13th November 2026

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Scrip Code: 511742

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra - Kurla Complex,
Bandra (E), Mumbai - 400 051

NSE Symbol: UGROCAP

Sub: Transcript of the Earnings Call with Analysts/Investors held on 6th November 2026

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 6th November 2026 to discuss the unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended on 30th September 2026.

The said transcript is also being uploaded on the website of the Company.

This is for your information and records.

Thanking You,

Yours Faithfully,

For UGRO Capital Limited,

SHILPA BHATTER
Digitally signed by SHILPA BHATTER
Date: 2026.11.13 11:54:56 +05'30'

Shilpa Bhatter
Chief Financial Officer
Encl: a/a

"UGRO Capital Limited

Q2'FY27 Earnings Conference Call"

November 06, 2026

MANAGEMENT: **MR. SHACHINDRA NATH - FOUNDER & MANAGING DIRECTOR**
MR. ANUJ PANDEY – CHIEF EXECUTIVE OFFICER
MS. SHILPA BHATTER – CHIEF FINANCIAL OFFICER
MR. SIDDHARTH RAJAN – HEAD OF STRATEGY & INVESTOR RELATIONS

MODERATOR: **MS. JUHI MANWANI -- ARIHANT CAPITAL MARKETS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to UGRO Capital Limited Q2'FY27 Earnings Conference Call hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Ms. Juhi Manwani from Arihant Capital Markets Private Limited. Thank you, and over to you.

Juhi Manwani: Hello, and good afternoon to everyone. On behalf of Arihant Capital Markets, I thank you for joining the Q2'FY27 Earnings Conference Call of UGRO Capital Limited. Today, from the management, we have Mr. Shachindra Nath, Founder and Managing Director; Mr. Anuj Pandey, Chief Executive Officer; Mr. Shilpa Bhatter, Chief Financial Officer; and Mr. Siddharth Rajan, Head of Strategy and Investor Relations.

So, without any further delay, I will hand over the call to Mr. Shachindra Nath for his opening remarks. Over to you, sir.

Siddharth Rajan: Thank you, Juhi. Good evening, everyone, and welcome to UGRO Capital's earnings call for the second quarter of FY27. On behalf of the management team, thank you for joining us. Today, Mr. Shachindra Nath, our Founder and Managing Director, will take you through the highlights of the quarter and the journey that got us here.

Mr. Anuj Pandey, our Chief Executive Officer, will cover our two growth businesses. And Ms. Shilpa Bhatter, our Chief Financial Officer, will take you through the financials and the accounting effect of the Profectus merger. We will then open the floor for questions. Our investor presentation has been filed with the Stock Exchanges and is available on our website.

The results for Q2'FY27 and Q1'FY27 are consolidated and include our subsidiaries, Profectus Capital and GROx Technologies. The Q2'FY26 figures were reported on a stand-alone basis and year-on-year comparisons should be read in that context.

Management will also refer to pro forma figures that reflect the accounting to be adopted on the merger of Profectus Capital into UGRO. These are management estimates and remains subject to NCLT sanction of scheme and auditor review. Certain statements on today's call may be forward-looking and should be read with the safe harbor statement in our investor presentation.

I will now hand over to Mr. Shachindra Nath. Over to you, sir.

Shachindra Nath: Thank you, Siddharth. Good evening, everyone, and thank you for joining us. Let me start with one message. We made the pivot in February '26, and we are progressing well. For the first time in our history, UGRO disbursed more than INR1,000 crores in every single month of the quarter; INR1,057 crores in July, INR1,010 crores in August and INR1,092 crores in September.

Net disbursement for the quarter was INR3,159 crores, up 77% from a year ago and 24% from the previous quarter. Our two focused businesses, Emerging Market LAP and GROx now account for INR7,929 crores or 53% of our assets under management of INR15,019 crores. Nine months ago, they were at 32%.

Profit before tax was INR68.3 crores, up 12% from a year ago and 11% from the previous quarter. Profit after tax was INR50.7 crores, up 17% year-on-year. And for the half year, profit after tax rose to 53% to INR118.6 crores. Our quarterly operating cost is down by more than 2 quarters and portfolio yield has risen 108 basis points over the year to 18.7%.

Asset quality was stable with gross NPA of 2.7% and collection efficiency of 97%. And the merger of Profectus Capital into UGRO approved by shareholders and creditors on 22nd September has its NCLT final hearing on 20th November.

Before we go further, I would like to step back for a moment and recall our journey because the significance of this quarter is clearer when you see where we have come from. Some of you have followed and are UGRO's shareholders since we listed in 2018. Some of you are hearing from us maybe for the first time.

UGRO is a lender to India's small businesses. We serve them through 2 businesses. The first is Emerging Market LAP with small ticket loans against property to small businesses owners in tier 2 towns and beyond, made through 317 of our own branches across 13 states. The second is GROx, loans to small merchants made inside the payment apps they already use, such as PhonePe, Paytm, BharatPay and also multiple other market ecosystem, where about 4.1 lakh merchants and customers are active borrowers with us today.

But that is not how we grew. As explained in Slide 5 of our Investor Presentation, between FY22 and FY26, we built an asset engine that grew our AUM fivefold, from about INR3,000 crores to more than INR15,000 crores. Much of that growth came from intermediated, lower-yielding lending. Prime LAP, business loan, machinery loans sourced through intermediaries, DSAs and shared with partner banks and NBFCs through co-lending and direct assignment. At its peak, 45% of our AUMs sat off our balance sheet with 9 banks and 7 NBFCs.

In 2025, the Board took a hard look at the model and found 2 weaknesses that we chose to fix. The first, which we set out in Slide 6 and 7 of our investor presentation was income volatility. When a loan is co-lend with a partner sold via direct assignment, accounting standard requires the value of UGRO's future share of interest spread to be booked on the day the loan is co-lend or sold via direct assignment. At the time, with little repayment history of our own, we measured the value of the contractual life of the loan. Our borrowers repaid much earlier. Very often because the lender with a lower cost of funds, having seen how well these loans were underwritten and repaid, refinance these loans at cheaper rates.

Each time a loan closed early, the income book for the years that would never come had to be reversed. But between FY22 and FY26, that reversal added up to INR318 crores, equal to 44%

of our cumulative profit before tax over those years. None of this was credit loss. Over the life of each loan, the income book equaled the cash received, but it made our reported profit volatile and hard to read, and that is why the Board acted.

The second weakness was capital. The income booked upfront on co-lending and direct assignment did not count towards our regulatory capital until it was realized in cash. So even as the book and reported profits grew, those profits did not add to our capital base at the same pace, and we had to raise significant capital over the years to support our growth.

Taken together, the unit economics of the businesses were never going to deliver the return on asset we were targeting, and came the reset of February 2026.

So in February 2026, the Board approved a reset, as explained in Slide 8 of our investor presentation. We made 4 decisions. We stopped sourcing prime loans through intermediaries, and that book has since been running down through repayment and foreclosures. We put our capital and our people behind the 2 businesses where we have real edge, Emerging Market LAP and GROx.

We committed to take out about INR220 crores of annual cost, and we committed to fund our growth without new equity for 3 years with a target return on asset of 3% to 3.5% by FY29. We set ourselves 5 measurable commitments, and we report against them to our Board and to you every quarter. The scorecard is in Slide 9 of our Investor Presentation.

Nine months on, on shifting the portfolio, the two focus business have risen from 32% of AUM in December 2025 to 53% today against our FY29 objective of 85%. On cost, quarterly operating cost has come down from INR205 crores in the fourth quarter of FY26 to INR127 crores this quarter, in line with our FY27 guidance of INR490 crores and above.

On the rundown of the prime intermediated book, we guided 15% to 20% a year. Through repayments and foreclosure, the book fell 13% in this quarter alone and 32% over 9 months and is now 47% of AUM. On funding growth without new equity, our capital adequacy stand-alone today is 18.8% and about 22% on the merged pro forma basis.

And on the move to an annuity-led return on asset, ROA was 2.1% in the quarter and 2.7% for the first half on a pro forma basis on the path to our FY29 objective. As explained in Slide 10 of our investor presentation, in 9 months, Emerging Market LAP has grown from INR3,199 crores to INR4,268 crores, GROx from INR1,798 crores to INR3,661 crores, and the defocused book has come down from INR10,458 crores to INR7,090 crores. Our 2 growth engines now make up more than half of the loan book.

This is the pivot we have made. However, merger completes the transition and the shift. The last step is the merger of Profectus Capital into UGRO, which we have explained in Slide 13 of our investor presentation. The merger does more than simplifying our structure. Under the scheme,

the income on our co-lend and assigned loans is remeasured on the life over which those loans are actually run based on observed repayment behavior rather than on their contractual life.

That adjustment, together with Profectus goodwill and acquisition cost, is made once, against reserve and subject to the NCLT approval with no charge to profit. Future co-lending and direct assignment income will be booked on conservative behavioral tenure, so that volatility in our quarterly results due to the impact of reversals will be reduced.

The effect on our equity is on Slide 14. Pro forma net worth after the scheme is about INR2,454 crores or about INR158 per share against a reported book value of INR195 a share. Shilpa will take you through the bridge. The important point is this, our accounting net worth while falls, but our capital strength rises. Goodwill and upfront spreads were already deducted from our tier 1 capital, so the reset does not reduce our regulatory capital. And on merger, our capital adequacy is rising from 18.8% to about 22% as the deduction for our investment in Profectus goes away.

I would like to address, as I did in the last quarter, how the market values UGRO. At the end of October, UGRO's market value was INR1,130 crores. This is about 0.4x of our reported book value and less than half of our adjusted net worth of INR2,450 crores, which already reflects every adjustment under the merger.

We believe the market is still pricing an old UGRO whose reported earnings carried the volatility of upfront income and its reversal. Our job is to show the market the new UGRO. As a business, we have made the pivot. Our task is now to explain this shift clearly so that UGRO earns the trust of all the investors afresh. Over the next 2 quarters, once the scheme is sanctioned, we will publish financials restated for the merger with income recognized on behavioral tenure and the equity base reset.

For the first time, our reported number will show the business as it is; a high-yielding annuity-led lender with a built branch network and a scaled digital platform. As I said, in the last quarter, the most effective answer management can give on valuation is execution, and that remains our approach. I will now hand over to Anuj, who will take you through our 2 growth engines. Anuj, over to you.

Anuj Pandey: Thank you, Shachin, and good evening, everyone. The operating message for this quarter is simple. The infrastructure is built and both our growth engines are now compounding on it. As shown in Slide 24 of our investor presentation, net disbursements for the quarter were INR3,159 crores, highest in our history. Total AUM stood at INR15,019 crores, up 23% year-on-year.

It was flat quarter-on-quarter by design. The defocused book ran off faster than planned, while the book we want -- than the book we wanted to grow. On books loans rose from INR9,519 crores in June to INR9,693 crores in September, with Emerging Market LAP up 10% and GROx up 22% in quarter. Our 2 businesses are compared side by side in Slides 11 and 12 of our investor presentation. They are deliberately different, and together, they make a stronger balance sheet than either would alone.

Coming to Emerging Market LAPs. As you know, Emerging Market LAP gives small business owners in smaller towns a loan against their property, typically with an average ticket size of INR17 lakhs to INR19 lakhs, secured at a loan-to-value up to 75%. In this business, AUM has now grown to INR4,268 crores, up 10% in the quarter and 42% over the year.

We disbursed INR692 crores in the quarter against INR592 crores in the previous quarter. Portfolio yield is about 18.4% and gross NPA is 2%. We have 317 branches across 13 states, more than 1,800 sales executives and over 500 field collection officers. The build-out is complete. We do not need new branches to grow and our focus on productivity, which we have explained in Slide 32 of our investor presentation.

Average monthly disbursements per branch rose to about INR73 lakh per month this quarter from INR62 lakhs in the previous quarter and INR48 lakhs in FY26. Branches older than 12 months disbursed about INR86 lakhs in a month and mature branches grew from 81 branches in March to 107 in September.

Behind them are 200 branches, which are about 1 year old, including 138 branches which are less than 6 months, which disbursed about INR60 lakhs in a month. The arithmetic is simple. If every branch reached out what our mature branches already achieve, the network would disburse about INR3,300 crores a year against a run rate of about INR2,800 crores this quarter with little addition to fixed cost.

Our target is to take the average productivity to INR80 lakhs to INR85 lakhs per month disbursal per branch in a month over the next few months. Collections in this business run through 4 lines of defense explained in Slide 33 of our investor presentation with a large in-house field team and about 99% of collections received digitally.

Now coming to our other business vertical, GROx embedded merchant finance, which we have explained in Slides 34 to 36 of our investor presentation. A merchant applies for a loan inside the partner's app. Our models decide in minutes using live transaction data, and about 95% of repayments are collected daily at source. The typical loan is just under INR1 lakh with a tenure of about 13 months. GROx AUM has grown to INR3,661 crores, up 22% in the quarter and from INR1,270 crores 12 months ago.

We disbursed INR2,253 crores in the quarter against INR1,853 crores in the previous quarter, and now disburse about INR750 crores or roughly 83,000 loans every month. Active merchants have risen from 1.5 lakhs a year ago to about 4.1 lakh as of September. Portfolio yield is about 26% and gross NPA is 1.4%.

We are now expanding our partner base. More importantly, our technology and data analytics stack is increasingly embedded within these platforms, which gives us access to merchants transaction data and that data forms the basis of our underwriting.

Every new decision also draws on the repayment history of more than 7 lakh loans. Our focus remains largely on short tenure loan with daily and weekly repayments. Three features make this a platform rather than a product. First, reach costs us very little to add. A new partner brings its merchants to us without a branch.

Second, the headroom is very large. The merchants, which we lend today, are a small fraction of those active on our partner platforms. And third, the data compounds. Every loan repaid sharpens the next decision on the risk, pricing and limits. The risk architecture is built for a short tenor book. Partners provide default loss guarantees within the RBI limit and separately, their collection linked payouts of 5% to 7% are tied to their portfolio performance. We reconcile settlements daily, watch each merchant's transactions trend from early warning and escalate in a calibrated way from digital reminders to calling, field visits and where needed, legal action. Because the book turns over in 9 to 10 months, we can reprice and tighten credit quickly. So there are 2 engines with 2 different jobs.

To sum up, the 2 businesses, as set out in Slide 12 of our investor presentation, Emerging Market LAP is long tenured and secured with credit cost of 1.5% to 2% in a year. Its cost sits in a network already built and its maturities sit against our long-term borrowings. GROx is short tenured and higher yielding with operating cost of about 1% of AUM. Its credit cost is higher to about 3.5% to 4% and is shared with our partners. Both earn interest month by month on our balance sheet. That is the business we have built, growth that adds to recurring earnings.

Going forward, as indicated in Slide 10 of our investor presentation, we are guiding annual growth of 20% to 30% for Emerging Market LAP and 35% to 40% for GROx, with GROx earlier growth have come off of a low base. As our newer loan season, our most important job is to keep credit cost within the lifetime expected losses we underwrite to. Gross NPA in the two focused business is 1.7% against 3.9% in the defocused book.

I'll now hand over to Shilpa for the financials. Shilpa, over to you.

Shilpa Bhatter: Thank you, Anuj, and good evening, everyone. I will now take you through the quarter and then the accounting effect of the merger of Profectus Capital with us. We will then see how our capital and liquidity positions are. Now on the quarter update. The income statement for the quarter is present on our Slide number 28.

Interest income was INR385.5 crores, up 20% year-on-year and 6% on the quarter. As on-book loans grew and the mix shifted further to Emerging Market LAP and our merchant lending platform, portfolio yield now was up to 18.7%, which is up 53 basis points on the quarter and 108 basis points on the year.

Net income from co-lending and direct assignment was INR109.1 crores. This is gross income of INR160.9 crores, less reversals on early repayments of about INR51.8 crores. This reversal number for the previous quarter was about INR68.7 crores.

Other income, which is income from insurance distribution, debt syndication and GROx Technologies, was about INR83.8 crores. Our total income added up to INR578.4 crores, which was 25% up year-over-year and 8% on the quarter. Finance cost was INR296 crores. We have already explained in Slides 26 and 27 of our investor presentation. Our cost of borrowing was 10.19% on total debt of about INR10,973 crores.

About 68% of our borrowings have now run beyond 3 years, and we raised about INR1,045 crores of new long-term borrowings in the quarter. Our net total income was INR282.4 crores. This is up about 16% year-on-year and 15% over the quarter.

Operating expenses landed to INR127.2 crores, which was down 7% year-over-year, with employee costs down 35% to INR43.6 crores. It increased marginally by about 7% quarter-over-quarter, mainly because other expenses rose to INR83.6 crores from INR70.7 crores. This reflects volume-linked costs from higher GROx disbursement and a fair value loss. The run rate remains in line with our FY27 guidance.

Pre-provision operating profit was INR155.1 crores, which is up 22% on the quarter and 47% over the year. Credit cost was ₹86.9 crore, against ₹65.6 crore in the previous quarter, or 3.6% of average on-book loans against 2.8% earlier. The driver is largely seasoning of our newer Emerging Market portfolio and the GROx loan portfolio. The credit cost, as a percentage of average AUM, is about 2% for the half year. It remains well within the lifetime expected losses on the portfolio that we underwrite. And this is the line item, which we will be monitoring more closely in the coming quarters.

As shown in Slide 25 of our investor presentation, gross NPA on AUM was 2.7% against 2.6% in June. The defocused book, with gross NPA of about 3.9% is shrinking, while gross NPA in the focused businesses is at 1.7%, 2% for the Emerging Market LAP and 1.4% for GROx. Our provisioning coverage is now at about 45%. Our net NPA stands at 2% and collection efficiency is healthy at 97%.

Our profit before tax is now landed to INR68.3 crores. This is up 12% year-over-year. The previous quarter included a onetime deferred tax credit from our move to the new tax regime. Therefore, a quarter-over-quarter comparison of PAT did not seem meaningful, and therefore, we have mentioned PBT numbers here. On the half year basis, profit after tax was INR118.6 crores, which was up 53%.

We can now come to the accounting effect of the impending merger. Shachin explained why the merger matters. And I can now elaborate to you what it does to our numbers, starting with the net worth bridge, which is already mentioned in Slide 14 of our investor presentation.

Now under the scheme, the excess interest spread on our co-lent and assigned loans is remeasured on behavioral tenure using a well-observed prepayment curve rather than contractual tenure. Together with the Profectus' goodwill and acquisition costs, these items are adjusted

against our reserves, that is general reserves and securities premium, with no charge to the profit and loss account.

The bridge is as follows. Reported net worth of about INR3,029 crores, less INR308 crores for the Profectus' goodwill and acquisition costs put together. We further deduct INR266 crores for the remeasurement of excess interest spread. Now this gives us a pro forma net worth of about INR2,454 crores that translates to about INR158 per share. Management's position is that these items are already well reflected in regulatory capital. So our capital adequacy remains unaffected negatively, subject to a final review, of course, of statutory auditors.

The pro forma income statement has been reproduced on Slide 15. Now because spread income is recognized over the expected life of the loan, an early repayment has a much smaller effect on the income already booked. On a pro forma basis, reversals for the first half year fall from INR120.5 crores to about INR58 crores.

And the first half profit after tax moved from INR118.6 crores to INR126.3 crores, an uptick of about INR7.7 crores. The change is smaller than the fall in reversals because upfront income on new co-lending and assignment is also lower on the behavioral basis. On the adjusted equity base, first half pro forma ROA was 2.7%, and pro forma ROE would be 10.6% on the same basis.

Now to see a path to our higher returns. How we expect returns to build is set out on Slide 17 to 19. Our FY29 objective is a steady-state ROA ranging between 3% to 3.5% as against 2.7% today on a pro forma basis. It depends on 3 major things: the focus businesses growing at the guided pace; credit costs staying within the expected losses; and operating costs held as volumes grow.

On the capital and liquidity, as we already saw, our reported net worth is INR3,029 crores. Our leverage is 3.6x and capital adequacy is at 18.8%. Now this rises to about 22% on the merged entity, of course, on a pro forma basis, well within our capital headroom. We closed the quarter with liquidity of about INR1,500 crores, which gives us adequate headroom to support growth. Much of our new lending replaces the lower-yielding book as it runs off. So, our risk-weighted assets grow far more slowly than our disbursements. This, coupled with the annuity-led income, would allow us to fund our plans through FY29 without any new equity required.

Thank you. We can now open the floor for questions.

Moderator: Thank you. We will now open up for the question-and-answer. The first question is from the line of Shailendra Soodh, an Individual Investor.

Shailendra Soodh: I have this question on the two engines growth you have mentioned in the present, one is the LAP and GROx. The current 53% is focused and defocused is 47%, and LAP is projected to grow at 20% to 30% and GROx is estimated about 35% to 40%. So what I want to understand is 2 years down the line, what is the share of focused and defocused? And you have mentioned

that the provision coverage is 45% right now because GROx is unsecured loan. So what will be the provision coverage required because of the increase in GROx exposure in your AUM?

Anuj Pandey: Thanks, Shailendra. I'll answer that. So our 2 focus business lines are Emerging Market LAP and GROx. GROx actually was a fintech, which we had acquired 2 years ago. It was called MyShubhLife earlier. We have recently rechristened it and call it GROx Technologies. So our Emerging Market LAP business, we do loans between INR7.5 lakh to INR50 lakh ticket size, secured against property. And our expectation is it will grow by 25%-30%. The GROx platform does small retailer lending, which is unsecured in nature, typically 12 to 13 months tenure with a daily repayment. So that will grow by about 35%-40%.

So overall, while these 2 will grow, our defocused book will keep running down. So when we made the strategic recalibration exercise, at that point in time, these two focused businesses contributed to 32%. Today, they are 53%. And in our last calls, we have guided that by FY29, both these businesses put together would be about 87% of the total portfolio. As far as your provision coverage ratio question is concerned, we are currently at 45%, which is quite healthy, looking at the nature of the composition of our portfolio.

All our Emerging LAP business is secured by property. The GROx portfolio is unsecured. And there, we go up to 70%-75% provision coverage. But on the whole, put together for the full book, 45% is very decent.

Shailendra Soodh: Even with the increase in GROx about 35%-40%, the PCR of current 45% is adequate?

Anuj Pandey: So while GROx will be growing by 35%-40%, it is not a very big AUM builder because there is a lot of repayment also. We disbursed about INR800 crores, INR900 crores in a month and about INR600 crores to INR700 crores of repayment also come in the same month. So as an AUM, it will be about between 25% to 30% as we move forward. So it is not a great contributor in the total AUM mix. Primarily about 60% of the AUM would be Emerging Market LAP.

Shachindra Nath: If I may add, purely on your provision coverage ratio, this is Shachindra. See, GROx is a small ticket merchant and customer lending business. It's a relatively high yield today, relatively very low credit cost business. But primarily, its credit cost is largely once something goes into GNPA after a lag effect of some period of time gets normally written off. At the moment, it is trending to roughly around 2%. So you don't need to necessarily create a provision coverage ratio. In the unit economics, actually, it would get written off and still it creates a very healthy 5-plus percent ROA. So I think that's why provision coverage is fine because that's largely on secured piece of loans. And whatever is left is covered on our merchant business.

Moderator: The next question is from the line of Parth from Zen Wealth Management.

Parth: My question was regarding the status on share of sales from the end-of-life fee. Are we done with it? Or is there oversupply from that. And the second question was on...

Moderator: Sorry for the inconvenience. Your voice is not clear. Can you repeat the question?

Parth: My first question was regarding the supply of shares from the end-of- PE life. Are we done with it? Or are there any still overhang left in this context? And the second question was, what kind of risk do you perceive from the GROx book, from the current model, in fact, both internally and externally? If you can highlight these two aspects, it would be great.

Shachindra Nath: I'll take the first one, Anuj will take the second one. The way to think about it is that two of our long-term strategic shareholders, which is IFU 15.5%, ADV, which is roughly around 9.5% Samena, which is currently not on our Board, but were on our Board, potentially may have come back to the Board there. For some internal reason, they have stepped out of the Board. Investors who are part of our Board and insider to the company are not in the market. Outside that, obviously, there are shareholders which are neither inside the company and they are technically public shareholders. If you look at our Slide presentation and compare the 2, you will see that two of the other 2 large institutional shareholders, their shareholding have come down a little bit, but not very significantly because as you know, our price has corrected significantly because after the reset and with the war and others, UGRO specifically corrected very heavily. So I don't think that, that has cleared. It would take some more time.

Anuj Pandey: And on your second question, on the risks which we see on the GROx portfolio, so when we started, we were actually very calibrated and we have experimented with various kinds of systems design and policy. So, this is a loan given to a small retailer via a payment system aggregator. Before we give the loan, we have the full transaction history of that small retailer, which is available and forms a significant part in the underwriting journey. So that added to the bureau repayment record. We'd combine the two, run our machine learning model and then come with an eligibility.

We have been now in this business from September 2024, so about 25 months complete. Typical tenure of the loan is about a year. So now we have seen 2 full cycles. And now we are very confident that given our technology platform expertise, and the business rule engine, the way it has worked, we don't see too much of credit risk significantly deviating from what we have seen so far. A good example was the Middle East war. When it broke out, we started carefully monitoring the daily transactions of the small retailers, especially the small roadside food merchants, and we could see and anticipate early warning signs. So overall, from a credit risk perspective, if we stay within the short tenure, we stay on the daily repayment product, we don't foresee too much of risk.

There can be other risks. One of the risks which we are very aware is not to be too concentrated with one particular partner or with one particular geography. And that we have been working quarter-on-quarter, and that is also we are mitigating and we will now be very well diversified in coming few quarters.

Parth: Okay. And my other question was regarding the cost of borrowing position. Now that we are on to the retake cycle, how is UGRO Capital positioned with respect to floating rate borrowing book and fixed rate borrowing book? And correct me if I'm wrong, the entire lending book is totally fixed book, right?

Anuj Pandey: No. All our loan against property loans are on floating rate. The unsecured loans, the prime unsecured loans, which are running down and the new embedded finance through GROx are all fixed. But the GROx loans are very short tenure. So whether they are fixed or floating doesn't make too much of a difference. But on the cost of borrowing, I will ask Shilpa to answer.

Shilpa Bhatter: Sure. So in terms of the mix of our borrowings between floating and fixed, we are almost 50%-50%, 50% of our borrowings are on a floating rate basis. And generally, on the floating rate borrowings, the reset tenures are in 1 year, that is mostly they are linked to the MCLR of our bank. So almost 45-odd percent of our borrowings is through the banking sector, wherein MCLRs have a reset of 1 year. So we do expect that there will be an impact of the recent rate hikes in our longer term loans as well, which can range between 15 bps to 20 bps.

In the meanwhile, we have also seen our cost of borrowing grown already marginally by about 5 bps quarter-over-quarter. We are monitoring the situation. The idea is to see how well we can borrow in the current given time. One thing which is very helpful is that we have been carrying good amount of liquidity in hand. So, there is no dearth of liquidity and there is no need to start scouting for higher cost funds. We'll have to wait and watch how the situation moves ahead in terms of the cost of borrowing.

Parth: Okay. And my another question was on what would be the interest rate resetting tenure on the loan book?

Anuj Pandey: Come again?

Parth: Interest rate resetting tenure like on the loan book, is it 3 months or 6 months?

Anuj Pandey: So in case the rate -- yes, it is URR based. It would be around 3 months.

Parth: Around 3 months, right? And any update on the rating upgrade? Or once it is done any scope for lowering of cost of borrowings?

Anuj Pandey: So our rating agencies are constantly engaged with us. We set out a plan in February. Two quarters have gone by, and we are going as per that plan. Hopefully, if we continue this performance, sooner rather than later, it will reflect in our ratings as well.

Parth: Any time, like, when would be the next rating review would be up for? Maybe is it after the quarterly results or is there any time line that the rating agencies follow?

Shilpa Bhatter: So our annual surveillance is around the corner. We expect the surveillance to begin by the end of the last quarter of the calendar year, and we should be out with the results after that.

Parth: Okay. Any possibility or any sense of -- so maybe only after the surveillance rating, the judgment would be out right?

Shilpa Bhatter: Yes, of course.

Parth: Okay, that's it from my side. Thank you.

Shilpa Bhatter: Thank you so much.

Moderator: The next question is from the line of Rajendra Jain Modi, an Individual Investor.

Rajendra Jain: The company has disappointed investors quite a bit over the past few years. My simple question is that the profit the company reported in the first half, how much will we grow in the second half? Will we grow by the same amount or report even higher profit?

Shachindra Nath: Sir, we have been as disappointed with the market as investors have been with the company, and our constant endeavor is to ensure that investor trust in the company is restored. As we presented to you earlier, our business model was originally designed for high volume growth, low yield assets, and co-lending or direct assignment. However, larger lenders who enjoy cost-of-borrowing advantages were taking our loans away from our customers very quickly, resulting in income reversals. Now, I believe all of that has changed.

Over the past two years, we added more than 316 branches, building a massive physical infrastructure. We built India's largest data plus technology, embedded financing platform, and we are back on a full-flow growth engine. Over the 3 months, we have disbursed more than INR1,000 crores. Even after accounting for run-downs, we have maintained our profitability.

Sir, my belief is that the quarter-on-quarter profit you are seeing is something we will certainly deliver. Our effort is to do even better, but this is the minimum we will definitely achieve. As our merger completes, we report the full benefits, and the advantages of our emerging markets branches materialize, you will see the impact over the entire year. Because as our lower-yielding portfolio runs down and the higher-yielding portfolio earns for the full year and since we have no additional overhead expenses and all of this differential will directly add to our profit. Anuj, if you want to add anything?

Anuj Pandey: No, exactly. That is the point. All of us are focused and trying to execute the plan we decided in February very well. Both of our core focus businesses are running strictly according to plan. So, from a profit guidance perspective, every quarter should be better than the previous quarter.

Moderator: The next question is from the line of Piyush Bothra from GMO PG.

Piyush Bothra: My question is regarding revenue policy, sir. Since...

Moderator: Mr. Piyush, there is a lot of background noise.

Piyush Bothra: Let me try to speak a little louder. So regarding the income recognition, since you are changing it from the actual tenure to the behavioral tenure, do you foresee any impact on the gross revenue side or the profitability side because of that?

Shachindra Nath: With respect to all of the past, all of the income which were recognized at an NPV value on the contracted tenure, now since we have a defined pattern and we know in what period of time these loans are getting adjusted or repaid, the differential, which was otherwise going through P&L on every quarter basis is onetime getting adjusted from our net reserves.

And going forward, whatever would be the component of co-lending and direct assignment would happen would be on the actual conservative behavioral tenure. To that extent, I think you will see lesser value of income from DA plus co-lending over a period of time. But with respect to interest income, I don't think there will be change. Shilpa, do you want to add something?

Shilpa Bhatter: That's absolutely right. No change in the interest income per se because this is only pertaining to the excess interest spread that we accrue on off-book transactions. No change in the interest...

Piyush Bothra: So it must be other income, so it's just part of other income. That would be...

Shilpa Bhatter: That forms part of gain on derecognition of financial instruments. This doesn't form part of other income.

Moderator: As there are no further questions from the participants, I would now hand over the conference to Mr. Shachindra Nath for closing comments. Over to you, sir.

Shachindra Nath: Thank you very much for all of you to join our investor call. Management and our Investor Relations team is available at any time if you have any further questions. We are very hopeful that the hard effort of the management would result into better return in terms of the profitability and return for the company. And hopefully, that would also be more meaningful for the shareholders. Thank you.

Moderator: Thank you. On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.