Arihant Capital
Generating Wealth

Q1FY27 Result Update
06th August, 2026

Ugro Capital Ltd

Strong quarter led by portfolio shift and improving profitability

CMP: INR 96

Rating: BUY

Target: INR 157

Stock Info	
BSE	511742
NSE	UGROCAP
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	153
Mkt Cap (INR Mn)	14,820
52w H/L (INR)	195 / 80.0
Avg Daily Vol (in 000')	516.73

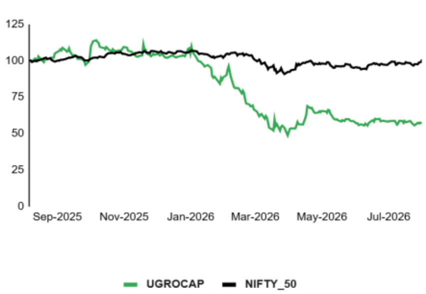
Shareholding Pattern %

(As on June, 2026)

Promoters	2.88%
Public & Others	97.12%

Stock Performance (%)	1m	6m	12m
Ugro Capital Ltd	(2.48)	(35.53)	(47.64)
Nifty 50	0.80	(4.16)	(5.82)

Ugro Capital Ltd Vs Nifty 50



The company reported a consolidated net profit of INR 0.68 bn in Q1FY27, up 33% QoQ and 99% YoY, aided by a net tax credit of INR 0.06 bn arising from the transition to the concessional tax regime (marginal rate cut to 25.17%) and the consequent remeasurement of deferred tax balances. On a pre-tax basis, PBT stood at INR 0.62 bn, down 14% QoQ but up 28% YoY. Net Total Income came in at INR 2.46 bn, down 29% QoQ as co-lending/DA income halved from INR 1.55 bn to INR 0.75 bn; this was more than offset by a 42% QoQ reduction in opex to INR 1.19 bn. PPOP stood at INR 1.27 bn, down 11% QoQ but up 33% YoY. AUM stood at INR 150.13 bn, down 2% QoQ but up 24% YoY. Annualised ROA came in at 2.8% and ROE at 9.2%.

Cost Rationalization Complete; P&L Reset Achieved: The structural cost reset announced in February 2026 is now fully executed. Quarterly opex declined from INR 2.05 bn in Q4FY26 to INR 1.19 bn in Q1FY27, an annualised run-rate of ~INR 4.74 bn against guidance of INR 4.90+ bn. The focused product mix (EM LAP + Embedded Merchant Finance) rose to 46% of AUM from 32% in December 2025. Portfolio yield improved 63 bps QoQ to 18.1% on the mix shift. Critically, the opex savings of INR 0.87 bn fully absorbed the INR 0.80 bn step-down in co-lending/DA income, validating the self-sustained earnings model. GNPA was broadly stable at 2.6% vs 2.5% in Q4FY26, with both focused verticals at 2.1%.

Capital Position Remains Strong; No Equity Dilution Required: CAR stood at 21.0% as of June 2026 versus 21.2% in March 2026. Net worth rose to INR 29.76 bn from INR 29.06 bn, with leverage at 3.6x. The company reiterates that no incremental equity raise is required through FY29, funding growth via annuity-led cash ROA. Total debt stood at INR 107.93 bn, with 66% of borrowings beyond a three-year tenor and cost of borrowings at 10.14%, down 41 bps YoY.

Focus Verticals Scale While Prime Book Runs Down: Emerging Market (EM) LAP and Embedded Merchant Finance now account for 46% of AUM versus 38% in Q4FY26. EM AUM grew 9% QoQ to INR 38.96 bn on a fully built-out network of 317 branches across 13 states, with no further branch capex planned. Mature branches (>12 months) are producing INR 8.1 mn per month against a blended INR 6.2 mn, and 145 branches under six months old provide an embedded productivity lever. Embedded Merchant Finance (rebranded GROx) scaled 32% QoQ to INR 30.03 bn across ~344k active customers with 60,000+ loans disbursed monthly. The prime intermediated book ran down 14% QoQ and now sits at 54% of the mix. Net disbursement rose 19% QoQ to INR 25.51 bn.

Valuation and View: Q1FY27 marks the first clean quarter of the realigned model, with the cost base at its targeted run-rate and earnings no longer dependent on upfront co-lending/DA income. Headline PAT growth of 99% YoY is flattered by the one-off tax credit; the more meaningful read is PBT up 28% YoY on a 42% lower cost base. Both focus verticals are compounding well ahead of the >25% CAGR guidance with credit cost contained at 1.7% of AUM, though reported AUM growth will stay muted while the prime book runs off. For FY29 the company targets 85% of AUM in focused products and a steady-state ROA of 3.0-3.5**%. At a CMP of INR 95.80, we maintain our "BUY" rating and value the stock at 0.65x its FY29E ABV of INR 241, and arrive at a price objective of INR 156.80, an upside of 63.7%.**

Exhibit 1: Financial Summary

Y/E Mar (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	2,617	3,310	4,160	4,665	5,315	6,731
PAT	1,193	1,439	1,748	2,458	3,080	3,907
Networth	156	222	187	199	219	244
Diluted BVPS (INR)	156.38	222.43	187.14	199.48	218.98	243.70
Diluted EPS (INR)	13.0	15.6	14.1	16.1	20.1	25.6
P/E (x)	7.4	6.1	6.8	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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Exhibit 2: Quarterly Result Update - Standalone *UGRO parent entity; provisions sit within opex*

Quarterly Result Update (INR Mn)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	2,803.1	3,357.9	3,042.3	-16.52%	-7.86%
Interest Expended	2,481.8	2,420.7	2,053.7	2.52%	20.84%
Net Interest Income	**321.3**	**937.2**	**988.6**	**-65.71%**	**-67.50%**
Other Income	1,736.7	1,732.6	1,176.0	0.24%	47.69%
Operating Income	**2,058.1**	**2,669.8**	**2,164.6**	**-22.91%**	**-4.92%**
Operating Expenses	1,571.5	2,252.9	1,682.9	-30.25%	-6.62%
Employee Expenses	363.3	757.1	609.0	-52.01%	-40.34%
Other Operating Expenses	1,208.1	1,495.8	1,073.8	-19.23%	12.50%
PPOP	**486.6**	**416.9**	**481.7**	**16.72%**	**1.02%**
PBT	**486.6**	**416.9**	**481.7**	**16.72%**	**1.02%**
Tax Expenses	**(120.5)**	**121.4**	**140.4**	**-199.28%**	**-185.87%**
Net Income	**607.1**	**295.5**	**341.3**	**105.46%**	**77.89%**

Exhibit 3: Quarterly Result Update - Consolidated *Incl. Profectus and Grox; Q1FY26 standalone*

Quarterly Result Update (INR Mn)	Q1FY27	Q4FY26	Q1FY26*	Q-o-Q	Y-o-Y
Interest Income	3,630	4,152	3,042	-12.57%	19.33%
Interest Expended	2,890	2,837	2,054	1.87%	40.70%
Net Interest Income	**740**	**1315**	**989**	**-43.73%**	**-25.18%**
Other Income	1,716	2,165	1,176	-20.74%	45.92%
Operating Income	**2,457**	**3,480**	**2,164**	**-29.40%**	**13.54%**
Operating Expenses	1,185	2,053	1,206	-42.28%	-1.74%
Employee Expenses	478	799	609	-40.18%	-21.51%
Other Operating Expenses	707	1254	597	-43.62%	18.43%
PPOP	**1,272**	**1,428**	**958**	**-10.92%**	**32.78%**
Provisions	656	716	477	-8.38%	37.53%
PBT	**615**	**712**	**482**	**-13.62%**	**27.59%**
Tax Expenses	-63	201	140	**-131.34%**	**-145.00%**
Net Income	**679**	**511**	**341**	**32.88%**	**99.12%**

** Q1FY26 is standalone as consolidated numbers are not available*

Con-Call KTA

UGRO Capital is undergoing a significant business transition, pivoting aggressively away from low yielding prime intermediated loans toward high yielding secured Emerging Market lending and Embedded Merchant Finance. The company has completed its structural cost reset and branch build out, shifting focus entirely to operating leverage and productivity. While the planned runoff of the prime portfolio masks optical AUM growth, the underlying high yield engines are scaling rapidly. We believe the current market valuation does not fully reflect the long term cash generation potential of this realigned model.

Strategic Realignment and Structural Shift

- The company has completely exited incremental originations in the lower yielding intermediated prime business to focus capital and resources on directly originated high yield assets.
- This transition is designed to reduce reliance on upfront co lending and direct assignment income, moving the firm toward a more recurring and cash generative earnings model.
- Operating costs have been permanently reset, successfully taking out approximately INR 2.20 bn in annualized expenses through the integration of Profectus Capital.
- The share of focused high yield products increased to 46 percent of total AUM in June 2026, up from 32 percent in December 2025.

Emerging Market LAP Execution

- With the physical footprint fully established at 317 branches, the strategic priority has shifted strictly from network expansion to branch productivity.
- Blended branch productivity improved to INR 6.2 mn per month, while mature branches older than 12 months are already yielding INR 8.1 mn per month.
- Approximately 145 branches are currently under six months old, providing a massive embedded growth lever as they mature over the coming quarters without requiring additional operating expenditure.
- Peak delinquencies for the secured LAP portfolio are projected to stabilize around 3.5 percent as the book seasons, with ultimate credit costs contained due to collateral backing.

GrowX Embedded Finance Platform

- The rebranded GrowX platform combines proprietary data analytics and the Gross Score underwriting architecture with seamless technology partner integrations.
- The platform is scaling rapidly, disbursing over 60,000 loans monthly to a base of approximately 344,000 active customers.
- Growth strategy involves deepening penetration within existing payment gateway partners and expanding into commerce marketplaces with slightly longer tenors and larger ticket sizes.
- Risk selection is continuously refined using daily transaction data, which was actively utilized to monitor early warning signals during recent geopolitical disturbances.

Profectus Merger and Capital Structure

- The merger scheme for Profectus Capital is currently filed with the NCLT and is anticipated to conclude by the third or fourth quarter.
- The merger involves a non cash accounting adjustment setting off acquisition goodwill against reserves, which will technically reduce reported net worth but will not impact regulatory capital adequacy.
- This restructuring will align spread assets with behavioural repayment patterns, materially reducing future income reversals from foreclosures.
- The borrowing profile continues to strengthen, with 66 percent of total borrowings now extending beyond a three year tenor.

Guidance and Forward Outlook

- Total AUM for the current fiscal year is projected to remain flat as the accelerated 20 percent to 25 percent runoff in the prime portfolio offsets the rapid growth of the new origination engines.
- Emerging Market LAP and Embedded Merchant Finance are both guided to grow at a Compound Annual Growth Rate exceeding 25 percent through FY29.
- Co lending and direct assignment income, which represented 24 percent of total income in the fourth quarter, is targeted to drop to just 4 percent by FY29.
- The business expects to achieve its growth objectives and reach a steady state Return on Assets of 3.0 percent to 3.5 percent without raising any incremental equity through FY29.

Exhibit 4: Profit & Loss Statement *FY27E–FY29E are our estimates on a consolidated basis*

Profit & Loss Statement 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**

Exhibit 5: Balance Sheet *FY26A onwards reflects the consolidated position post the Profectus acquisition*

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
Goodwill	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**

Exhibit 6: Key Ratios

Growth, balance sheet, operating efficiency, profitability, asset quality and valuation metrics (FY24A–FY29E)

Ratios	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Growth rates						
Advances (%)	0.0%	45.8%	30.0%	8.9%	9.6%	8.6%
Deposits (%)	0.0%	48.3%	56.2%	-5.0%	9.0%	8.0%
Total assets (%)	0.0%	45.8%	53.5%	-2.1%	9.3%	8.9%
NII (%)	0.0%	26.5%	25.7%	12.2%	13.9%	26.6%
Pre-provisioning profit (%)	0.0%	27.5%	20.4%	29.7%	18.8%	24.6%
PAT (%)	0.0%	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 (%)	0.0%	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)	7.4	6.1	6.8	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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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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