

27<sup>th</sup> April 2026

**BSE Limited**  
**Phiroze Jeejeebhoy Towers**  
**Dalal Street, Mumbai 400 001**

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

**Scrip Code: 511742**

**NSE Symbol: UGROCAP**

**Sub: Transcript of the Earnings Call with Analysts/Investors held on 21<sup>st</sup> April 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 21<sup>st</sup> April 2026 to discuss the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended 31<sup>st</sup> March 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,**

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

**UGRO CAPITAL LIMITED**

**Registered Office Address:** B-17, Fourth Floor, Art Guild House, Phoenix Market City, Kurla (West), Mumbai- 400070

**CIN:** L67120MH1993PLC070739

**Telephone:** +91 22 49194400 | **E-mail:** info@ugrocapital.com | **Website:** www.ugrocapital.com



“UGRO Capital Limited  
Q4’FY26 Earnings Conference Call”  
April 21, 2026



ElaraSecurities



**MANAGEMENT:** **MR. SHACHINDRA NATH – FOUNDER AND MANAGING DIRECTOR – UGRO CAPITAL LIMITED**  
**MR. ANUJ PANDEY – CHIEF EXECUTIVE OFFICER – UGRO CAPITAL LIMITED**  
**MS. SHILPA BHATTER – CHIEF FINANCIAL OFFICER – UGRO CAPITAL LIMITED**  
**MS. RITU SINGH – HEAD, INVESTOR RELATIONS – UGRO CAPITAL LIMITED**  
**MR. SIDDHARTH RAJAN – HEAD OF STRATEGY AND FP&A – UGRO CAPITAL LIMITED**

**MODERATOR:** **MR. RAHUL JAIN – ELARA SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4'FY26 Earnings Conference Call of UGRO Capital Limited, hosted by Elara Securities. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jain from Elara Securities. Thank you and over to you, Sir.

**Rahul Jain:** Thanks, Rutuja. Good evening, everyone. We have with us the senior management team of UGRO Capital, Mr. Shachindra Nath, Founder and Managing Director; Mr. Anuj Pandey, CEO; Ms. Shilpa Bhattar, CFO; Ms. Ritu Singh, Head IR; and Mr. Siddharth Rajan, Head of Strategy. Over to you, Sir.

**Siddharth Rajan:** Thank you, Rahul. Good evening, everyone. I am Siddharth Rajan, Head of Strategy and FP&A, and I welcome you to UGRO Capital's Q4'FY26 and full-year FY26 earnings call. On behalf of the management team, I am delighted to welcome all of you today.

Before we proceed, I would like to draw your attention to the basis of comparison. FY26 and Q4'FY26 financials are on a consolidated basis, including Profectus Capital and Data Science Technologies Private Limited, whose acquisition was completed on December 8, 2025 and March 18, 2026, respectively. FY25 and Q4'FY25 comparatives are on a standalone UGRO Capital basis. All year-on-year references in today's discussion should be read with this change of scope in mind. I will now hand over to Mr. Shachindra Nath for his opening remarks. Over to you, Sir.

**Shachindra Nath:** Thank you, Siddharth. Good evening, everyone, and thank you for joining us. Before I hand over to Anuj, let me set the strategic context and long-term frame. On February 7, 2026, we communicated a structural realignment. The rationale was simple. After three years of building a 317 branch Emerging Market field network, acquiring MyShubbLife for embedded finance, and acquiring Profectus Capital, the franchise was ready to stop doing all things and focus entirely on two verticals where UGRO has proprietary origination, superior data, and demonstrably better credit outcomes.

The intermediated, DSA-led book - Business Loans, Machinery Loans, Prime LAP was yield-dilutive, capital-intensive in the wrong way, and not aligned with what we are building, EM-LAP and Embedded Finance are. The decision was therefore clear: stop the non-focus book and concentrate every unit of capital, distribution, and management attention on the two verticals built for long-term annuity compounding.

When we announced the realignment in February, we made five commitments, each with a measurable FY29 target and each tracked publicly every quarter. The first, shift EM-LAP and embedded finance to 85% of total AUM by FY29. Second, take out INR 220 crores of annualized

costs. Third run down Prime Intermediated portfolio at 15% to 20% annually. The fourth no incremental equity through FY29, growth funded entirely from internal accruals. The fifth transition to be steady-state annuity-led, largely cash ROA of 3% to 3.5% by FY29, with negligible contribution from co-lending and direct assignment income.

I will close my remarks with this. After one full quarter of execution, all five are on track. Anuj will show you the operational evidence; Shilpa will show you the financial evidence. I will now hand over to Anuj, who will take you through the branch network, the productivity inflection, and the competitive moat in each of the two focus verticals. Anuj, over to you.

**Anuj Pandey:**

Thank you, Shachin. Good evening, everyone. I will cover the operational performance this quarter and walk through the two businesses that are driving our next phase. Q4'FY26 is the first full quarter of the realignment in execution. Let me give you the numbers first and then walk you through the operational detail behind them.

AUM is broadly flat quarter-on-quarter. That is intentional. The non-focus intermediated book is running down as planned, while the focus verticals are growing strongly. The mix of focus verticals has moved from 33% to 38% of total AUM in a single quarter, the fastest quarterly shift on record. We are on track.

Net total income for Q4 grew 51% year-on-year and 34% quarter-on-quarter. PAT grew 26% year-on-year. Q4 also carries a one-time restructuring cost of about INR 25 crores, which was the cost of executing the transition cleanly. Excluding that, the underlying earnings trajectory is exactly where we said it would be.

On the cost program, the consolidated opex base of UGRO and Profectus combined was approximately INR750 crores last year. This will reduce to INR 490 crores plus in FY27. The take-out spans sales and sourcing structures, underwriting and credit layers, branch and support functions and overheads, all linked to the intermediated verticals we have already exited.

The Emerging Market LAP build-out is also complete - 317 branches across 13 states, up from 127 in FY24. The focus is now from expansion to increasing productivity per branch. Vintage branches, which are older than 12 months, are producing INR 68 lakhs per month in disbursements, approaching the management target of about INR 80 lakhs per month. Behind them, there are about 156 sub-six-month branches, which are queued as the next leg of annuity growth. Emerging Market LAP AUM was at INR 3,581 crores in Q4, with the GNPA of 1.2%.

Coming to the embedded finance, a business which we do through MyShubhLife, which is structurally different. It is shorter tenor, daily EMI, average ticket size of INR 1 lakh, entirely digital, embedded within PhonePe, BharatPe, and other such payment ecosystems. Credit is underwritten on merchant GMV, transaction data, not on physical proximity, which allows us to serve at scale and velocity.

AUM for this business has now reached INR 2,280 crores in Q4, growing 27% quarter-on-quarter, 6x growth in 15 months. GNPA is 1.7%, which is well within our underwriting

expectations. Active merchant customers stand at approximately 2.5 lakhs. Yields for this segment are around 24% to 26%.

Hundreds of millions of digitally transacting merchants in India, which are the vast majority without working capital credit matched to their cash flows, is the target segment for this business. UGRO, through MyShubhLife, has the platform integration, data infrastructure, and credit capability to serve this segment at scale. Together both the businesses, secured annuity income compounding from the branch network and a high-velocity yield from the embedded platform are complementary, not competitive. Infrastructure is also in place.

I will now hand over to Shilpa for the financial detail. Shilpa, over to you.

**Shilpa Bhattar:**

Thank you so much, Anuj. Good evening, everyone. Please allow me to take you through the numbers in more detail. Interest income was at INR 415 crores in Q4, which was up 57% year-on-year and 26% quarter-on-quarter. Recurring net interest income on our balance sheet is strong. As the focus verticals grow, this line expands as a share of total revenue.

Co-lending and direct assignment income was INR 155 crores, up 30% year-on-year. This line will reduce proportionally as intermediated disbursements stop, and this is purely by design as we replace it with on-book interest income that accretes to net worth. Fee and commission income for Q4 was INR 33 crores, covering essentially prepayment income on loans and certain income on loan documentation charges and service fees.

Other income was INR 25 crores, comprising of insurance distribution fees on borrower covers that we take, income from incidental debt syndication we earn when we arrange financing for MSME customers whose financial needs exceed our lending thresholds, and fee income earned by Data Science Technologies, our wholly owned subsidiary, which offers data analytics and credit intelligence services to financial institutions.

Finance cost was INR 284 crores. Our cost of borrowings came down to 10.16%; this is for the fifth consecutive quarterly improvement that we have shown. This was also down 45 bps year-over-year. Each 25-bps point reduction at the current AUM scale is worth INR 35 crores to INR 40 crores annualized.

Opex was at INR 180 crores, excluding the one-time cost of INR 25 crores which was related to the exit on the business vertical that we have done. The annualized savings program is on plan, and the balance will flow through in FY27.

Credit cost was at INR 72 crores, 1.9% of average AUM annualized, and this is well within the expected range that we intend to work on. On asset quality, GNPA stands at 2.5% and net NPA at 1.6%. We had a good coverage over the GNPA assets at 45%. Our Stage 1 is at 93.1% of the overall AUM and collection efficiency stands at 98%.

The move from 2.2% to 2.5% GNPA is a denominator effect as the non-focus book runs down; it is essentially not a deterioration in the incremental portfolio. We are standing at a healthy capital adequacy of 21.2%, which is up from 20.8% which we had shown last quarter.

Our net worth stands at INR 2,906 crores with a very healthy leverage of 3.7x. Our debt stands at INR 10,782 crores, which is well-diversified across banks, DFIs, and the debt capital market. We will essentially not require incremental equity through FY29.

Our liquidity is comfortable. Our Q4 cash balances, which we held off about INR 1,800 crores, are being deployed. Cost of borrowings will continue improving. Thank you for your continued trust and support. We will now be happy to take questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Arora, an Individual Investor. Please go ahead.

**Rohit Arora:** Sir, can you please explain the process of saving INR 200 crores to INR 220 crores annually?

**Anuj Pandey:** So, this INR 220 crores of cost save was on account of two strategic decisions which we took last year. The first was the acquisition of Profectus, and if you recall, one of the objectives of that acquisition was opex rationalization. Profectus was also in MSME lending business with about INR 3,000 crores of AUM with a very large workforce. UGRO also had a very similar workforce catering to the same business.

So, when we acquired Profectus, there was a duplicacy in opex and we had identified about INR 120-odd crores of cost which we had taken out at the time of acquisition. Additionally, in February, we did a realignment in UGRO's own business where we said that intermediated prime lower-yielding segments, we will stop sourcing.

And all the costs attached to that, which included front-end sales and credit and other processing costs related to sourcing of that prime segment, roughly came to about INR 100-odd crores. So, both those put together is INR 220 crores. All of that has got actioned. Some people, especially on manpower-related, are serving notice period and the full cost impact will start coming from this quarter. But this is not an ongoing thing; this was a one-time opex reduction exercise.

**Rohit Arora:** So, this quarter we can see this impact in profit and loss statement in Q1'FY27 itself?

**Anuj Pandey:** So, some impact in Q1 will also start coming. While it is not a one-on-one correspondence that we have reduced INR 220 crores of opex, it will immediately reflect all of it in profits because it is also associated with the running down portfolio. And as we move forward, some of it will start getting reflected in terms of change in our profit profile. While a lot of our current profits are on account of the co-lending income which we do, this will replace some of it with the direct annuity income. But yes, some of it will start reflecting from quarter 1.

**Rohit Arora:** Sir, can I have one more question, please?

- Anuj Pandey:** Yes.
- Rohit Arora:** Sir, tell me more about the customer profile which we are targeting and which we are focusing on increasing our AUM contribution?
- Anuj Pandey:** So, in emerging markets business, we are catering to customers who are micro-SME, typically with turnover less than INR 3 crores, median turnover of about INR 1 crores. We do only secured loans there with ticket sizes between INR 7.5 lakhs to INR 50 lakhs. This we do in Tier 2, Tier 3, and Tier 4 towns in India through our dedicated branches. Our dedicated sales team sources these customers directly.
- On embedded finance, the target segment are small retailers with turnover range between INR 15 lakhs, INR 20 lakhs to a little higher. These are all retailers who are using some kind of payment ecosystem QR codes. We get embedded inside those payment ecosystem apps and through that we read their daily transaction limits, apply our data science engine, and make an eligibility.
- So broadly, two segments; one where we are giving INR 7.5 lakhs to INR 50 lakhs of secured loan; the other segment of small retailer where the average ticket size is about INR 1 lakh, but we go up to INR 5 lakhs ticket size.
- Rohit Arora:** What is the average duration of these loans?
- Anuj Pandey:** Come again?
- Rohit Arora:** The average duration of these loans, what is the ticket size?
- Anuj Pandey:** One year. The average duration is one year, and these are all daily repayment.
- Rohit Arora:** Okay, Sir. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Sameer Dalal from Natverlal & Sons Stockbrokers Private Limited. Please go ahead.
- Sameer Dalal:** Yes, hello, Mr. Shachindra Nath. I unfortunately wasn't there for the last con-call, which is why I'm going to ask this question. I want to understand why such a big change in the strategy on two fronts: one, eliminating a part of the business which contributed to 70% of your total AUM, and suddenly moving to such granular - I mean, such small-ticket loans where the risk is a lot higher.
- The second, co-lending was something that you had always specified. I remember you had done a meet with all the investors and analysts and all of that where you said that we were one of the pioneers in the co-lending and co-lending is such a great opportunity because we can sell down these loans at a lower rate, earning a spread without having the capital deployed. Why are you taking a call on not to do that part of the business anymore when it was so lucrative and which you were so gung-ho about?

**Shachindra Nath:**

Yes, no, thank you. I think a lot of this we answered in the last quarter call as well. But I will, for the benefit of those who are joining for the first time, I will summarize it. So, I think you asked three specific questions, and I'll answer them in that order.

First and foremost, that why we decided to exit from lower yielding, what you said probably your understanding of a better credit profile customer. So, I'll answer that first. So, you're right, UGRO was always designed and built for scale. When we started in 2018, we started with INR 1,000 crores of capital. Over a period of our seven-year or eight-year journey, we increased our capital base to roughly around INR 3,000-odd crores.

The premise was that over a period of time, the cost of borrowings would keep coming down. What we saw in the marketplace over a period of last two, two-and-a-half years, that the cost of liability is a function of rating - actually parentage plus rating - and multiple other factors, and we didn't see the same impact on our cost of borrowings. It has remained flattish or it has come down by, you know, some basis points.

Now, for the lower-yielding prime DSA-led customer segment, you need a pricing advantage because otherwise the economic value creation was not happening. We recognized this core challenge around two-and-a-half years back and we were internally building the branch network to enter into small-ticket LAP segment, and that network we built and took all the opex upfront in last three years itself. And when that got completed and we were confident that now we can pivot the portfolio on that, as well as on merchant lending, we said that this is the time when we should make that pivot.

Number two, your question with respect to the co-lending: we are still very gung-ho about co-lending. We still continue to believe that in order to improve the credit flow to deserving MSME and other segments of the market, a combination of bank and NBFC is a best combination.

However, there is structural challenge which we recognized over last two, two-and-a-half years. Co-lending definitely requires asset classes which are lower-yielding asset classes. Banks, by its nature, actually like to have assets which are lower-yielding - more secure or what they perceive more secured. Now, whether you do that business in form of a co-lending or whether you do it on your own balance sheet, the structural margin still remains the same while you don't utilize the capital.

Point being that if you lend at 14%, if your credit cost is 0.25% and your opex is, say, 3%, and your cost of borrowings is 10.5% and if your co-lending rate is 9.5%, you are still making only 1% margin, right? And that is not accretive to investors, shareholders, you know, to management and so on and so forth. And linked point to that is that while the co-lending, you know, the income volatility on co-lending is very severe and high, which means majority of the investors and also us would like to see a proper annuity flow.

So, when you take the asset on the balance sheet, you have an interest income which you calculate, while in co-lending it becomes volatile. In some quarters it can happen, in some

quarters it does not happen. Second, the income or the profit which comes from the co-lending does not accrete the capital adequacy net worth. So, suppose in this quarter if we have done, say, a INR 100-crores value of income which has come from the co-lending, for the purpose of recognizing this income for capital adequacy, would happen over a period of time when this actually gets realized.

Which means that this business requires more capital. Now, if you keep raising more capital and keep diluting shareholders at low value, the value creation actually becomes destruct. And that's why once we got ready, we said that we will -- and last, sorry before that, the entire DSA-led intermediated model has now become one big and inefficiency has come in, wherein these loans are churned at a very fast pace.

There are large lenders who have cost of borrowing advantage. They take good quality customers from us and then they get transferred. So average maturity of these loans, you know, keeps getting reduced over a period of time. So, keeping all that in mind, we are not saying that we will not do co-lending. Co-lending will continue to be part of our component, but we wanted to increase the portfolio yield, we wanted to protect the dilution. And we wanted to get to a 3% to 3.5% of ROA, and ROA which largely contributed by cash-generating interest income rather than the co-lending income. So, this is a two-and-a-half-year journey which we were internally preparing. Once we got ready, then we executed it and the results are in first quarter itself. So, if you look at our - this quarter disbursement on emerging market LAP, it is actually tracking to what we are projecting for FY29.

Last but not least, you asked this question, you which you said higher and riskier segment. Answer is, Sir, both yes and no. What you presume or we presume is higher riskier segment, this may be true when you look at purely from the lens of GNPA. This is obviously not a customer which has a turnover between INR 5 crores to INR 15 crores. This is a customer which is below INR 3 crores of turnover. This customer has a potential to default higher than what a prime customer would be. So, suppose we have operated in the GNPA band of 2% - 2.5%. Now, once we fully mature in this, this would be in a GNPA band of 3% - 3.5%. But it doesn't change the credit cost metric because 100% of these loans are secured. They are again secured against self-occupied residential property, commercial property, and so on and so forth. So ultimately, even if the default rate is little higher, the credit cost would remain in the same band. And that's why on the credit cost adjusted basis, this is a superior business than to do a low-yielding business.

**Sameer Dalal:**

But that would only be for the emerging markets portfolio, right, Mr. Nath? Because the embedded market lending business would not have the security?

**Shachindra Nath:**

Of course, you're right. And just to clarify, earlier also we always had a 30% portfolio which was an unsecured business loan portfolio, and we are replacing that with the embedded portfolio. So, it is not that we did not have an unsecured portfolio; we had it. We are only replacing the business loan with embedded merchant lending.

Our view is that the embedded merchant lending credit cost is far more controlled than open market business loan, predominantly the way the product is designed. It is a INR1 lakh average ticket size of loan done on the basis of the payment data flow, GRO Score and deep integration with the payment platform, and gets repaid on a daily basis.

So, the credit profile, the credit cost, all of that is, if not and also adjusted for the yield. Business loan was roughly around 18% and 19%; this is at 26%. So adjusted for the yield and credit cost, this is a superior ROA business without changing the overall risk profile of UGRO.

**Sameer Dalal:** Okay. So, the gross NPA going up to 1.7 says it's within your underwriting expectations. What would be a number of gross NPAs that we can expect to see in that business, and before which there would be a cause of concern or something that would make you think about this business strategy?

**Anuj Pandey:** Hi, this is Anuj. I'll answer this question. So, when we had designed the product about 18 months back and this is a one-year tenor loan business on an average. We had projected a 4% to 4.5% GNPA here. And after 18 months, we have seen about six cohorts which have completed their lifecycle. The GNPA's are 1.7%. So, we are quite comfortable up to 4% - 4.5%. And at this point in time, it is doing much better than what we had ourselves anticipated.

**Sameer Dalal:** Okay. And what can we -- I mean, how do you do the gross NPA recognition because this is a daily payback? Now if a person doesn't pay back for a week, a month ?

**Anuj Pandey:** On the 90 days past due, the NPA recognition exactly remains the same, but stamped on a daily basis.

**Sameer Dalal:** Correct. So now my question is, if you all know, you all obviously have early warning if the person has not paid for 10 days or 15 days. Do you start making any provisions for it, or you will not make any provisions? And can you just run us through how your provisioning cycling would be for these small-ticket items which are unsecured in nature?

**Anuj Pandey:** So, in general, unsecured we provision a little higher. So, at the full portfolio level, for a Stage 3 unsecured, we are providing about 75%. Here, depending on which stage it is so up to 30 days he has not paid, he is in Stage 1, and we will provide about 30%-odd. Between 30 to 90 days, we will provide about between 50% to 60%, and after 90 days we will provide about 75% to 80%.

**Sameer Dalal:** Okay. Now one last question if I can. You know, at the moment, you're growing your focus vertical by about, say, 17% - 18%, and you're talking of running down the defocused business at about 20% odd levels. So is it safe to assume that actual AUM growth for the next, say, two years would be zero kind of, you know, marginally here or there, because one side of the book, which is the larger side, is de-growing, whereas the smaller side is growing? So at least for the next year, there would not really be a growth in the AUM?

- Shachindra Nath:** If I may answer this question, I think obviously a lot of people get focused on growth because I presume that the general perception is the growth leads to incremental profitability. Even if I take your assumptions on the AUM as right, but those assumptions do not translate back to the bottom line. So, to some sense, you are right. If you do the math with the way we have given the data, INR 3,500-odd crores growing at 25% CAGR, roughly around INR 2,000 crores growing at 25% CAGR, and INR 10,000 crores going down. For FY27 it would be a flattish, and then you'll start seeing a little bit of uptick on AUM. But the bottom line is transitioning, because it is replacement of a 15% yield portfolio to, say, a 17% portfolio. And that's the transition. So, what we have said, we are going from scale to bottom line. So, while our DNA is of scale, but that scale was leading to, you know, very large shareholder dilution, not value-accretive. And that's why we are now focused on bottom line than just sheer growth.
- Anuj Pandey:** And also, just to add, the running down portfolio, which is the Prime portfolio, is all very long tenure. So, it is not that it will suddenly come down. It will take its own time because typically these are 10-year LAP loans. So, we have estimated 15% to 20%, and I don't think it will accelerate more than that.
- Sameer Dalal:** I'm not denying that. I'm just asking on a general basis, about 15,000 will be probably the ending of FY27 also, and FY28 maybe 16-17. But like Mr. Nath said, I think the profitability is what is important also. And that if it rises, that's fine, I mean, I guess. So yes, from that angle it's fine.
- Shachindra Nath:** A lot of people are listening. So obviously when people think a company which has grown historically at 67% CAGR and now would not grow at the same rate, what's the problem? But I tried explaining that problem, that sometimes you have to choose between just sheer growth versus the bottom line. You need both. But at this point of time for next three years, we think we have to focus on the bottom line, which is coming through this transition.
- Sameer Dalal:** Fair enough. But only problem when you do that, Mr. Nath, this is just my observation, I mean, not a question but because the bottom line is not growing, and if you do face some delinquencies and NPAs, the NPA percentage as an overall rises, because when your numerator is rising but your denominator's not, it kind of sends out a signal of rising NPAs. And maybe that is also the case we are seeing, this 1.7 versus maybe 1.5, I'm not sure exactly.
- But and that also, and second, credit costs also seem a bit elevated. So, the last question I would like to end on is: where do we see credit cost stabilizing for the next two years, given we expect our loan book to be more or less flattish?
- Anuj Pandey:** So, we have estimated this on a very, very granular basis. We foresee credit cost to be in the zone of little less than two, in the zone of 2%, but not more.
- Sameer Dalal:** Fair enough. Those are valid points and we'll keep a track on them. Thank you very much for the time and the answers.
- Moderator:** Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital and Research. Please go ahead.

- Amitabh Sonthalia:** Hi, Shachin, hi, Anuj. Congrats on a good set of numbers and consolidation of Profectus. I just wanted to just re-confirm the final equity -- I don't know if it's -- I joined late so it may have been clarified on the call earlier, but just what will be our fully diluted equity for the sake of full clarity? Any pending conversions of CCDs or what we are seeing in March end is...
- Shachindra Nath:** No, so, Amitabh, now what you are seeing is only 2 lakh shares is pending conversion. Only 2 lakh shares which is pending conversion; somebody's request has not come. Otherwise, what you are seeing is a fully diluted shareholding. So total outstanding share should be INR 15.29 crores, yes.
- Amitabh Sonthalia:** Okay, so what is reflecting in the March balance sheet is your final, almost, effectively your fully diluted equity.
- Shachindra Nath:** Yes, yes. 2 lakh shares to be converted
- Amitabh Sonthalia:** Okay. And there is no further dilution of warrants or anything from the past that you see?
- Shachindra Nath:** Nothing. No, everything is done. Everything is done.
- Amitabh Sonthalia:** So, and all your CCDs are either matured or converted?
- Shachindra Nath:** All CCDs are matured and converted.
- Amitabh Sonthalia:** Okay, okay. So, there's no non-interest-bearing bonds on your books as of now?
- Shachindra Nath:** Nothing, nothing.
- Amitabh Sonthalia:** Okay. And what is our final again, it might be there in your presentation but just for the sake of understanding. So, about your net worth, your adjusted net worth, what would that be? INR 2,900 crores roughly is your, I understand there is some amount which is, I'm forgetting the exact terminology but there is some amount which reduces your adjusted net worth too, if you can just help me understand that.
- Shachindra Nath:** Amitabh, there are two different things. So, our net worth as of today is INR 2,906 crores. That's the net worth. I think so last in our last conversation we said that for capital adequacy purposes, RBI uses a different formula. And this net worth is net of against income which has come from the co-lending, which sits in the net worth, but RBI recognizes it for the purposes of capital adequacy when the cash get realized. So, you might be referring to that. But as of today, the net worth is INR 2,906 crores.
- Amitabh Sonthalia:** Okay. So, our book net worth as far as the balance sheet is concerned, which is gross of NPAs, right, of INR 2,900 crores?
- Shachindra Nath:** Yes.

**Amitabh Sonthalia:** Okay. And so, can you just explain this part again, please, the RBI, the capital adequacy purpose what RBI recognizes and how this amount gets realized, the differential?

**Shachindra Nath:** I'll tell you the concept. RBI, what is the capital adequacy in the RBI parlance? A capital adequacy is a buffer which protect lenders of a financial institution against the future credit loss. So, the principle being that the lenders, their money should be repaid, and if there are losses through credit, shareholders should absorb it. And that's why RBI provide a framework of capital adequacy.

For banks it is lower, and that's why they are much levered, and for NBFC it is combined 15%. You can take it in the form of Tier 1 capital and Tier 2 capital. Now, given that this is a buffer for future credit losses, RBI take more conservative view and says that the net worth for the purpose of capital adequacy should be a liquid net worth. So that's why things like goodwill, intangible assets, are taken out from your total net worth.

In our case also, the income taken from the co-lending because you take the NPV value of the differential interest as a part of the income, but it gets realized over the life of the loan. So as and when it gets realized, it keeps getting added back to the net worth. So, this is the difference and the gap.

**Amitabh Sonthalia:** Okay. And what would that difference be as on March 31st?

**Shachindra Nath:** It's very difficult to, so the way to simplest term, you should think of this way. Our debt-to-equity ratio is roughly around 3.7x and our capital adequacy is around 21.2%. So theoretically, which means that on a capital adequacy basis we are a five-time levered, but on a net worth basis we are four-times levered. So that's the difference.

**Amitabh Sonthalia:** Okay, got it. Okay, thanks so much. That helps me understand better.

**Moderator:** Thank you. The next question is from the line of Chetan from Vihan India Fund. Please go ahead.

**Chetan:** Hello. Hi, Mr. Nath. Congrats on the good set of numbers. I wanted to ask about the embedded finance business. Are the risk weights on the embedded finance business higher than the previous business that we are structuring away from? And do our NPAs overall, do they include repossessed assets, and how do we resolve repossessed assets that we have gotten in the last five years?

**Anuj Pandey:** Yes. So, the embedded finance risk weight is same as any other loan as far as regulation is concerned, because all these are MSME loans, whether they are secured or unsecured, which is 100%. And on the repossessed assets, yes, we have been repossessing assets now and have very good experience on them for last three-four years. Typically for assets greater than INR 20 lakh ticket size, we use SARFAESI.

And the typical timeline of resolution in our portfolio is between 12 to 15 months post the NPA. It typically takes about 3 months to get the SARFAESI order and then about 3 to 6 months for a

successful auction. While our own experience also is that once a definitive court order is obtained, in about 40% to 50% cases, customer comes on the table and settles.

**Chetan:** Yes. And so, on the unsettled, when you actually have to physically recover these assets, what is the recovery rate net of cost?

**Anuj Pandey:** So, so far in our experience, we have -- there is only time value of money, because the time which it takes for recovery, but we have not lost anything. We have got our principles back.

**Chetan:** And how much cost do you spend on it as a percentage of those assets then?

**Anuj Pandey:** Separately, that cost would be closer to 1%.

**Chetan:** Okay, great. Thank you very much.

**Anuj Pandey:** Thank you.

**Moderator:** Thank you. The next question is from the line of Adarsh J, an Individual Investor. Please go ahead.

**Adarsh J:** Hi. Thank you for the opportunity. I had a couple of questions. First is, Mr. Nath, given that for the last 2-2.5 years we were planning to move to a high-yielding book, what was the rationale now to acquire Profectus, whose yield is, I think, was much similar or compare, I think the ROA was sub 1% for it? And today, after acquisition, we are now running down part of their book and laying off people. So, first question was, like, why make the acquisition when our intent was always to move towards higher yield?

**Shachindra Nath:** Yes, can I answer that first?

**Adarsh J:** Yes, yes, sure. I have two other questions; I'll just hold up.

**Shachindra Nath:** No problem, we'll come back to that. So, the reason why we could transition to this is because - one of the reasons was because of Profectus. As you would remember that we said that we have been building the branch network. This branch network got matured to around 300-odd. But the real profitability flow from this branch network would happen over a period of next two years.

What Profectus helped us is exactly what when we rationalized. So, obviously, we had this in mind that we have to rationalize. So basically, we acquired a full company and the portfolio. Profectus had a total cost base of around INR180-odd crores. And we have taken out majority of that cost. So now on that portfolio, there is a cash generation profitability coming which is buffering for the opex which we have built out. And exactly that we replicated for UGRO as well. So it is about doing three things: one, adding the portfolio which we were confident of, improving our secured bid and reducing credit cost or managing credit cost; third, extracting

profitability which substitute for the future growth which will come from Emerging Market and also substituting our co-lending income from real cash profitability.

So, a combination of all of that was the tactical reason why we acquired Profectus. Also, it was an ROE enhancer because we paid roughly around INR 1,400 crores cash for a INR 1,200 crores net worth company. And on year one, on INR 1,400 crores, we are generating around INR 150-odd crores of profitability, which was roughly around 10%-odd higher than our existing ROEs.

**Adarsh J:** Understood. The other question is slightly on the bookkeeping side. If I were to remember correctly in the terms of the warrants and the CCDs, the CCD had a part of interest being repaid, I think around 12.5% and 12.5%, back when the warrants don't get converted. Has that payment been done and how is it flowing through the P&L?

**Shilpa Bhatler:** Yes. Those payments towards the interest component of the CCDs have been done in December itself, and they have been adjusted from the capital reserves.

**Adarsh J:** Understood. So those payments are already done. And even the warrants which are not converted, that is also flowing through, I'm assuming, by now?

**Shilpa Bhatler:** Yes.

**Adarsh J:** The last question is, if I remember correctly, the employees and promoters together have around 8.6 million, right, of ESOPs which are there for vesting. What are the broad terms of this? Is it a fixed price? What price is it, given that there's been huge variation in the price over the last 1-year?

**Shachindra Nath:** This time, in Slide number 20, we have segregated. I'm defined as promoter, which means that I am ineligible for any kind of ESOP. My ownership, which is through my company, is my family, has little bit increased, because it was, I think it was 1.98%. I increased it on 30th of March and that's why it touched 2%. And employees have a pool of around 3.3%.

Now this 3.3% is time vested. So, I think so -- but obviously you are right. The cost of or the grant price is much higher. I think the base of that for two different tranches, one is INR 202 and other one is around INR 130, yes.

**Adarsh J:** Understood, understood. What is the split which is INR 130? Is it majority INR 200 or INR 130 or is it...?

**Shachindra Nath:** I think it should be half-half.

**Adarsh J:** Okay. No, that's helpful. Thank you so much. All the best.

**Shachindra Nath:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rishi, an individual investor. Please go ahead.

- Rishi:** Yes, hi, Mr. Nath. Congratulations on a set of good numbers. I mean, I have a question regarding the Profectus. I mean, I think you partially answered that for the previous caller but wanted to know the school financing that Profectus is doing. Is that part of what's been stopped or is that still continuing? And if so, is that a third vertical?
- Anuj Pandey:** Hi, Rishi, this is Anuj. The school financing book of Profectus was primarily a Prime DSA-sourced book at an average yield of about 13%. While we don't want to get into that segment, but it's a product and there is a lot of insights as an institution. What we are doing is, we are expanding that products in our top 50 emerging market locations. We will start doing schools, but of a smaller size at a relatively higher interest rate. We'll continue this program, but with a little different perspective and policy. So, the target schools would be from size perspective smaller and in Tier 2, Tier 3, and Tier 4 towns with an average yields of about 16%, 17%.
- Shachindra Nath:** Rishi, on top of that, what Anuj said, I just want to make sure that listeners of this call and otherwise, so we have a big network now. 318 locations spread across 13-odd states, serving a set of self-employed, small business customers. The potential of the network is immense, and in order to improve the productivity, we have to funnel more lending product to this network.
- But what we want to ensure first is to get to a minimum level of productivity and maturity for our core product, which is loan against property, and then gradually see what are the adjacency in opportunities. And we'll talk about that once, in a few quarters. But obviously there is an underlying strategy, thought, and execution rigor of adding more things in this network once the network for its core product matures.
- Rishi:** Understood. Thanks. And also, regarding the recent CDs and that we have done, I saw that most of the rates were around 300 basis points more than the SOFR, which is roughly around 7%. Like I think we recently did a \$20 million. What's stopping us or is there an RBI mandate on how much we can borrow in this? Because the amount is definitely much cheaper than what our cost of borrowing is.
- Shilpa Bhatte:** So, there is no stopping from regulation on the amount that can be borrowed per se. But of course, it's also availability which matters. So, you will see that in the coming quarters the company will be looking for more such ECBs for two reasons, one is to reduce the cost as well as to better our ALM profiling, given the longer-tenor profile these loans come with. And just to make it amply clear, all the ECBs that we take are completely hedged for currency and interest rates. So, the rate that falls to us is completely landed in INR.
- Shachindra Nath:** So, what he's seeing and what landed cost would be different, right?
- Shilpa Bhatte:** That would be different. So, you are seeing a USD pricing that is SOFR plus a spread; that lands to us in an approximation of about 9.5% to 10%.
- Shachindra Nath:** And currently, Rishi, the hedge cost has gone up. So that's why we are holding on to more ECB. But generally, on ECBs, I think there are two types of markets for general understanding. One is commercial ECB lenders, which are big banks, trading, hedge funds, global trading books.

They are normally lenders for AAA and AA, wherein they can just do ECBs, then hold it on balance sheet and then distribute and mature it. Most of the ECB lenders to us are DFI lenders who are lending to us because of the impact which we create on the market through MSME financing and others.

And there is not too much of the landed cost difference between our domestic term borrowings and ECB, other than that we get the tenure advantage. Most of our DFI ECBs are for much longer tenure, that's why we also prefer that. As our rating will improve, we would also start attracting commercial lenders in ECB as well.

**Rishi:** Yes, understood. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** Good evening, team. Thank you so much for taking my question. Firstly, congratulations on a great set of results. So just wanted to ask if I understand it correctly. So, our primary business that we were having the prime intermediary, we are going to run it down. But currently it's the most significant portion of the AUM and our emerging market and embedded finance, which are the lower portions are going to increase right now.

So, for FY27, will we have the similar profitability, because how would that work? I'm assuming it would be a higher profitability than what we had in FY26. So just wanted to understand, how would we quantify like for the current year, will we have like similar AUM, but a much higher profitability? What would be our ROA target for FY27, Sir?

**Shachindra Nath:** So, there are two things. One, FY27 is a transition year. In the year of transition, there are three things which we are endeavouring to do. First, obviously, making sure that our emerging market network and our merchant lending network, especially the emerging market LAP network, start maturing to good productivity, which is what we are targeting from current base to roughly around INR 60 lakh, INR 70 lakhs per branch basis. That's point one.

Second, we are looking to transition and benefit from the cost save and transition our co-lending income, which is currently 25% of our total income to gradually bring it down and bring most of our ROAs as income generated from cash interest income. So, our expectation and the combination of the two is that and that's why we have purposefully not given any guidance on an ROA for a year-on-year basis, and all of our guidance is on a two-year basis. Still, our assumption would be that purely the bottom-line ROA performance would be marginally better and then it would step up in year 28-29 quite significantly.

**Darshil Jhaveri:** Okay. Fair enough. So basically, FY27 will be kind of a transitional year and FY28 where the big leap will come in because the emerging market will be more settled and we'll be able to have a bigger network effect. So just wanted to know, so for us like when you will announce results what are the items that we should also be keenly looking at because you're not in the day-to-day

business. So, what part of it should we focus on. What are the key performance matrices that you are also looking at, Sir?

**Shachindra Nath:**

So, in my opening speech itself I said there are five things which we track and which you should also track. First is in portfolio yield shift, how much of so, for example, our December 25, the emerging market and merchant lending was 33% of our total portfolio, improved to 38% and by FY29, it has to be 85%.

This is the first thing which we track. You should also track whether we are in that direction or not. I think so the cost realization, we have already completed, so you can't track it, except that people make this mistake wherein they think that this INR 220 crores of cost realization is all coming from the P&L and it should get added it's not the case.

When we say INR 220 crores of cost realization, it is a base cost of what was in Profectus and what was in UGRO. Now on consolidation what was in Profectus is not visible to you. So, the combined INR 750 crores of cost is going down to INR 490 odd crores. So, the tracking number is that that we should not breach total cost of around INR 490 crores or INR 500 odd crores because we have said very clearly that our opex journey is over.

So, no more incremental opex, majority of things are that's why there is a compounding effect. Third is rundown of portfolios, which we have said 15% to 20% odd, whether it is more than that or less than that. If it is too much more than that, which means that the AUM would shrink very fast and income would drop. If it stays, it's better.

Third is that we have said we don't need any equity and then that is true and fifth is transition to ROA. So, transition to ROA, we have said used a term quality of earning. So, you should see that out of our total income, our 25% is co-lending and DA. I think so in this year it would remain high, but in next year onward, it will start tapering down. So, whether ROAs are increasing and whether the contribution in total income of DA plus co-lending is going down. If you track this, if we track these five things and remain near to that, then we'll achieve our objective and you should also track us and question us on that.

**Darshil Jhaveri:**

Fair enough, Sir. And just last question from my end.

**Shachindra Nath:**

Sorry it's on Slide 4 of our investor presentation. I would definitely recommend that you look through that.

**Darshil Jhaveri:**

Yes. For sure. I will look at it, Sir. And I just wanted to understand because like the segments that we are trying to grow aggressively are very high yielding. So is there a possibility that right now maybe we have a somewhat of a first mover advantage or it's our niche, but seeing this lucrative yield, there will be higher competition and that can maybe lower the yield that we are assuming.

I understand that we have already assumed lower yields in our FY29 portfolio mix but is there a chance that it might be even more significantly lower because looking at the yields, more

competition will come and there might be somewhat of a price war or to get the good customer. How would you look at it, sir?

**Anuj Pandey:**

So yes, you are right. This is Anuj. In any case, in any business especially in lending, this kind of assumption would be broadly right. As things progress, the cost, as the overall yields will face a downward pressure. More so in prime intermediated segment where not only the customer, but the intermediary was also playing a part.

In our chosen emerging market segment, while this is also true the market is very, very well spread out and very large. And second, the core differentiation in emerging market today is the branch distribution network. So, if you see and if you compare us with other larger players, we would be in the top quartile as far as number of branches are concerned.

That is the reason why we invested in opening 200 new branches in last 2 years and have now reached a tipping point of about 318 branches. So, it is possible slowly and surely the rates should come down as market eases up. But that I think has been adequately factored in our 3-year plan.

**Darshil Jhaveri:**

Okay. Fair enough. That's it from my side. Thank you so much.

**Moderator:**

Thank you. The next question is from the line of Saurabh Kumar an Individual Investor. Please go ahead.

**Saurabh Kumar:**

So actually, currently what I'm seeing since the last few quarters that like either AUM is not growing or de-growing. So, when can we expect some growth? Because earlier, two years back or three years back, it was told that, okay, we will be growing continuously for five years, 30-plus. And then like -- and then now it is like de-growing. So, when we can expect the curve to come back to the growth phase?

**Shachindra Nath:**

Yes, you're absolutely right. I think so that our aspiration has always been to build a business of size and scale, because obviously we were motivated by the size of the opportunity in front of us. We were motivated by the core capability of the management and the kind of deployment of data analytics and technology we did, and we were very confident that -- or we were, you know, motivated by the fact that we can build a very large franchise.

Having said that, over a period of last two-three years, as I said, you know, in answer to a few other people, what we realized that between choice of scale versus the bottom line, this scale was not delivering the resultant bottom line to us because these were verticals who are low-yielding. These verticals were highly controlled by intermediaries, and the portfolio was getting churned.

And structurally, these verticals require a very superior cost of borrowing which was not coming to us, because that liability size have gravitated to certain set of NBFCs. And that's why deliberately we built an infrastructure in last 2.5 year, took all of the opex early, and now transitioning the portfolio.

So that's our next three years of journey. While the growth -- why all of us like growth because growth means improvement in bottom-line profitability. As an existing or a potential shareholder, your value creation is directly linked to the bottom line and sustainability of that. But in our case, growth was not delivering incremental bottom line.

So now we would deliver first incremental bottom line, make it healthier, would not dilute shareholders, and by that time the infrastructure would be ready and then it will get to a normal growth rate cycle again. So, I think so what you should track is the growth rate of our core portfolio which will grow.

So, what you should track is growth rate in our Emerging Market LAP business and embedded merchant lending business, because both of them would grow in the range of 25-odd percent. And that's not a, you know, lower growth; that's a very high growth rate. Why the aggregate growth is looking flattish is because a lower-yielding, less value-accretive portfolio is being -- is automatically running down. I hope I've answered, you know, in some way.

**Saurabh Kumar:** Yes. thank you. Thank you for the answer. I have one additional question. So now we already have 300-odd plus branches. So, will the opex come down significantly in the coming quarter?

**Anuj Pandey:** So, we are not doing any new investment. So opex as a percentage of AUM, as the AUM keeps going up, will keep coming down. So yes, opex next year as a percentage of AUM would come down.

**Saurabh Kumar:** Okay. And we have acquired Profectus. So how many branches of Profectus we are we going to keep running or and how many are we running down?

**Anuj Pandey:** So Profectus was present in about 28 locations, and we, UGRO branches were also present in in those 28 locations. So, in all those locations we are continuing with only one branch. Some of them are the original Profectus branch where we have vacated our premises with the Profectus ones which were which were very good, and in some we have vacated Profectus branches where the UGRO branches were better.

**Saurabh Kumar:** So normally for these, obviously this is also part of like running the business, right?

**Anuj Pandey:** That's right.

**Saurabh Kumar:** Yes, so just for the assumption, there must be some notice period and other things. So, let's assume three months of notice period or six months of notice period, so we can expect like these 28 branches means 10% of the opex or the running the business should come down by after two quarters?

**Anuj Pandey:** So, some of that has already got actioned, and some of them will get actioned in quarter. Yes, you are right, the impact will start coming in.

- Shachindra Nath:** I think so we would request you to look at slide number 13 of our presentation. We have taken a one-time hit of INR 25.4 crores. So, all of the future exit costs has been taken upfront in this quarter.
- Saurabh Kumar:** Yes, I noticed that. So, this is we have to pay if we are giving somebody notice period, obviously we have to pay, right? It's like an upfront cost...
- Shachindra Nath:** But we have provisioned it in this quarter itself.
- Saurabh Kumar:** Yes, so I am talking about savings. So, there should be some savings as well, right, from this?
- Anuj Pandey:** Yes, yes, of course. So that is why, so for other questions we were answering, the total opex of combined Profectus plus UGRO last year was about INR 750 crores. Next year the total opex of the combined entity would be in the range of INR 490 crores to INR 500 crores. So, there would be INR 200 crores save.
- Saurabh Kumar:** Okay. Okay. So, we can expect that in Q2 at least, coming -- like, starting -- start showing some form of -- or other in quarter 2 onwards, right? I'm not expecting quarter 1 because yes, there are other challenges, but yes. And one more thing, so now the, like, integration is successfully done, so can we expect any credit update?
- Anuj Pandey:** Yes, so we actually last year got our outlook updated recently about two quarters back, so we are A+ outlook positive. Our internal assessment is that if we stick to our plan for this year, there is a very high chance of a credit rating upgrade next year.
- Shachindra Nath:** On the lighter note I would say it's like, rating agencies also act like investors, right? So, you do all the hard work, but investors say, okay, we'll see the result and then we will action. Similarly, also is the rating agency. You do all the hard work, they continue to come back and say, let us see, wait for the final result to come in few quarters and then we will do it. So, when you act, they will act actually, while, you know, they are all interlinked.
- Saurabh Kumar:** Yes, sure. Thank you. and yes, like, the results are good, congratulations for that, and thank you.
- Shachindra Nath:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mehul Panjuani from 40 Cents. Please go ahead.
- Mehul Panjuani:** Hello, sir. Thank you so much for the opportunity. Sir, currently what percentage of our book is LAP versus non-LAP and how do the GNPA, yields, and the credit costs compare across both these segments?
- Anuj Pandey:** So, our total secured portfolio which I am including Machinery Loans also because they behave similarly is about 67% of the total portfolio, and the GNPA's there are in the range of about 1.5%. Our embedded finance portfolio is about INR 2,280 crores, which is about 15-odd percent of the total portfolio.

Here the GNPA's are about 1.7%, and there are certain products which we had discontinued last year, which included Supply Chain Finance, we used to do a relatively liberal collateral product within LAP which we used to call Saathi, and some unsecured loans. That all put together is about 3.2% GNPA. If you refer to our Slide 16 in the investor deck, we have actually segregated our Emerging Market LAP, embedded finance, and other products with GNPA's.

**Mehul Panjuani:** And, sir, what is the credit cost for these two segments?

**Anuj Pandey:** The credit cost in embedded finance is almost very similar to the GNPA. So about 70% to 80% of GNPA, so about 1.5%-1.6% currently. As the vintage goes up, it will go slightly up and then stabilize. On secured loans, actually the credit costs are a percentage of GNPA. So about 30% of GNPA roughly gets translated into credit cost.

**Mehul Panjuani:** Okay. And Sir, how do you see this mix in the percentage of secured versus embedded finance evolving over the next two to three years?

**Anuj Pandey:** Our broad philosophy is that unsecured loans, whether they are unsecured business loans or embedded finance, should not go beyond 30%-35% of the total portfolio. So, we'll continue to maintain the same mix.

**Mehul Panjuani:** And Sir, what was the mix before we changed the strategy? You mentioned that because we were not getting good results on the bottom line, we have changed the strategy. So, what was the mix before that between secured and unsecured?

**Anuj Pandey:** The secured-unsecured mix was very similar. Within secured, there was a very large chunk of intermediated Prime LAP, which was at 13%-13.5%. So only that portion we are reducing, and we are compensating that with Emerging Market LAP. So, the product category remains same, only the yield profile goes up.

**Mehul Panjuani:** Okay. Sir, can you please elaborate a bit because I'm new to the company and these are all little bit quite techy thing for me. What is the difference between intermediated and emerging?

**Anuj Pandey:** So intermediated business is the DSA-led business which we used to do in the top 25 metro towns in the country. Here the sourcing happens via DSAs. And the target segment was customer with turnover between INR 3 crores to INR 15 crores. So relatively larger customers at a relatively lower yield.

In emerging market, we have set up 318 branches in Tier 2, Tier 3, Tier 4 towns in the country. Each branch consists of five to six direct sales team, one credit person, one branch head, one operations head, one collection head, and they go and source this micro-SME customer directly. This is the difference.

**Mehul Panjuani:** Sir, can we expect a huge jump in our cost? Because we have expanded to these many branches plus, we have hired people for these branches?

**Anuj Pandey:** No, you shouldn't, because we have already incurred that cost in last two years. So, all the cost investment in expanding these branches and hiring people is already over. So, no new incremental opex.

**Mehul Panjuani:** Right. But still there will be a continuous cost for the salaried employees, right?

**Anuj Pandey:** That's right. So that cost will continue, but that cost is already part of the opex which has been taken. And as the AUM built through these branches goes up, opex to AUM will keep coming down.

**Mehul Panjuani:** Right. Sir, when we look back, let's go back two years back, did we anticipate that we will move into this kind of branch-led strategy?

**Shachindra Nath:** Yes, and that's why we opened all these branches, Sir. So, we are building a 318-branch network. Most of our peer set have taken roughly around 8 to 10 years to get there; we have got there in period of three years. And that accelerated strategy was because we wanted to make this change at an appropriate time.

We were hoping that our cost of borrowing trajectory would go down. If that would have happened, then we would have continued all of the verticals. But since that was not happening, in order to improve the bottom-line performance, we first we built the opex and infrastructure and then we take out the cost.

Purely on the opex sense, so if you look at our Slide 13, if you look at our FY'26 cost, employee cost and other cost is roughly around INR 300 crores plus INR 285 crores, INR 585-odd crores, right? And this does not include the pre-consolidation cost of Profectus, because consolidation happened only on 8th of December. If you take that cost base also, this was INR 700 crores, and this we have just guided that would be around INR 490-odd crores. So that is what the business would operate. The portfolio of emerging market and embedded finance would continue to grow while the opex would remain flattish.

So, three core things: AUM on the front end would look like flattish, but underpinning portfolio would shift. Lower-yielding portfolio would run down, higher-yielding portfolio would go up. And that increase of higher-yielding portfolio, which is increase in the portfolio yield, is not resulting out of incremental opex, and that's why there is an operating leverage opportunity.

**Mehul Panjuani:** Right. Sir, since you have spelled out the five trackers in the opening remarks, how many quarters do we expect to see a significant jump in the, you know, bottom line?

**Shachindra Nath:** I think so, Sir, we said that the year of transition is FY27. Till FY27, you should track us on these pillars and whether we are making incremental improvement or not. The real bottom-line, jump, we have given a guidance of 2% to 3%, 3.5%. I think in the transition year we'll be in the range, but we'll try to achieve what, you know, incremental improvement over FY26. FY27, FY28 would be a first jump, and FY28, FY29 we think the business would fully mature at 3%, 3.5%, which is the top-tier ROA performance for most of the lending institutions in India.

- Mehul Panjuani:** Right, sir. Appreciate a lot your elaborate answers and all the best, Sir.
- Shachindra Nath:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, which was the last question for today. I now hand the conference over to management for closing comments.
- Shachindra Nath:** Thank you. I want to close with a context on macro factors affecting global economy and its impact on UGRO. We get a lot of questions on that as well. The global environment is genuinely uncertain: geopolitical tension, trade policy shift, risk appetite recalibrating. India is not fully insulated. And yet I'm more confident in UGRO's trajectory today than at any point in our history.
- The business we have chosen - small-ticket secured loan against property in Tier 2 and beyond regions of Bharat and merchant financing embedded in payment flows are not driven by the global macro. They are driven by whether a small business owner in Rajasthan or Telangana can access formal credit. That demand is structural, durable, and largely independent of what happens in Washington or Basel. The credit gap is INR 30 lakh crores; our AUM is only INR 15,334 crores. We do not need new capital. We do not need rates to fall. We need branches to mature, and they will. We need our merchant portfolio to deepen, and it will.
- For the first time since UGRO's start, this company is now generating capital, not consuming it. Every rupee of operating profit accretes to the net worth and funds the next year of growth without asking shareholders for a single additional rupee. The management team's focus is singular: improve operating metrics every quarter, reduce cost, increase yield, and deliver on the five commitments we have made in February. Two businesses, two large markets, one focus institution.
- Thank you, everyone, for attending the call and listening to us patiently and thanks for all the support. If you have any further questions, you may get in touch with Siddharth and Ritu or our IR team at [investorrelations@ugrocapital.com](mailto:investorrelations@ugrocapital.com). We would be very happy to answer and clarify. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities, which concludes this conference. Thank you for joining us and you may now disconnect your lines.