07th February 2026

To

BSE Limited **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai 400001**	**National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor, Plot No. C/1, G Block Bandra, Kurla Complex, Bandra (East) Mumbai 400051**
Scrip Code – 511742	**Symbol – UGROCAP**

Subject – **Intimation of Strategic Realignment of Business**

Ref – **Regulation 30 read of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, UGRO Capital Limited ("UGRO" or "the Company") hereby informs the Stock Exchanges that the Company has undertaken a strategic realignment of its business model with the objective of improving earnings quality, operating efficiency, and long-term capital sustainability.

UGRO operates in a large and under-penetrated MSME credit market. Over the last few years, the Company has invested significantly in building a pan-India Emerging Market branch network, proprietary underwriting and analytics capabilities, and embedded finance platforms. These investments have enabled UGRO to establish multiple origination channels and a diversified MSME lending franchise, while maintaining portfolio quality and capital adequacy.

As the franchise has scaled, the Board has undertaken a review of its operating model to ensure closer alignment between portfolio mix, income profile, and long-term value creation. As part of this realignment, UGRO is progressively reducing exposure to intermediated, DSA-led, and lower-yield origination channels, and is refocusing the business around two core segments:

i. Emerging Market secured lending, originated through the Company's branch network; and

ii. Embedded merchant financing, delivered through digital platforms and partnerships.

This shift is intended to increase the share of recurring interest income in the Company's earnings profile, while reducing reliance on income linked to co-lending and direct assignment, thereby improving predictability and durability of earnings over time.

There is no exit from any product category. Existing products will continue to be offered through direct origination channels, with calibrated contribution aligned to the revised operating model.

In parallel, the Company has initiated structural cost rationalisation measures, including the exit of DSA-led verticals, simplification of operating structures, and optimisation of corporate and technology overheads. The Company has identified annualised operating cost savings of approximately ₹220 crore, of which a portion has already been implemented, with the balance currently under execution. The benefits of these actions are expected to accrue progressively as the revised cost structure stabilises.

During the transition, portfolios outside the core focus segments are expected to run down in an orderly manner, while Emerging Market secured lending and Embedded Finance increase as a proportion of the overall portfolio. Throughout this process, the Company expects to maintain healthy capital adequacy, with growth being funded largely through internal accruals.

The strategic realignment is intended to position UGRO as a more annuity-led MSME lender, with improved operating leverage, stronger linkage between profitability and net-worth accretion, and enhanced long-term capital efficiency.

The management remains confident in the direction of this realignment and committed to its disciplined execution. UGRO has completed the foundational phase of building capabilities and infrastructure, and the focus now is on converting this foundation into a durable institution of significance for its targeted MSME customer segments, while creating long-term value for stakeholders.

A detailed Business Realignment Presentation has been made available to investors, enclosed herewith as Annexure.

The aforesaid information is made available on the Company's website at www.ugrocapital.com.

We request you to kindly take this on record.

Thanking you,

Yours truly,

For UGRO Capital Limited

SATISH KUMAR CHELLADURAI

Digitally signed by SATISH KUMAR CHELLADURAI
Date: 2026.02.07 15:47:07 +05'30'

Satish Kumar
Company Secretary and Compliance Officer
Encl: a/a

UGRO Capital Limited

Building an Institution for MSME Lending

Data Tech Empowering
Small Businesses (MSME) Lending

Strategic realignment Investor update

February 7, 2026

NSE: UGROCAP | BSE: 511742

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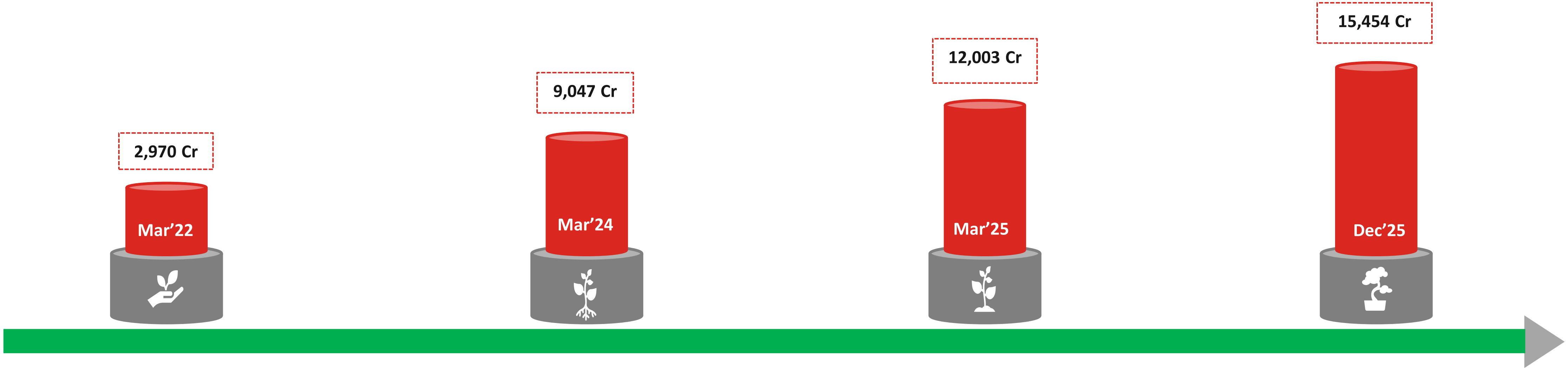
UGRO: We have built a scaled MSME Business in 3 Years from INR 2,970 Crores as of Mar-22 to INR 15,454 Crores as of Dec-25



Mar'22 – Mar'24

- Pioneered Co-lending with Banks and NBFCs. This helped conserve capital while achieving scale.
- Raised Equity Capital of INR 340cr, of which INR 240cr was invested by IFU (Denmark Sovereign Govt arm).

Mar'24-Mar'25

- With maturing of 75 branches, plan to roll out incremental EM branches and take count to 240.
- Acquired MyShubhLife and started Merchant Lending Product.

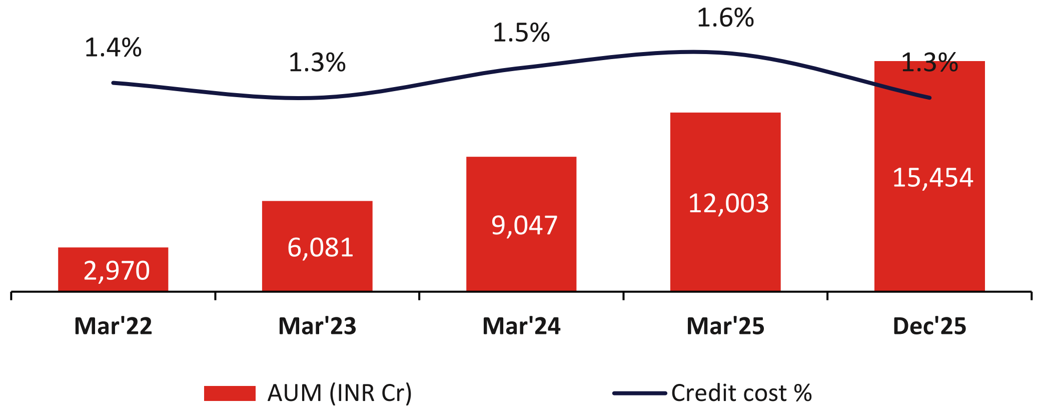
Mar'25- Current

- Expanded to 300+ branches by Sep-25 to meet volume growth .
- Acquired Profectus to achieve immediate scale and improve profitability profile by taking out costs
- Raised INR 900 cr+ by way of rights and CCD issue.

Period end AUM

Diversified Yield Portfolio helped us to maintain Portfolio Quality and allowed us to gradually build and calibrate high yield portfolio

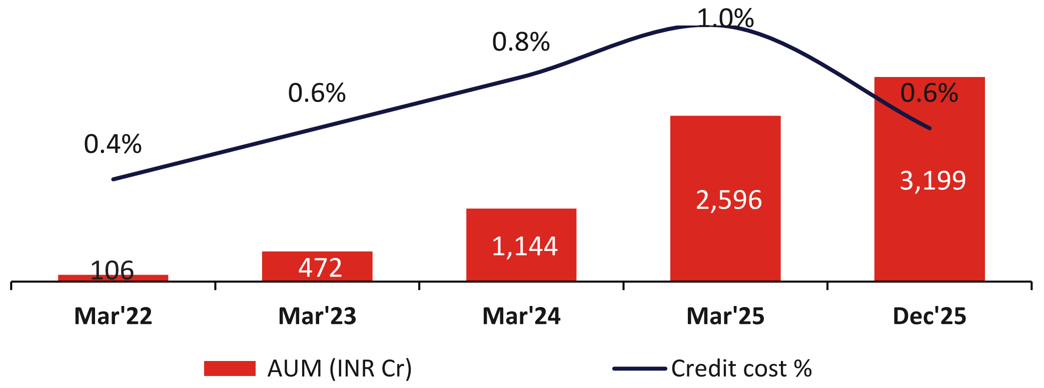
Overall- AUM and Credit cost % of Average AUM



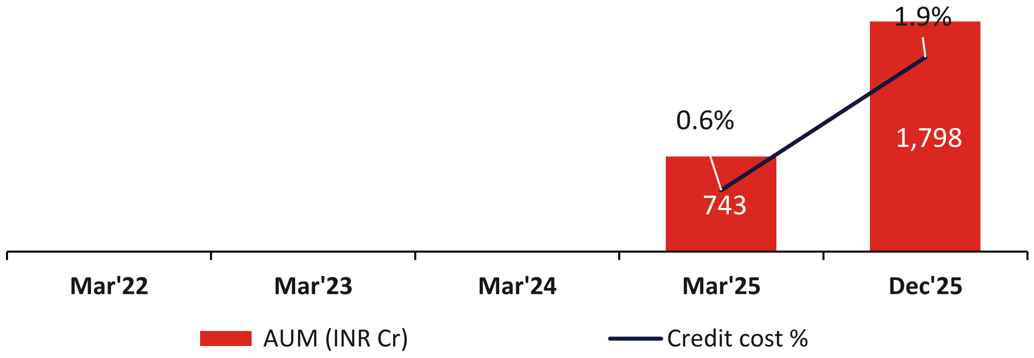
Product-wise GNPA (%)

Product Category	Mar'22	Mar'23	Mar'24	Mar'25	Dec'25
Prime Secured LAP	0.6%	0.8%	0.5%	0.6%	1.4%
Business Loan	2.7%	2.9%	3.4%	4.0%	5.3%
Emerging market LAP	0.1%	0.6%	2.6%	2.6%	1.0%
Machinery Loan	0.5%	0.2%	0.9%	1.3%	2.2%
Partnerships & Alliances	2.4%	1.3%	0.6%	0.7%	1.0%
Embedded Finance	-	-	-	0.2%	1.5%
School Finance	-	-	-	-	0.4%
AUM[2]	**1.9%**	**1.6%**	**2.0%**	**2.3%**	**2.2%**

Emerging Market- AUM and Credit cost % of Average AUM



Embedded finance- AUM and Credit cost % of Average AUM



UGRO continues to build an institution around two of the high growth and under penetrated MSME segments

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Small Ticket LAP- Credit gap of Rs 20 trillion

Merchant lending- Credit gap of Rs 2 trillion

UGRO Focus

Emerging Market LAP

- ✓ Ticket size between Rs 5 lacs to Rs 50 lacs
- ✓ Network of 300 branches
- ✓ Secured, relationship led
- ✓ Annuity income

Embedded Financing

- ✓ Average ticket size of Rs 1 lac
- ✓ 100% data driven underwriting
- ✓ High Velocity

- ✓ **Same customer need, two delivery models**
- ✓ **Balanced growth + stability**
- ✓ **Scalable without dilution**
- ✓ **4,50,000+ customer base by March 2029**

Strategic realignment – deepening focus on Emerging Market (Small ticket LAP) and Embedded Merchant lending

Sourcing strategy

Focusing on Higher Yield Emerging Market LAP (Direct) and Exiting from Prime Market high ticket low yield business verticals (DSA Channel)

- Ramping up high yielding Emerging Market and Embedded Finance.
- Exiting the low yield Loan Against Property (LAP), Machinery loans and Business Loans.
- 73% and 85% of the AUM of FY 28 and FY 29 would have be at an average yield of 19%.

Quality of earnings

Higher yield, cost reduction and improvement in quality of earnings

- Shift in asset profile from low/ medium yield to high yield.
- Taking out Annualized Cost of INR 220 Cr from the business leading to better profitability.
- Upfront Income from Co-lending/ Direct Assignment to reduce from current levels thus improving quality of earnings.

Capital implications

Portfolio Recalibration leading to cash generating ROA with no capital requirement for next 3 Years

- Recalibration of portfolio leading to higher annuity income and generation of cash ROA.
- Improved quality of earnings leading to capital accretion and no requirement to raise equity.
- Targeted ROA to reduce from 4% to 3-3.5% but with capital accretion.

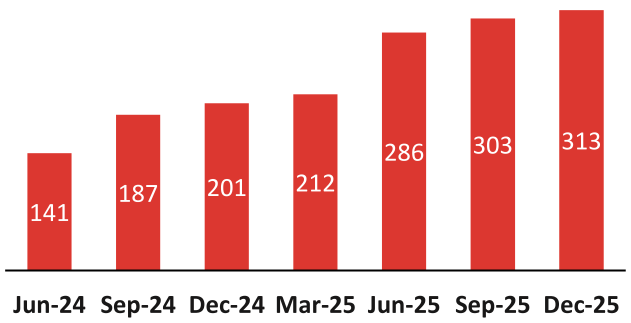
We are ready to match our comparative peer set and committed to create an institution which multiplies shareholders value.

Why we are ready for the realignment

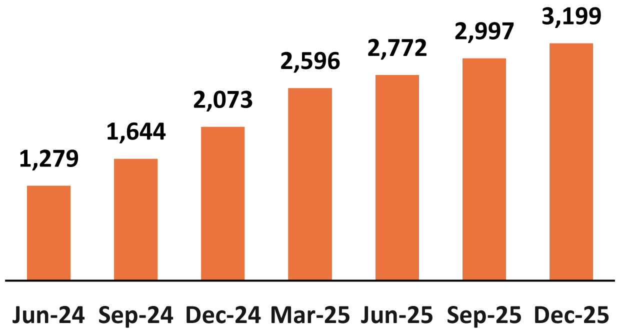
Our EM (small ticket LAP) branches are now built out, and Embedded finance portfolio is credit tested and delivering volumes

Our EM branch build out is complete with a steady growth in the AUM

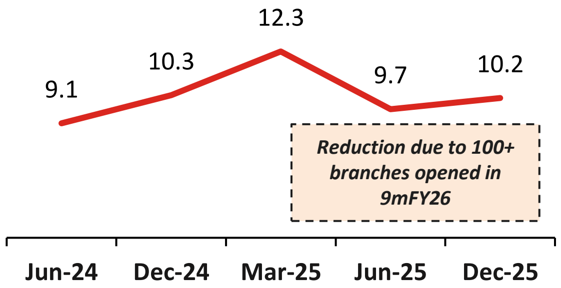
# of branches:



AUM (INR Cr):

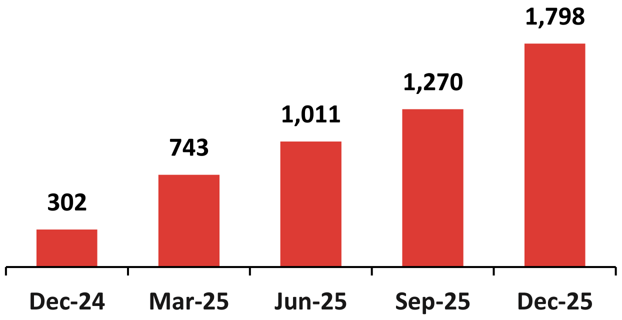


AUM per branch (INR Cr)

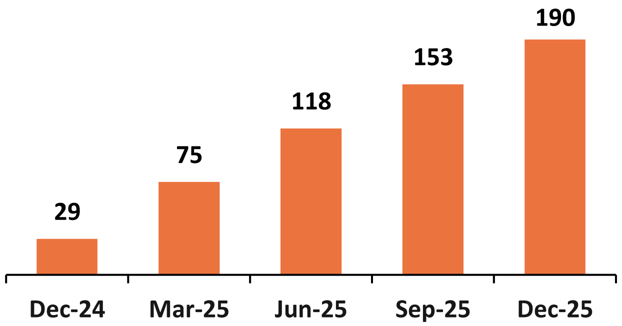


Embedded finance delivering massive results with stable portfolio quality

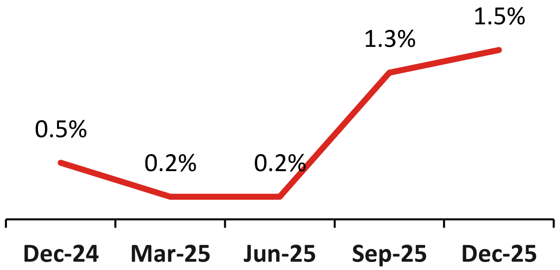
AUM (INR Cr):



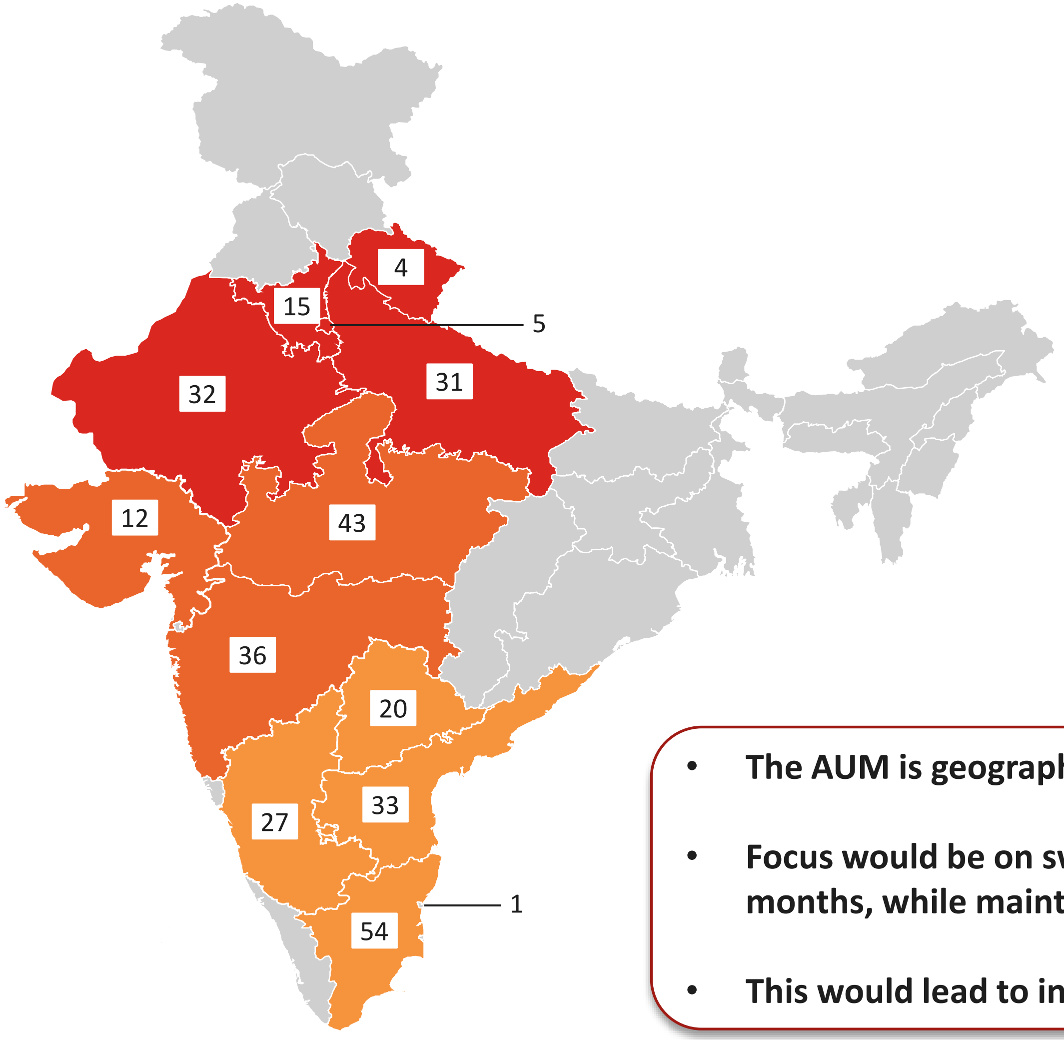
# of active customers (# in '000s)

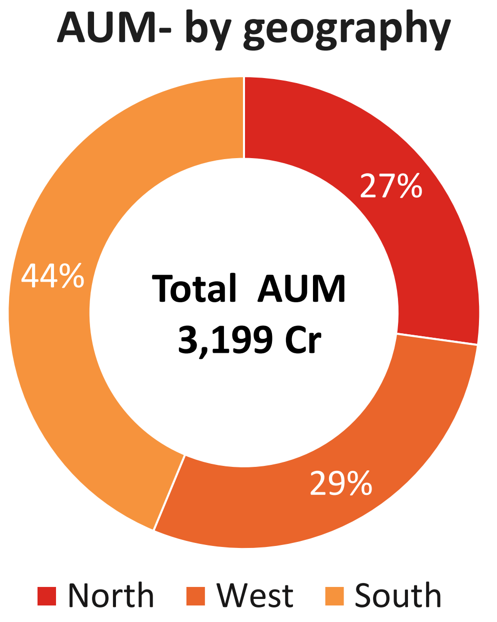


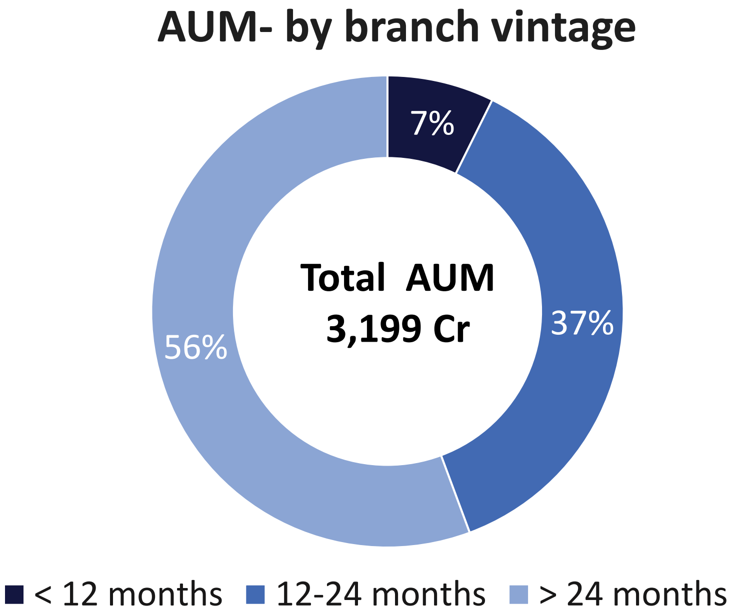
GNPA %:



Emerging Market: PAN India built-out complete







- **The AUM is geographically well diversified and is catered through network of 300+ branches.**
- **Focus would be on sweating out and increase AUM composition of 100+ branches opened in last 12 months, while maintaining similar geographical mix.**
- **This would lead to increase in ROA on account of operating leverage.**

Emerging Market: Productivity inflection begins

Branch manager vintage	# of branches	# of FOS	Disbursement-9mFY26	Branch productivity	FOS productivity
< 6 months	195	807	607	0.34	0.08
6-12 months	66	316	310	0.52	0.11
> 12 months	52	251	313	0.67	0.14
Total	**313**	**1,374**	**1,230**	**0.43**	**0.10**

- **The focus in next 12-18 months would be to improve the productivity in vintaged branches as well as getting the newer branches to the desired productivity levels.**
- **We expect blended branch productivity to range between Rs 0.80 cr to Rs 0.85 cr per month and FOS productivity to improve to Rs 0.17 cr per month in next 1 year.**

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What we would be

The strategic realignment would bring us in line with our Peerset

NBFCs	Vintage (years)	AUM (INR Cr)	Portfolio Yield	CoB	Opex to AUM	RoA	RoE	Leverage
Large size Companies with Parentage	42	9,45,835	15.9%	7.7%	3.5%	2.8%	15.7%	4.8x
Independently owned companies (UGRO Peer Set)	14	22,785	20.6%	9.1%	5.3%	6.0%	15.5%	1.5x
UGRO Capital Limited	***7***	***15,454***	***17.2%***	***10.2%***	***4.0%***	***2.0%***	***7.0%***	***3.8x***
Gap from independently owned cos.			***(3.4%)***	***1.1%***	***(1.3%)***	***(4.0%)***	***(8.5%)***	

UGRO does not have cost of borrowing advantage of Large Size Companies with Parentage, it has been pivoting towards more granular higher yielding segments over last two years.

Note: (1) ***Large size Companies with Parentage*** *includes Bajaj Finance Limited, Shriram Finance Limited, Cholamandalam Investment and Finance Company Limited and Mahindra & Mahindra Financial Services Limited*
Independently Owned Companies *includes Five-Star Business Finance Limited and SBFC Finance Limited*
(2) Where Yield was not directly available in public domain, the same has been computed basis interest income and average portfolio.

UGRO would be having a healthy high yield secured portfolio mix

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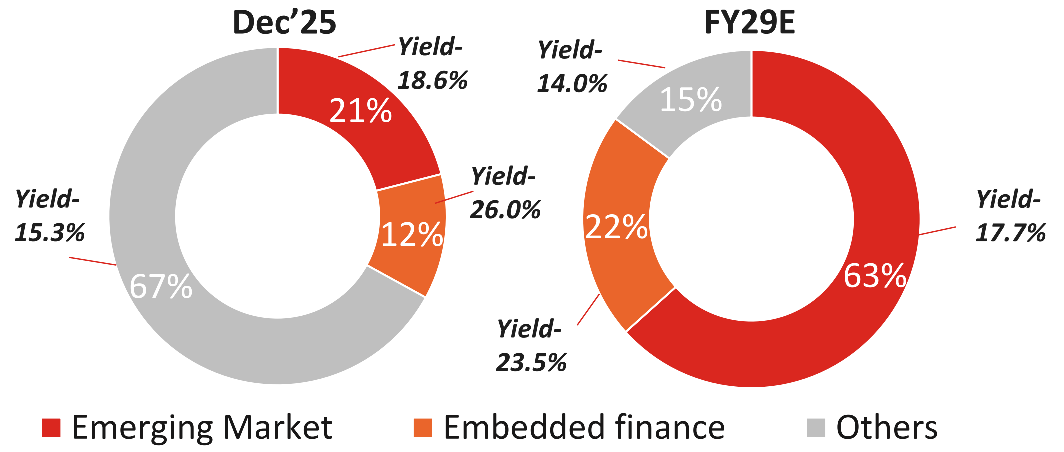
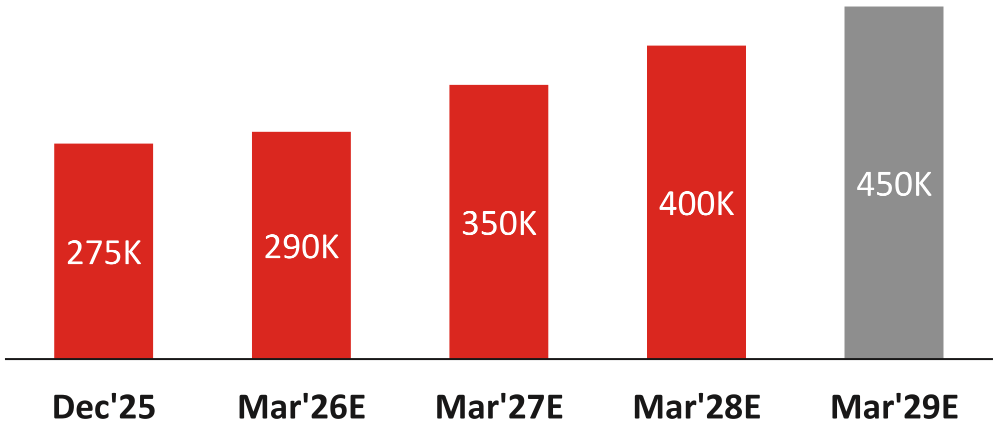
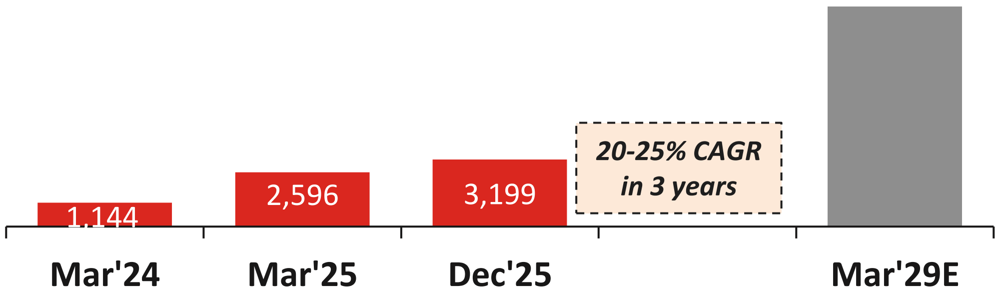
Portfolio mix



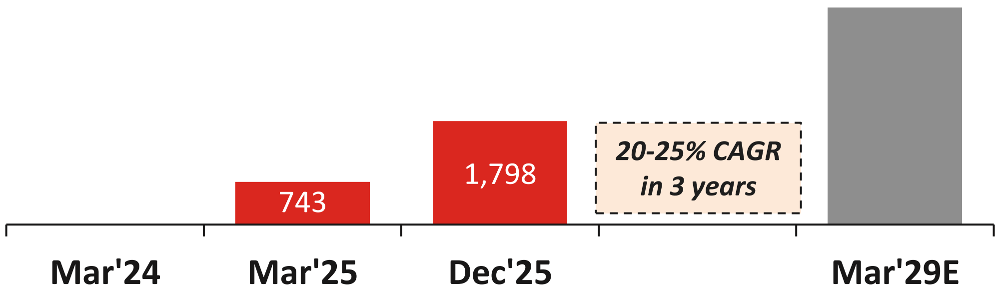
Number of active customers



Emerging Market LAP- AUM guidance



Embedded finance- AUM guidance



Other than Emerging Market and Embedded Finance, rest of the portfolio is expected to rundown by 15-20% annually.

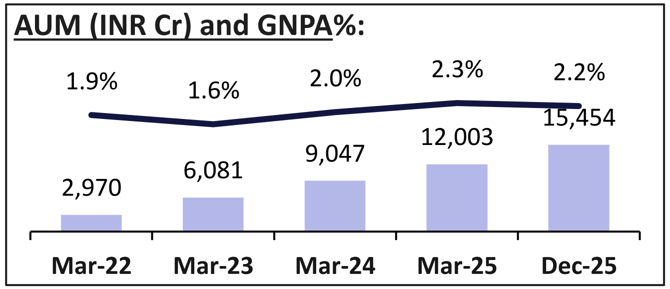
During this period, Company would maintain healthy capital adequacy with no incremental capital required

Why and What we are changing

WHY: Two of our Hypothesis did not yield the expected results

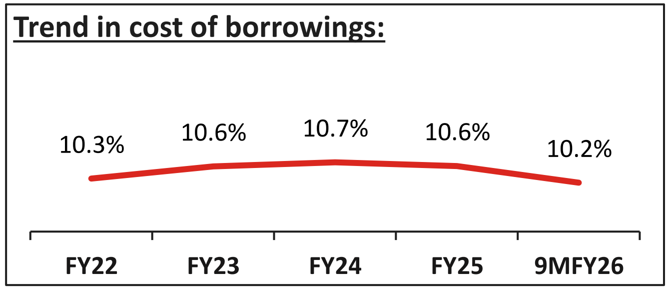
Diversified portfolio leading to scale

- While maintaining scale, pivoted to high yielding Emerging Market (Small Ticket LAP) in 2023 and Embedded Finance (Merchant Lending) in 2024 to build high cash ROA profile of business.
- Managed stable portfolio quality while investing in network and gradual shift of Portfolio Yield.



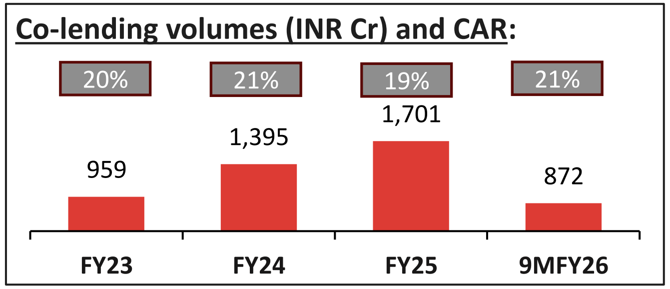
Large capital leading to lower borrowing cost

- Raised Institutional Capital of INR 2150+ Crores from global institution investors.
- However, diversified ownership and high co lending + DA income led to our Rating to move only from A- to A+ in last 8 years leading to high cost of borrowing.



Asset light model leading to value creation

- Pioneered Co-lending with Banks and NBFCs.
- Yield compression and high cost kept real profitability of the intermediated channel low.
- While this helped conserve capital at scale, real value creation did not happen as expected.



WHY: Prime/ Intermediated channel: low yield, high Opex, high foreclosure volatility – sustainable only at low cost of borrowing

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S W O T

Strengths

- Stable portfolio quality
- Higher accounting ROA due to upfront gain on DA/ co-lending

Weaknesses

- Low yield
- High distribution cost as it is DSA led
- Low Cash ROA business

Opportunities

- Increased volumes by lowering the interest rates

Threats

- Higher foreclosures due to competitive pressure
- Risk of Co-lending stoppage due to new guidelines

- **Co-lending has helped us sustain the low yield Prime channel historically.**
- **We expect volumes of co lending under new guidelines would remain muted for some time and would pick up normal pace only in Q3 FY 27**

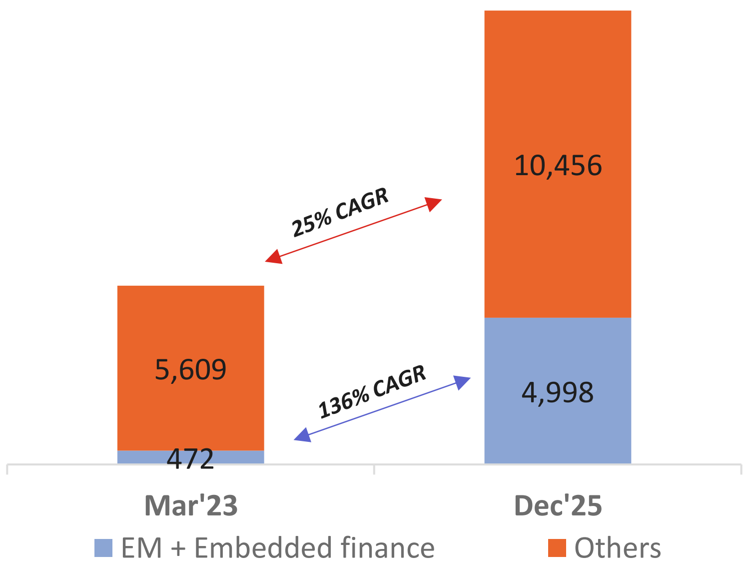
WHY: We knew these inherent challenges of Prime Intermediated Business and have been pivoting to EM LAP and Embedded Merchant Lending in last 2 Years.

Particulars	Company level	EM LAP + Embedded Financing	Other verticals (discontinued)
Interest income	17.5%	20.5%	15.5%
Income from Co-lending/ Direct Assignment	5.0%	4.5%	5.5%
Total Income	25.0%	27.4%	23.0%
Credit cost (% of Avg AUM)	1.5%	1.0%	2.2%
PBT	3.0%	5.4%	2.2%
PAT	2.1%	3.8%	1.5%

Note:(1) Above is an extract of estimated FY26 ROA tree. EM LAP (Yield 18.5% and average ticket size of INR 20 lacs) and Embedded finance loans (Yield 26% and average ticket size of INR 1 lac)
(2) Except Credit cost, all other % has been computed as a % of Average on books POS

- With our current cost of borrowings, other verticals would be viable only with co-lending.
- Hence we have been pivoting the Emerging Market LAP and Embedded Merchant Lending in last 2 years.

Pivoting Portfolio mix- Mar'23 vs Dec'25



WHAT: We are exiting from Prime Intermediated High-ticket LAP, Business loans and Machinery origination verticals

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Expense	Annualized Cost takeout (INR Cr)	Remarks
Employee cost:		
Sales	70	50% has already been executed. Balance is expected to materialize in next 2-3 months
Credit	22	40% has already been executed. Balance is expected to materialize in next 2-3 months
Other functions	60	In line with realignment of sales/ credit teams
Total	**152**	
Branch Rent and branch costs	12	Savings due to consolidation/ relocation to smaller branch offices
Other expenses	56	This largely includes business related costs such as Travelling & conveyance, IT Costs and Fixed costs including legal and professional costs, marketing, employee insurance etc.
Grand total	**220**	

FAQs

FAQs

#	Questions	Response
1.	What is the objective of UGRO's strategic realignment?	• **The strategic realignment is aimed at improving earnings quality, predictability, and capital efficiency.** • UGRO is transitioning from a model that relied more on Intermediated sourcing delivering low Cash ROAs to an annuity-led Direct higher yielding MSME lending franchise, driven by Emerging Market (EM) lending and Embedded Financing.
2.	Why was a strategic realignment required after achieving scale?	• While UGRO successfully built scale, a part of earlier profitability depended on Income from Co-lending and Direct Assignment, which introduced volatility and limited visibility of cash earnings and net-worth accretion. • **The realignment increases the share of recurring interest income and reduces dependence on transaction-linked income, which compounds the net worth accretion and value of the Stakeholders.**
3.	Did the earlier strategy not work as expected?	• The earlier strategy was based on a reasonable assumption: that with scale and stable credit quality, cost of borrowing would reduce over time, improving unit economics. • As the business scaled, three structural realities emerged: 1. Scale required high levels of borrowing, slowing the pace of cost-of-funds reduction. 2. MSME customers proved highly rate-sensitive, leading to higher foreclosure when cheaper credit became available. 3. Evolving co-lending guidelines reduced flexibility and economics in intermediated models. • UGRO recognized these trends early and began pivoting over the last two years by building EM-LAP branches and scaling Embedded Financing. The current realignment is the formal culmination of that transition.

FAQs

#	Questions	Response

4.	Earlier UGRO guided to ~4% ROA. What is the new ROA guidance, and what is fundamentally different now?	• The earlier ~4% ROA guidance assumed a higher contribution from upfront co-lending income, recognized immediately under accounting standards. While this lifted reported ROA, a meaningful portion of that profitability was not compounding the net worth.
		• After strategic realignment, ROAs would be anchored in:
		  • Annuity-based interest income
		  • Lower reliance on upfront or transaction-linked income
		  • Closer alignment between reported profits and cash generation
		  • and in line with Peerset over medium term

5.	Why exit Prime / Intermediated distribution channels?	• Prime / Intermediated sourcing delivers lower yields and higher operating costs and is viable primarily at very low borrowing costs. UGRO does not enjoy the cost-of-funds advantage of large parented NBFCs. • **Exiting this channel is a structural decision to improve unit economics and earnings quality, not a tactical or cyclical response.**

6.	How should investors think about growth over the next two years?	• Growth will be driven by portfolio mix change, not by slowing the franchise:
		  • Emerging Market (EM) lending is expected to grow at a high-teens to low-twenties CAGR, driven by branch productivity rather than branch expansion.
		  • Embedded Financing is expected to grow faster than the overall book, supported by platform integrations and repeat merchant usage.
		  • The lower-yield Prime / Intermediated portfolio will continue to run off, with limited incremental sourcing.
		• **Overall AUM growth remains healthy, while the mix shifts decisively toward higher-yield, annuity-led businesses**.

7.	Is the Emerging Market build-out complete, and how does it generate returns now?	• The EM build-out phase is largely complete. UGRO has already invested in branches, underwriting, and collections infrastructure. The focus now is on sweating existing branches, which drives operating leverage and improves unit economics.

FAQs

#	Questions	Response
8.	Does the shift toward EM lending increase asset-quality risk?	• EM lending is granular, predominantly secured (LAP), and locally underwritten with on-ground presence. Asset-quality trends have remained stable and within expectations and appropriately factored in projected ROA through the combination of higher yield and credit cost.
9.	What role does Embedded Financing play in the realigned strategy?	• Embedded Financing is a core growth pillar, enabling contextual, transaction-linked lending through digital ecosystems. It provides low acquisition cost, repeat usage, and scalable access to underserved MSME merchants.
10.	What are UGRO's core capabilities that differentiate its Embedded Financing business?	• UGRO's embedded lending model is built on its DataTech underwriting stack, anchored by GRO Score (3.0)—an AI/ML-driven risk-ranking framework using structured and behavioral data to determine eligibility, limits, and pricing. • The acquisition of MyShubhLife (MSL) added a proven embedded lending platform and deep integrations with payment ecosystems. Credit decisioning, servicing, and collections are fully integrated, enabling scalable merchant lending with consistent outcomes.

11.	Will UGRO's valuation improve as a result of this strategic realignment?	• We believe that public-market valuation is driven by earnings quality, predictability, capital efficiency, and balance-sheet maturity.
		• Across markets:
		  • Mature MSME / retail NBFCs with annuity-led earnings trade at 2.5x–3.5x P/B
		  • Granular mid-sized private banks trade at 2.0x–3.0x P/B
		  • Lenders with volatile, upfront-heavy income trade at lower and less stable multiples
		• **The realignment positions UGRO structurally closer to mature, annuity-led lenders.** As cash-generating ROA compounds net worth and dilution risk reduces, UGRO should increasingly be valued in line with these comparables—supporting valuation multiple expansion over time.

Thank you

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