than physical proximity, which lets UGRO serve at scale and speed. As of Mar-26, this business had AUM of INR 22,800 mn (about 15% of total AUM) across roughly 250,000 active merchants, having grown about 7.5x in 15 months while keeping GNPA at 1.7%, within the underwritten band.

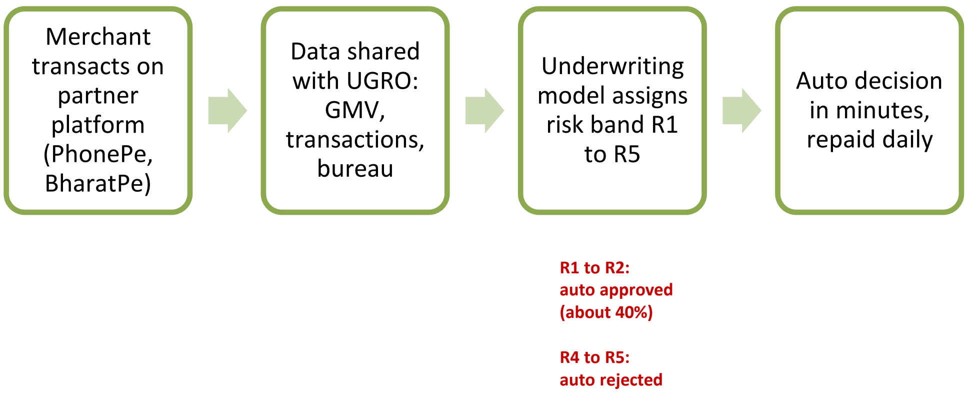
Parameter	Detail
Average ticket size	About INR 100,000
Tenure	About 12 months, daily repayment
Portfolio yield	24 to 26%
Sourcing	100% through ecosystem partners (PhonePe, BharatPe and others)
Underwriting basis	Merchant GMV, transaction data, GRO Score
Customer profile	Digitally active retailers, turnover from about INR 1.5 mn upward
Eligibility	Minimum 6 months on platform, minimum GMV, no other NBFC loan on that platform
GNPA (Mar-26)	1.7%, well within underwritten expectations
Credit cost	About 1.5 to 1.6% currently
Provisioning	About 30% in Stage 1, 50 to 60% in Stage 2, 75 to 80% in Stage 3
Active merchants	About 250,000
FY29 target	AUM about INR 34,000 mn factored (guidance of 20-25% CAGR implies ~INR 40,000 mn), about 450,000 merchants

Why asset quality holds: After six completed cohorts over 18 months, GNPA is running at 1.7%, meaningfully better than the level the product was underwritten for. Daily repayment, real time transaction monitoring and a lien on prepaid sales through the payment gateway give early visibility and control.

Why the economics work: At a 24 to 26% yield against a credit cost of about 1.5 to 1.6%, the credit cost adjusted return is superior to the unsecured business loans this product is replacing, which yielded only about 18 to 19%. The company is explicit that this improves RoA without raising UGRO's overall risk profile.

How it fits the mix: The company intends to keep total unsecured exposure (embedded finance plus any unsecured business loans) within 30 to 35% of the book. Embedded finance simply replaces the older unsecured business loan portfolio, so the secured to unsecured mix is broadly unchanged while the yield profile rises.

UGRO enables payment platforms to embed regulatory compliant credit inside their own merchant journeys. Sourcing is 100% partner driven, underwriting is largely automated, and the flow from application to disbursement happens in minutes, with no manual intervention.



The ecosystem model

Partners filter merchants by GMV and surface GMV multiplier based loan offers inside their apps UGRO lends on payment gateway data, with a lien on prepaid sales through the gateway 100% partner sourcing gives a reliable, differentiated data source for creditworthiness Partner earns commission and improves retention; UGRO scales credit without physical distribution

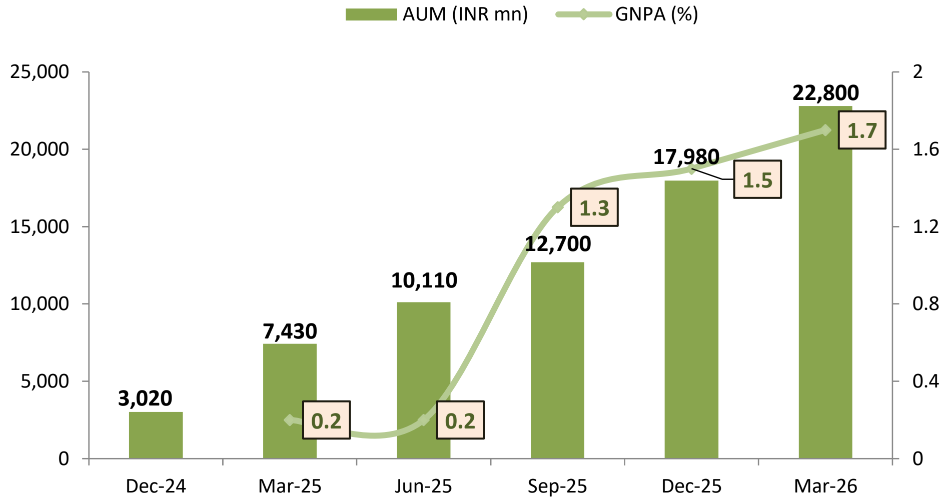
The underwriting engine

Consumes bureau data, platform data and transactional data for each merchant Proprietary model assigns an overall risk band from R1 to R5. R1 and R2 auto approved, R4 to R5 auto rejected, strict approval rate about 40% Decision in minutes on custom built LMS and LOS, with documented APIs for fast integration

The controls

Daily settlement reconciliation, about 95% of EMIs on daily repayment, API driven and in house Early warning systems track merchant payments and transaction trends in real time Three tier collections: partner field meetings, digital tele calling, in house field collection for larger loans

MyShubhLife: AUM scaling with asset quality seasoning well within underwritten levels



Liability profile and co-lending economics

UGRO funds itself through a diversified mix of banks, DFIs and capital markets, with total debt of INR 107,823 mn as of Mar-26. We believe the breadth of the lender base, the lengthening tenor from DFI and ECB lines, and the deliberate shift toward annuity interest income give the balance sheet both resilience and improving quality.

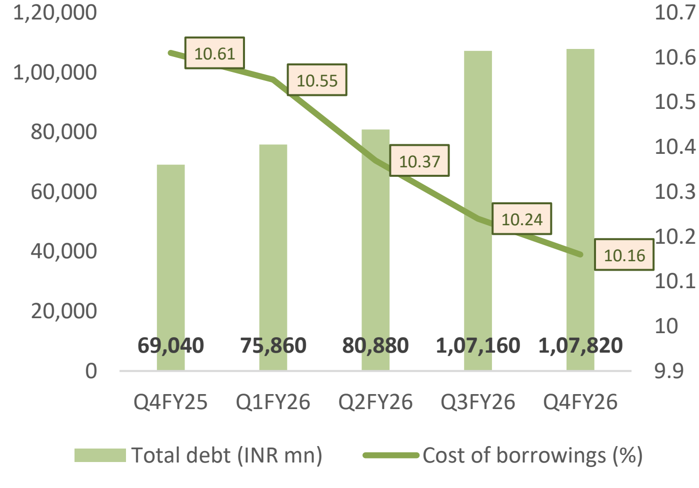
- **Diversified lender base:** Total debt is spread across banks at about 45%, capital markets and others at about 26%, DFIs at about 12%, NBFCs at about 9% and FIs at about 8%. Sanctions come from more than 40 lenders, including SBI and other public and private banks, marquee DFIs such as ADB, FMO and BlueOrchard, and large NBFCs. We believe this breadth reduces dependence on any single funding source.

- **Cost of borrowings easing gradually:** Cost of borrowings has improved for five consecutive quarters, from 10.61% in Q4FY25 to 10.16% in Q4FY26, down 45 bps year on year. The company expects only a gradual easing from here, and notes that each 25 bps reduction is worth about INR 350 to 400 mn annualised at current scale. We model cost of borrowings remaining broadly stable, easing modestly from about 10.8% to about 10.4% by FY29E.

- **Better ALM and quality of earnings:** ECB lines from DFIs are fully hedged for currency and interest rate, landing at about 9.5 to 10% in rupee terms, and carry longer tenor that improves asset liability matching. The Profectus book adds long tenor secured assets that further lengthen the profile. Alongside, the company is tapering co-lending and direct assignment income, currently about a quarter of total income, toward on-book interest income that accretes to net worth.

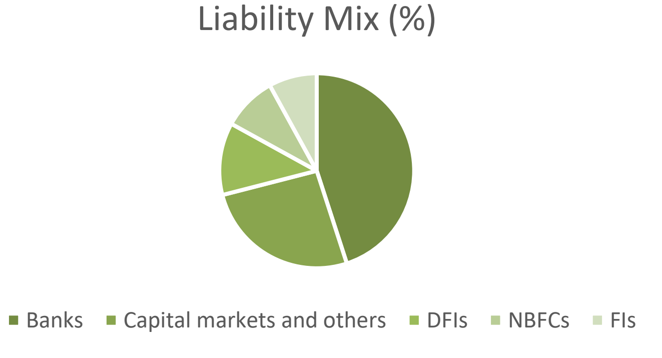
We believe the combination of a diversified lender base, lengthening tenor and a shift to annuity income makes the funding profile a quiet strength of the story rather than a risk.

Co-lending as a liability channel: *The company has 60+ lending partners and 10+ active co-lending relationships, with 38% of AUM currently held off-book. Co-lending and direct assignment generated INR 4,450 mn of income in FY26 and serves as a capital-light funding mechanism rather than a distribution channel. As the company transitions toward on-book interest income, the off-book share is expected to reduce gradually, with co-lending retained selectively where it optimises capital adequacy and funding costs.*



Liability mix by lender profile

Lender type	Share (%)
Banks	45
Capital markets and others	26
DFIs	12
NBFCs	9
FIs	8



MSME credit: a large and structural demand opportunity

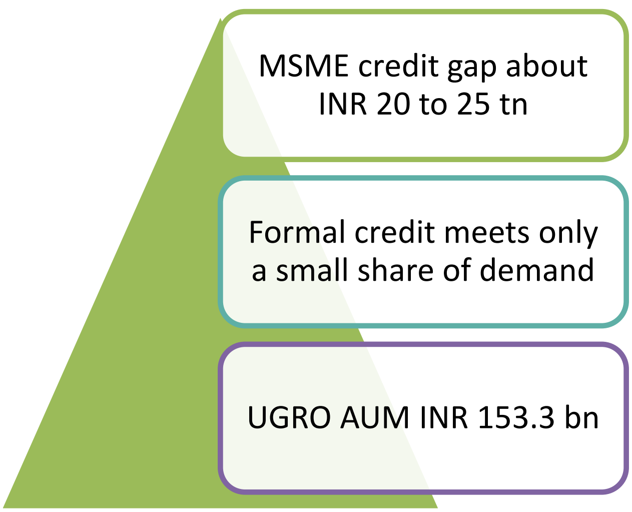
India's MSME sector faces a large structural credit gap, estimated by the RBI Expert Committee at about INR 20 to 25 tn, with formal lenders meeting only a small share of total demand. UGRO's AUM of INR 153.3 bn is a fraction of this opportunity.

- **The size of the gap:** MSMEs contribute around 30% of India's GDP and nearly half of exports, yet remain underserved by formal credit. The RBI Expert Committee estimates the gap at about INR 20 to 25 tn, and other studies place unmet demand higher. The demand is driven by access to formal credit for small businesses in Tier 2 and beyond India, and is largely independent of the global macro cycle.

- **A market that is also growing:** MSME credit is expanding, with NBFCs growing their MSME books materially faster than banks in recent years as formalisation deepens. Digital rails such as GST, the account aggregator framework and UPI based payment data are lowering the cost of underwriting these borrowers and widening the pool that can be served profitably.

- **Why this favours focused lenders:** Banks have limited reach and thin data in Tier 2 and beyond, while collateral and documentation gaps deter generalist lenders. This leaves a structural opening for data led, distribution heavy specialists.

The scale of the underlying gap means growth in the segment is constrained by lender execution and capital, not by end demand.



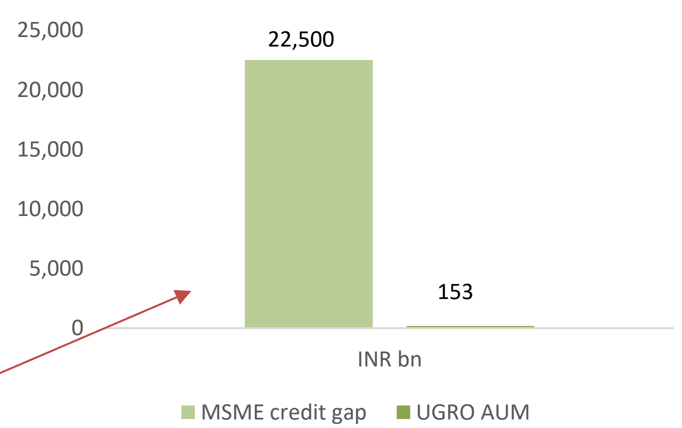
Vast opportunity: even a small share of a INR 20 to 25 tn gap is a large addressable market for UGRO.

Underserved demand: formal lenders reach only a small slice, leaving room for focused, data led players.

Early in the runway: at INR 153.3 bn AUM, UGRO has captured well under 1% of the gap, so growth is supply led, not demand constrained.

Item	INR bn
MSME credit gap	22,500
UGRO AUM	153

UGRO's AUM is under 1% of the estimated MSME credit gap, underscoring a long, structural runway that is constrained by capital and execution rather than by end demand.



MSME lending landscape: structure and where UGRO fits

The MSME lending market is served by four broad lender types, each leaving a gap. UGRO operates through secured, branch led lending in Tier 2 and beyond, plus a digital embedded channel.

- **How the market is structured:** Banks lend at the lowest rates but have limited MSME focus and thin reach beyond metros. Large NBFCs serve the middle market but have limited Tier 2 and beyond distribution. Small NBFCs and fintechs reach further but often lack a secured, scalable model.

- **Formalisation tailwinds:** GST data, the account aggregator framework, Udyam registration, digital lending rails and UPI based payment data are reducing the cost and time to underwrite small borrowers. Government schemes such as CGTMSE support credit flow to the segment.

- **Where UGRO fits:** UGRO combines the GRO Score underwriting engine with one of the larger branch networks among MSME focused NBFCs, built in three years against the eight to ten that peers have taken. Its blended yield is about 17 to 18%, with a secured book and an embedded digital channel serving Tier 2 and beyond.

Closing line: UGRO operates in an underserved part of the MSME market, secured where it matters and increasingly addressable through data.

Lender type	Typical yield	Reach	Gap left or filled
Banks	9 to 11%	Metros, larger MSMEs	Low MSME focus, thin Tier 2 reach
Large NBFCs	12 to 16%	Semi urban and above	Limited deep Tier 2 to 4 distribution
Small NBFCs and fintechs	16% and above	Digital, niche	Limited secured, scalable model
UGRO	**17 to 18% blended**	**Tier 2 to 4 branch led, plus embedded**	**Fills the secured, data led gap**

Banks	Cheapest funds, low MSME focus, thin Tier 2 reach
Large NBFCs	Middle market, limited deep Tier 2 to 4 distribution
Small NBFCs and fintechs	Wider reach, limited secured scalable model
UGRO	Secured plus embedded, Tier 2 to 4 branch led, about 17 to 18% yield

Management team

UGRO is led by a professional management team with more than 180 years of cumulative experience across lending, banking, risk, technology and capital markets. The founder is classified as promoter, and the day to day business is run by a full professional leadership team.

Name	Designation	Experience	About
Shachindra Nath	Founder, Vice Chairman and Managing Director	25+ years	Built and scaled financial institutions across lending, asset management, capital markets and insurance. Former Group CEO of Religare, where he led the IPO and multiple new business lines. A qualified lawyer and university rank holder from Banaras Hindu University.
Anuj Pandey	Chief Executive Officer	25+ years	Founding team member and earlier Chief Risk Officer, where he built UGRO's risk governance and credit architecture. Prior leadership roles at Barclays Bank, ABN AMRO Bank, GSK Consumer and Religare. B.Tech in Mechanical Engineering (Thapar) and PGDM from IIM Lucknow.
Shilpa Bhatter	Chief Financial Officer	18+ years	Chartered Accountant with experience across strategic finance, treasury and financial controllership in BFSI. Previously CFO at Dvara Kshetriya Gramin Financial Services, an NBFC focused on rural inclusion.
Irem Sayeed	Chief Risk Officer	20+ years	Elevated to CRO in July 2025, previously Chief Credit Officer at UGRO. Deep experience in credit and risk across the lending cycle.
Sameer Nanda	Chief Revenue Officer	25+ years	Leads revenue and distribution across UGRO's lending verticals, with extensive experience in financial services sales and partnerships.
Rahul Sekar	Chief Technology & Product Officer	18+ years	Co-founder of MyShubhLife and architect of UGRO's embedded finance and digital lending infrastructure. An alumnus of IIT Madras with over 18 years across risk analytics, credit modelling, product development and fintech; earlier led portfolio analytics and modelling at Goldman Sachs Asset Management.
Satyabrata Mohapatra	Chief Operating Officer	25+ years	Joined UGRO in September 2021 and built the operations and customer service backbone through its scale-up phase. Over 25 years across leading banks and NBFCs in operations management, service delivery and process governance, with a focus on scalable, customer-centric systems and operational resilience.
Sunil Lotke	Chief Legal and Compliance Officer	23+ years	Leads legal, compliance and regulatory affairs across the group.
Rajni Khurana	Chief People Officer	25+ years	Leads human resources, talent and organisation across UGRO's branch and corporate network.

Board and governance

UGRO is governed by an eminent, largely independent board, with a governance framework enshrined in its Articles of Association. The structure is designed so that promoters and management do not have unfettered rights to divert business strategy.

Board composition: The board is chaired by a Non-Executive Chairman and has a majority of independent directors, several with regulatory and banking backgrounds. Key committees (Audit, Risk Management, Nomination and Remuneration, IT Strategy and Compliance) are each chaired by an independent member.

Governance safeguards enshrined in the Articles: Independent directors comprise a majority in perpetuity. Any shareholder holding more than 10% qualifies for a board seat. Any proposed loan greater than 1% of net worth, or to a related party, requires unanimous approval of ALCO and the board. Removal of key management, including the CRO and CFO, requires three-fourths board approval, as does any other significant action. Changes to the Articles require a special resolution of shareholders.

Reputed assurance: M/s G.P. Kapadia & Co. serves as statutory auditor, appointed on rotation at the FY26 AGM. The board structure and the institutional shareholding base together provide a high degree of regulatory oversight and transparency.

Name	Role	Background
Satyananda Mishra	Non-Executive Chairman	Ex-Chairman MCX, Ex-Chief Information Commissioner GOI, Ex-Director SIDBI
Tabassum Inamdar	Independent Director	Ex Goldman Sachs, UBS Securities, Kotak Securities
Karnam Sekar	Independent Director	Ex MD and CEO of Indian Overseas Bank
Hemant Bhargava	Independent Director	Ex-Chairman in charge and MD of LIC
Rajeev K. Agarwal	Independent Director	Ex-Whole Time Member, SEBI
S. Karuppasamy	Independent Director	Ex-Executive Director, RBI
Ramanathan Subramanian Arun Kumar	Nominee Director	Partner and COO at ADV Partners
Rohit Goyal	Nominee Director	VP at IFU (Investment Fund for Developing Countries)
Shachindra Nath	Founder and Managing Director	26+ years across asset management, lending, capital markets and insurance

Shareholding pattern

An institutionally owned franchise with marquee long term investors

UGRO is one of the few listed NBFCs owned almost entirely by institutions and the public rather than a dominant promoter. The promoter holds just about 2.9%, leaving a free float of roughly 97%, and the register is supported by a broad retail base of more than 38,000 shareholders.

What this signals:

The top six institutional investors together hold about **59.7%** of equity - a high-quality block of development finance, private equity and family office capital (IFU Denmark, Samena, ADV, TPG NewQuest, Aregence, Patni) backing the MSME thesis.

A ~2.88% promoter stake means the franchise runs as a professionally managed, institution-owned platform, not a promoter-led one. The founder is classified as promoter and is ineligible for ESOPs, keeping incentive alignment clean.

The capital structure is clean - CCDs have converted, only ~0.2 mn shares remain pending, and there are no warrants or non-interest-bearing instruments - so dilution overhang is negligible.

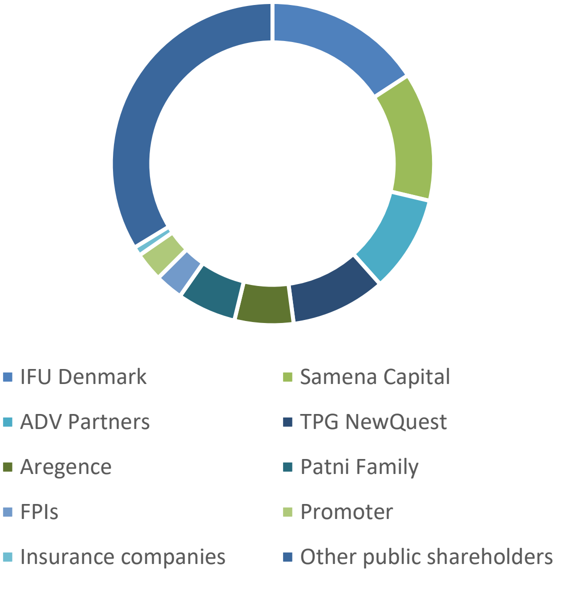
Institutional ownership: As of Mar-26, the largest holders are IFU Denmark (15.8%), Samena Capital (12.9%), ADV Partners (9.7%), TPG NewQuest (9.5%), Aregence (5.9%) and Patni Family (5.9%). FPIs hold 2.8% and insurance companies 0.9%.Other public shareholders hold about 33.7%.

Promoter and alignment: The promoter holds about 2.9%. On a fully diluted basis, management holds a time-vested ESOP pool of about 3.3%, with promoter and management potentially owning about 8.6 mn shares, vesting over three years from grant. The founder is classified as promoter and is ineligible for ESOPs, which keeps the alignment clean.

Capital structure clarity: Per management, all CCDs have matured or converted and only about 0.2 mn shares remain pending conversion, so the Mar-26 share count of about 153 Mn shares is effectively the fully diluted equity. There are no further warrants or non-interest-bearing instruments outstanding.

Shareholder	Stake (%)
IFU Denmark	15.8
Samena Capital	12.9
ADV Partners	9.7
TPG NewQuest	9.5
Aregence	5.9
Patni Family	5.9
FPIs	2.8
Promoter	2.9
Insurance companies	0.9
Other public shareholders	33.7

Shareholing Pattern (%)



Key risks

Key risks to our investment thesis

We see five principal risks to our view. For each, we note the factor and the mitigant that informs how we have treated it in our estimates.

- **Execution risk on the transition:** FY27 is a transition year in which the loan book is broadly flat while the portfolio mix shifts. If branch productivity or the high yield ramp lags, the RoA recovery could slip. Mitigant: the branch base is built and its cost is absorbed, the over 12 month cohort is already near the productivity target, and Q4FY26 tracked the plan.

- **Asset quality as the book seasons:** The shift to smaller, Tier 2 and beyond borrowers and to unsecured embedded finance can lift headline GNPA. We expect GNPA to rise from 2.5% to about 3.4% by FY29E. Mitigant: about two thirds of the book is secured, the embedded book runs at 1.7%, well below the level it was underwritten for, and management expects credit cost to stay near 2%.

- **Yield compression from competition:** The high yield focus verticals could attract competition and pressure yields over time. Mitigant: The company has factored gradual yield easing into its FY29 plan, and the emerging market segment is large and distribution led, which limits price based competition.

- **Funding cost and availability:** The thesis does not assume a sharp fall in cost of borrowings, but a rise in funding cost or tighter liquidity would pressure margins. Mitigant: the lender base is diversified across banks, DFIs and capital markets, ECB lines lengthen tenor, and a rating upgrade would ease cost.

- **Concentration and key person risk:** Co-lending and direct assignment income is still about a quarter of total income, and the founder is central to strategy. Mitigant: The company is deliberately tapering co-lending toward annuity income, and a deep professional leadership team and independent board reduce key person dependence.

We believe these risks are real but manageable, and our estimates already build in a measured rather than a sharp recovery.

Risk	Mitigant
Execution risk in the FY27 transition year	Branch base built and cost absorbed; mature cohort near productivity target; Q4FY26 on plan
Asset quality softening as the book seasons (GNPA to about 3.4% by FY29E)	About two thirds secured; embedded GNPA at 1.7%, well below underwritten levels; credit cost guided near 2%
Yield compression from competition	Gradual yield easing already in the plan; large, distribution led EM segment
Funding cost and availability	Diversified lenders; longer tenor ECB and DFI lines; rating upgrade optionality
Concentration and key person risk	Co-lending being tapered to annuity income; deep leadership team and independent board

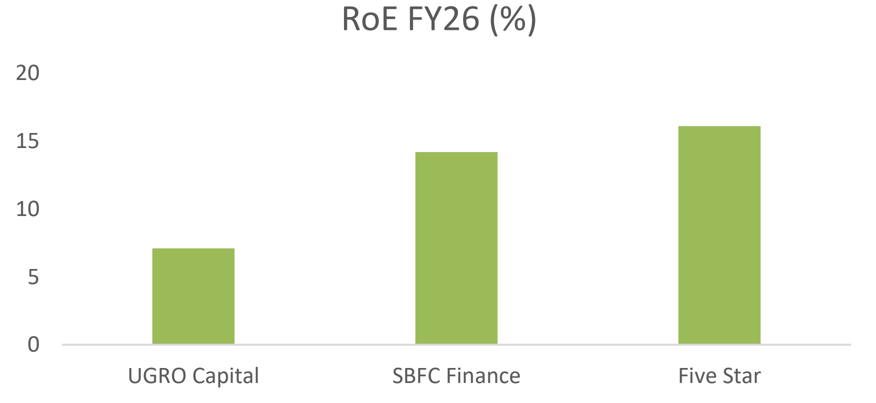
Peer comparison

We compare UGRO with listed MSME focused NBFCs on fundamentals rather than market multiples. Peers run higher return ratios today on more seasoned books, while UGRO is earlier in its profitability cycle but operates a comparable secured model with a differentiated data and embedded finance edge. We believe the main difference today is the stage of the profitability cycle, not the quality of the franchise, and UGRO is moving toward peer level returns.

UGRO Capital	SBFC Finance	Five Star Business Finance
• RoE 7.1% (FY26) to about 10.2% (FY29E) • GRO Score plus embedded finance, GNPA 2.5%	• RoE 14.2%, RoA 4.6% (FY26) • 100% in-house sourcing, GNPA 2.6%	• RoE 16.1% (FY26) • Seasoned secured micro LAP, GNPA 3.4%

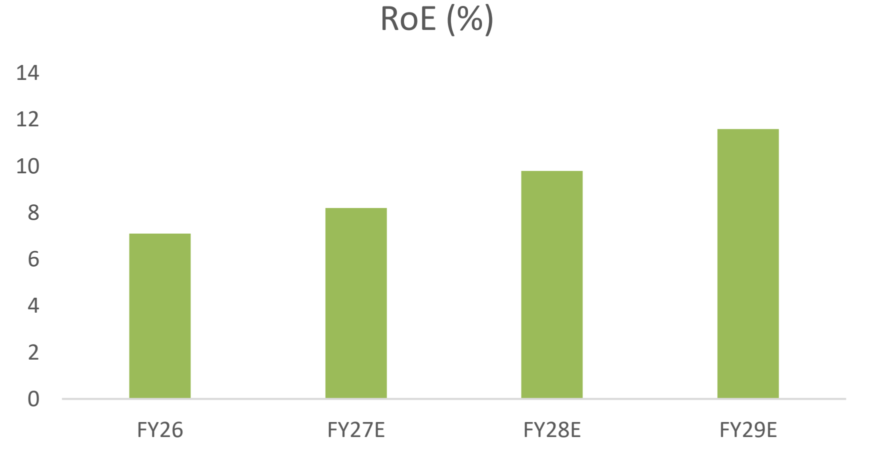
Recovering

Company	RoE FY26 (%)
UGRO Capital	7.1
SBFC Finance	14.2
Five Star	16.1



UGRO FY26 RoE is below peers, reflecting its transition phase; we expect recovery to about 10.7% by FY29E.

Year	RoE (%)
FY26	7.1
FY27E	8.1
FY28E	9.3
FY29E	10.7



Valuation & View

We initiate coverage on UGRO Capital with a BUY rating and a target price of INR 157, implying about 61% upside from CMP INR 97.21. UGRO is a pure play, technology led MSME lender turning the corner on profitability after a deliberate realignment toward its two high yield focus verticals, Emerging Market LAP and Embedded Merchant Finance. We expect RoA to recover from 1.5% in FY26 to about 2.5% by FY29E and RoE from 7.1% to about 10.7% (10.2% on an adjusted, ex-intangibles basis), driven by operating leverage from a fully built branch network, Profectus cost synergies and a richer portfolio mix, with PAT compounding at about 31% over FY26 to FY29E. We value UGRO on a Gordon Growth framework: a justified P/B of (RoE − g) / (CoE − g), using a steady state adjusted RoE of 10.2%, cost of equity of 12.5% and terminal growth of 6%, gives 0.65x, applied to FY29E ABVPS of INR 241 to arrive at our target of INR 157.

- The company stopped Prime Intermediated disbursements from Feb 7, 2026, and consolidated AUM was flat QoQ (INR 154,540 mn to INR 153,330 mn) by design, as growth in the focus verticals fully offset the deliberate rundown of the low-yield intermediated book. The flat headline masks a sharp improvement in composition: every rupee of Prime and intermediated runoff is being redeployed into Emerging Market LAP and Embedded Merchant Finance at materially higher yields, lifting the focus-vertical share from about 33% to 38% of AUM in a single quarter. Focus verticals grew 17% QoQ in Q4FY26 (INR 49,970 mn to INR 58,610 mn) while defocused verticals declined 9% QoQ. Net disbursements of INR 21,370 mn were lower YoY only because Prime Intermediated origination was discontinued, not because of any demand weakness in the focus segments. We expect the on-book loan book to return to modest growth in FY29E once the legacy rundown stabilises, by which point the portfolio will be structurally higher-yielding.

- The secured book at 60%+ with LTVs of 55-65% provides a substantial recovery cushion, and the focus verticals are performing well within underwriting expectations, with EM LAP GNPA at just 1.2% and Embedded Merchant Finance at 1.7%. The higher 3.2% GNPA sits entirely in the defocused products, which are running down at 15-20% per annum; as that pool shrinks as a share of the book, it optically lifts blended GNPA even though the new business is much cleaner. This is why headline GNPA is expected to drift from 2.5% in FY26 toward about 3.4% by FY29E: it reflects the legacy denominator shrinking and the book seasoning, not a deterioration in underwriting, and management expects credit cost to stay near 2%. Provision coverage has held steady at 45% over the last six quarters, Stage 1 assets are 93.1% of exposure as of March 2026 (Stage 2 at 4.4%, Stage 3 at 2.5%), and collection efficiency improved to 98% in Q4FY26.

- At about 0.5x FY26 P/ABV, UGRO trades at a steep discount to MSME NBFC peers, which command 1.5 to 2.5x P/ABV on more seasoned books and higher current return ratios. We believe the market is implicitly pricing in either a dilutive capital raise, which management has explicitly committed against for three years, or a material asset-quality deterioration, neither of which the product-level data supports. Critically, our target does not assume UGRO closes that gap: at 0.65x FY29E ABV our target embeds a normalisation of return ratios to about 10.7% RoE (10.2% adjusted) by FY29E, still a fraction of where seasoned peers trade at 1.5 to 2.5x P/ABV, leaving further re-rating headroom if execution tracks the plan. The opportunity is the gap between a franchise valued on depressed trailing ratios and an earnings trajectory that is already inflecting.

Metric	FY26A	FY27E	FY28E	FY29E
EPS (INR)	14.1	16.1	20.1	25.6
BVPS (INR)	187	199	219	244
ABVPS (INR)	186	197	216	241
RoA (%)	1.5	1.8	2.1	2.5
RoE (%)	7.1	8.1	9.3	10.7

Quarterly Performance (Consolidated)

Quarterly Result Update (INR Mn)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Interest Income	4,152	3,284	2,644	26.4%	57.0%
Interest Expended	2,837	2,467	1,812	15.0%	56.6%
Net Interest Income	**1,315**	**817**	**832**	**61.0%**	**58.1%**
Other Income	2,165	1,779	1,480	21.7%	46.3%
Operating Income	**3,480**	**2,597**	**2,312**	**34.0%**	**50.5%**
Operating Expenses	**2,053**	**1,509**	**1,197**	**36.1%**	**71.5%**
Employee Expenses	799	773	548	3.4%	45.8%
Other Operating Expenses	1,254	736	649	70.4%	93.2%
PPOP	**1,428**	**1,088**	**1,115**	**31.3%**	**28.1%**
Provisions	716	458	543	56.3%	31.9%
PBT	**712**	**630**	**572**	**13.0%**	**24.5%**
Tax Expenses	201	167	167	20.4%	20.4%
Net Income	511	463	405	10.4%	26.2%

Consolidated metrics demonstrate immediate top-line benefits as Emerging Market and Embedded Merchant Finance scale to 38% of AUM

Con-call KTA :-

- **Big strategy pivot is underway:** UGRO is moving away from its low yield, intermediary led prime book (Business Loans, Machinery Loans, Prime LAP) and concentrating fully on two verticals: Emerging Market LAP and Embedded Finance. The plan is to take these two to 85% of total AUM by FY29, up from 38% now (it was 33% just one quarter ago).

- **AUM is flat by design, but the mix is shifting fast:** Total AUM stands at roughly INR 153.34 bn. The old book is running down at 15% to 20% a year while the two focus verticals grow around 25%. So overall AUM looks flattish through FY27, but the higher yielding portfolio keeps rising underneath.

- **Strong income growth, with a one time hit.** Net total income grew 51% year on year and 34% quarter on quarter. PAT grew 26% year on year. Q4 carried a one time restructuring cost of about INR 250 mn, which covers the full cost of the exit upfront. Interest income was INR 4.15 bn, up 57% year on year.

- **Major cost cut coming through.** Combined UGRO plus Profectus opex was about INR 7.5 bn last year and will drop to around INR 4.9 bn in FY27, a saving of roughly INR 2.2 bn. Most of this came from removing duplicate roles after the Profectus acquisition and exiting the prime sourcing setup. We noted that the opex building phase is over, so no fresh big spending ahead.

- **The branch network build is complete.** UGRO now has 317 branches across 13 states, up from 127 in FY24, built in three years versus the 8 to 10 years peers usually take. The focus shifts from opening branches to making each one productive. Older branches currently disburse about INR 6.8 mn a month, heading toward the INR 8 mn target.

- **Embedded finance is scaling rapidly.** Done through MyShubhLife, this book reached INR 22.8 bn, growing 27% quarter on quarter and 7.5x in 15 months. It serves about 250,000 merchants with average ticket size near INR 100,000, yields of 24% to 26%, and daily repayments. GNPA is 1.7%, well below the 4% to 4.5% the company had planned for.

- **Asset quality and balance sheet look stable.** Overall GNPA is 2.5% and net NPA 1.6%, with the rise mostly a denominator effect from the shrinking old book rather than fresh stress. Credit cost was INR 720 mn (1.9% of average AUM), expected to settle near 2%. Cost of borrowings improved for the fifth straight quarter to 10.16%. Capital adequacy is 21.1% and net worth is INR 29.06 bn with 3.7x leverage.

- **Profitability is the new priority, no fresh equity needed.** The company is steering from scale to bottom line, targeting a cash led ROA of 3% to 3.5% by FY29. FY27 is a transition year with only marginal improvement, FY28 brings the first real jump, and FY29 reaches full maturity. The company will not raise equity through FY29 and says it is now generating capital instead of consuming it.

Profit and loss statement

Profit & Loss Statement (in INR Mn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Interest Income	7,046	9,588	13,702	16,164	16,943	18,744
Interest Expended	4,429	6,278	9,543	11,498	11,628	12,013
Net Interest Income	**2,617**	**3,310**	**4,160**	**4,665**	**5,315**	**6,731**
Other Income	359	542	1,218	1,279	1,407	1,548
Operating Income	6,388	8,141	10,668	11,402	12,783	14,848
Operating Expenses	3,438	4,379	6,139	5,525	5,802	6,150
Employee Expenses	1,829	2,356	2,963	2,667	2,800	2,968
Other Operating Expenses	1,609	2,023	3,176	2,858	3,001	3,181
PPOP	**2,950**	**3,762**	**4,529**	**5,876**	**6,982**	**8,698**
Provisions	1,163	1,731	2,094	2,599	2,875	3,489
PBT	1,787	2,031	2,435	3,277	4,106	5,209
Tax Expenses	594	592	687	819	1,027	1,302
Net Income	**1,193**	**1,439**	**1,748**	**2,458**	**3,080**	**3,907**

Balance Sheet

Balance Sheet (in INR Mn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Equity & Liabilities						
Share Capital	920	920	1,528	1,528	1,528	1,528
Net worth	14,387	20,464	29,060	31,518	34,598	38,505
Borrowings	46,532	69,026	1,07,823	1,02,432	1,11,651	1,20,583
Other liabilities	1,965	2,193	3,867	3,906	4,375	4,900
Total Capital & Liabilities	**62,884**	**91,683**	**1,40,750**	**1,37,856**	**1,50,623**	**1,63,987**
Assets						
Loans and advances	54,322	79,191	1,02,932	1,12,121	1,22,898	1,33,434
Cash and bank balances	4,549	5,444	18,249	5,307	6,496	8,080
Fixed assets (including intangibles)	1,299	1,680	5,357	5,527	5,949	6,456
Investment	592	1,034	7,374	7,448	7,522	7,597
Other assets	2,123	4,334	6,839	7,454	7,758	8,419
Total Assets	**62,884**	**91,683**	**1,40,750**	**1,37,856**	**1,50,623**	**1,63,987**

Key Ratios

Ratios	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Growth rates						
Advances (%)	-	45.8%	30.0%	8.9%	9.6%	8.6%
Borrowings (%)	-	48.3%	56.2%	-5.0%	9.0%	8.0%
Total assets (%)	-	45.8%	53.5%	-2.1%	9.3%	8.9%
NII (%)	-	26.5%	25.7%	12.2%	13.9%	26.6%
Pre-provisioning profit (%)	-	27.5%	20.4%	29.7%	18.8%	24.6%
PAT (%)	-	20.7%	21.5%	40.6%	25.3%	26.9%
Balance sheet ratios						
Advances/Total assets (%)	86.4%	86.4%	73.1%	81.3%	81.6%	81.4%
Leverage (x) (Asset/Shareholder's Fund)	4.4	4.5	4.8	4.4	4.4	4.3
CAR (%)	20.8%	19.4%	21.1%	24.6%	25.0%	25.4%
CAR - Tier I (%)	19.5%	18.6%	19.2%	22.6%	22.8%	23.7%
Operating efficiency						
Cost/income (%)	53.8%	53.8%	57.5%	48.5%	45.4%	41.4%
Opex/total assets (%)	5.5%	4.8%	4.4%	4.0%	3.9%	3.8%
Opex/total interest earning assets	6.3%	5.5%	6.0%	4.9%	4.7%	4.6%
Profitability						
NIM (%)	-	4.6%	3.9%	3.7%	4.1%	4.7%
RoA (%)	1.9%	1.9%	1.5%	1.8%	2.1%	2.5%
RoE (%)	8.3%	8.3%	7.1%	8.1%	9.3%	10.7%
Adjusted Net Worth (ex-Goodwill)	14,387	20,464	28,719	31,177	34,256	38,163
Adjusted RoE (%)	8.3%	7.0%	6.1%	7.9%	9.0%	10.2%
Asset quality						
Gross NPA (%)	3.2%	2.4%	2.5%	3.0%	3.2%	3.4%
Net NPA (%)	1.6%	1.3%	1.4%	1.7%	1.9%	1.9%
PCR (%)	48.0%	44.8%	45.0%	46.4%	48.7%	49.8%
Per share data / Valuation						
EPS (INR)	13.0	15.6	14.1	16.1	20.1	25.6
BVPS (INR)	156	222	187	199	219	244
ABVPS (INR)	155	221	186	197	216	241
P/E (x)	7.5	6.2	6.9	6.0	4.8	3.8
P/BV (x)	0.6	0.4	0.5	0.5	0.4	0.4
P/ABV (x)	0.6	0.4	0.5	0.5	0.4	0.4

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