

9 February 2026

## Strategic hibernation ends, future mispriced

UGRO Capital (UGRO IN), a private-equity-supported MSME lender, sets itself apart with best-in-class tech platform, driving a strong AUM CAGR of 69% through the past five years. The stock is trading at sub-book 0.8x FY27E P/ABV – We believe shifting gears to profitability over growth should boost cash RoA and trigger a multiple re-rating. Also, three catalysts are set to unlock UGRO's value and lift RoA: a) liability repricing and trimming high-cost debt, b) cost optimization with focus on productivity gains, and c) pivot to high yielding assets leveraging of upfront branch-and-tech spend and strategic acquisitions. We anticipate RoA to recover from 2.1% in FY26 to 3.4% by FY28E. **Initiate with BUY and a TP of INR 226.**

**Tech-led scalable MSME financier:** UGRO's tech-driven MSME financing model spans prime and emerging markets, with diverse customer segments (turnover: INR 2mn-150mn) having varied risk profiles and yields, making it resilient to business cycles. UGRO has built a pan-India distribution footprint through three key channels – branch-led, ecosystem channel, and payment platforms addressing multiple MSME credit requirements. While through FY20-25, AUM CAGR touched 69%, the calibrated phase is pegged at ~10%, to be led by: (1) upfront branch investment (300 emerging branches built in past two years), yielding INR 30bn AUM accretion, (2) synergistic acquisitions driving scale (AUM accretion of INR 35bn via the Profectus acquisition in FY26, an additional INR12bn via the MSL embedded finance platform acquisition in FY25), (3) tech architecture yielding productivity gains, (4) increasing share of high yielding and on-book AUM.

**Shifting gears to profitability (over growth) to lift cash RoA and unlock franchise value:** Elevated funding cost and high operational expenses are UGRO's Achilles' heel. As profitability takes precedence, strategic de-growth in low-yielding assets and calibrated expansion are set to be compensated by (a) productivity-driven operating leverage, backed by upfront tech and branch costs (b) lower funding costs (60bps drop) driven by high-cost debt reduction and term lending rate cuts on new borrowings, (c) yield improvements driven by pivot to high-yield emerging and embedded finance and tech initiatives (d) a short-term boost from co-lending and direct assignment income. With this course correction, expect opex-to-AUM (on-book) drop of 189bps to 4.9%, NIM improvement by 240bps to 8.7% driving EPS CAGR of 40% lifting RoA (from 2.1% in FY26) to 3.4% through FY25-FY28E, thus unlocking franchise value.

**Responsible lending to stabilize NPAs:** NPA touched <2.5% in the past five years, despite concerns on MSME credit quality, led by data-tech powered credit assessment model. Amidst market turbulence, UGRO streamlined its portfolio, reducing riskier emerging market exposure, machinery loans and MFI adjacencies and growing embedded finance with daily payment collection focus. Expect NPA to stabilize at ~2.7% and credit cost at 1.7% by FY28E.

**Initiate with BUY and a TP of INR 226:** Leadership alignment, strengthened liabilities, tech-led cost optimization and strategic pivot towards profitable growth driving RoA should fuel a resurgence. Expect CoF to drop ~40bps, opex-to-AUM to dip 63bps and credit cost to stabilize at 1.7% and thus, a 5% BV CAGR and ~40% EPS CAGR in FY26-28E. The stock is trading at a sub-book 0.8x FY27E P/ABV, yet heavy lifting in the past five years – upfront cost, disciplined growth, solid balance-sheet – should lift RoA to spark a re-rating. Initiate with a BUY and a TP of INR 226 on 1.2x FY27E BV. Risks are funding access and CoF risk in tight liquidity cycles.

## Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
PPoP (INR mn)	2,950	3,768	4,361	5,328	6,618
YoY (%)	109.8	27.7	15.7	22.2	24.2
NP (INR mn)	1,193	1,439	1,541	2,226	3,024
YoY (%)	200.0	20.6	7.1	44.4	35.9
EPS (INR)	13.0	15.7	10.0	14.4	19.5
YoY (%)	127.1	20.1	(36.4)	44.4	35.9
P/PPoP (x)	0.0	0.0	0.0	0.0	0.0
RoAE (%)	9.9	8.3	6.3	7.9	10.2
RoAA (%)	2.8	2.5	2.1	2.9	3.4
P/E (x)	11.3	9.4	14.8	10.2	7.5
P/ABV (x)	0.9	0.7	0.8	0.8	0.7

Note: Pricing as on 06 February 2026; Source: Company, Elara Securities Estimate

Rating: **Buy**Target Price: **INR 226**Upside/Downside: **46%**CMP: **INR 155**

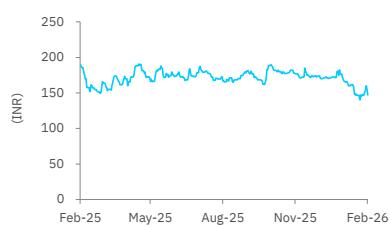
As on 06 February 2026

## Key data

Bloomberg	UGRO IN
Reuters Code	UGRO.NS
Shares outstanding (mn)	155.2
Market cap (INR bn/USD mn)	23/252
EV (INR bn/USD mn)	85/938
ADTV 3M (INR mn/USD mn)	73/1
52 week high/low	199/139
Free float (%)	47

Note: as on 06 February 2026; Source: Bloomberg

## Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	2.2	2.3	1.9	1.7
% Pledge	0.0	0.0	11.5	11.5
FII	27.3	29.3	25.1	22.3
DII	1.9	1.6	1.4	1.4
Others	68.7	66.8	71.7	74.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	0.7	4.6	8.9
UGRO Capital	(16.9)	(11.6)	(22.3)
NSE Mid-cap	0.3	4.2	9.9
NSE Small-cap	(7.0)	(5.4)	(1.5)

Source: Bloomberg

## Shweta Daptardar

Diversified Financials

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## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Net interest income</b>	<b>2,617</b>	<b>3,754</b>	<b>4,328</b>	<b>7,477</b>	<b>8,666</b>
Fee income	696	363	513	1,200	1,391
Trading profits	-	-	-	-	-
Non-interest income	3,075	4,105	4,834	1,545	1,410
Net operating revenue	6,388	8,222	9,675	10,222	11,467
Operating expenses	3,437	4,454	5,314	4,894	4,848
<b>Pre-provisioning operating profit</b>	<b>2,950</b>	<b>3,768</b>	<b>4,361</b>	<b>5,328</b>	<b>6,618</b>
Total provisions	1,163	1,736	2,159	2,360	2,586
Profit before tax	1,788	2,031	2,202	2,968	4,032
Tax	594	592	661	742	1,008
Minorities/exceptionals	-	-	-	-	-
<b>Profit after tax</b>	<b>1,193</b>	<b>1,439</b>	<b>1,541</b>	<b>2,226</b>	<b>3,024</b>
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Customer loans	54,322	67,667	93,171	93,913	100,211
Investments	592	681	5,512	1,852	1,852
Cash & bank balances	4,549	5,742	8,852	7,652	7,652
Fixed assets	821	1,001	1,241	1,354	1,455
Other assets	2,516	17,196	22,644	20,725	21,556
<b>Total Assets</b>	<b>62,800</b>	<b>92,289</b>	<b>131,061</b>	<b>125,497</b>	<b>132,727</b>
Networth	14,384	20,461	28,484	28,110	31,134
Deposits	-	-	-	-	-
Borrowings	46,186	69,602	99,012	93,822	98,028
Other liabilities	2,231	2,225	3,566	3,566	3,566
<b>Total Liabilities</b>	<b>62,800</b>	<b>92,289</b>	<b>131,061</b>	<b>125,497</b>	<b>132,727</b>
Key operating ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Lending yield	16.3	17.2	17.5	18.7	18.7
Cost of Funds	10.7	10.6	10.6	10.3	10.0
Net interest margin	6.1	6.5	6.9	8.4	8.7
CASA Ratio	-	-	-	-	-
Non-interest income / operating income	48.1	49.9	50.0	15.1	12.3
Cost/income	53.8	54.2	54.9	47.9	42.3
Operating expense/avg assets	(5.5)	(4.8)	(4.1)	(3.9)	(3.7)
Credit costs / avg loans	(1.5)	(1.7)	(1.4)	(1.5)	(1.7)
Effective tax rate	(33.2)	(29.1)	(30.0)	(25.0)	(25.0)
Loan deposit ratio	-	-	-	-	-
ROA decomposition (%)	FY24	FY25	FY26E	FY27E	FY28E
NII /Assets	6.1	6.5	4.8	7.9	8.7
Fees/Assets	1.6	0.6	0.6	1.3	1.4
Invst profits/Assets	-	-	-	-	-
Net revenues/Assets	14.8	14.2	10.7	10.9	11.5
Opex /Assets	(5.5)	(4.8)	(4.1)	(3.9)	(3.7)
Provisions/Assets	(1.5)	(1.7)	(1.4)	(1.5)	(1.7)
Taxes/Assets	(1.4)	(1.0)	(0.7)	(0.8)	(1.0)
Total costs/Assets	(8.4)	(7.5)	(6.2)	(6.2)	(6.3)
ROA	2.8	2.5	2.1	2.9	3.4
Equity/Assets	28.1	29.3	30.1	30.1	29.7
ROAE	9.9	8.3	6.3	7.9	10.2
Key financial ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Tier I Capital adequacy	19.5	18.6	20.7	20.0	21.0
Gross NPL	2.0	2.3	2.5	2.5	2.7
Net NPL	1.1	1.6	1.6	1.6	1.7
Slippage ratio	-	-	-	-	-
Per share data (INR)					
EPS	13.0	15.7	10.0	14.4	19.5
BVPS	157	223	184	182	201
Adj- BVPS	157	223	184	182	201
Valuation (x)					
P/BV	0.9	0.7	0.8	0.8	0.7
P/ABV	0.9	0.7	0.8	0.8	0.7
P/E	11.3	9.4	14.8	10.2	7.5

Profectus acquisition included FY26 onwards

Expect 10%AUM CAGR in FY25-28E

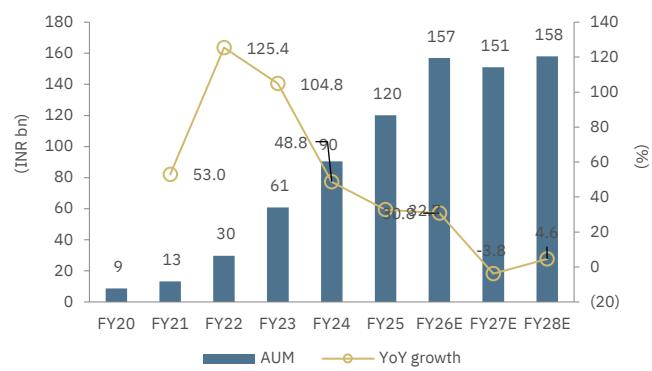
Expect 40% EPS CAGR in FY26-28E

Attractive valuations of 0.8x FY27E P/ABV

Note: Pricing as on 06 February 2026; Source: Company, Elara Securities Estimate

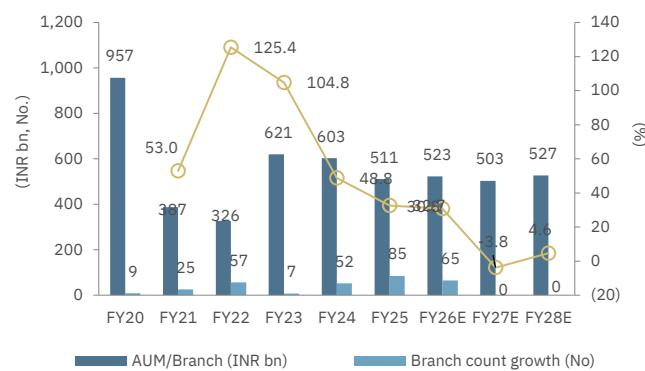
## Story in charts

### Exhibit 1: Steady AUM growth trajectory



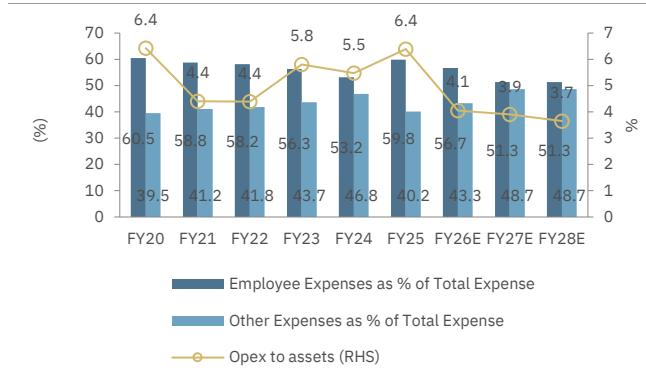
Source: Company, Elara Securities Estimate

### Exhibit 2: AUM scaling efficiency across branch network



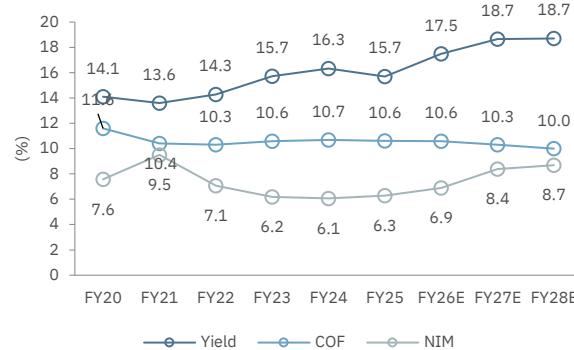
Source: Company, Elara Securities Estimate

### Exhibit 3: Operating leverage set to improve with scale up



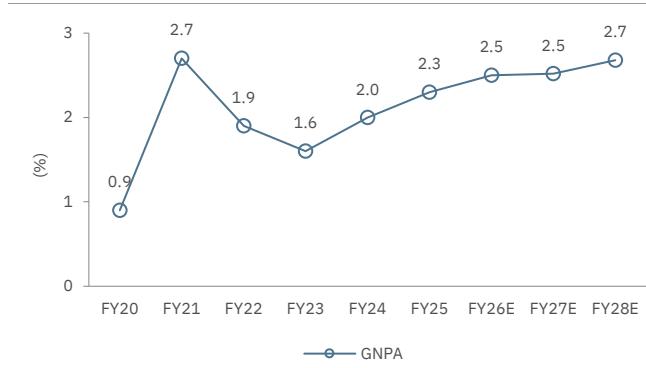
Source: Company, Elara Securities Estimate

### Exhibit 4: Improved CoF and stronger yields to drive NIM upside



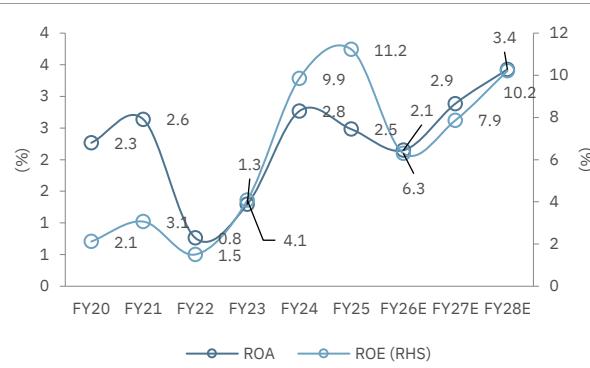
Source: Company, Elara Securities Estimate

### Exhibit 5: Gradual uptick in GNPA expected



Source: Company, Elara Securities Estimate

### Exhibit 6: Return ratios poised to improve



Source: Company, Elara Securities Estimate

## Investment Rationale

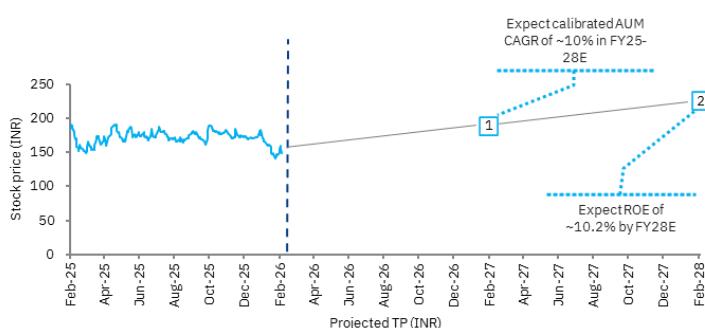
UGRO has pivoted profitable growth with focus on scaling up high yielding business segments; namely, emerging market LAP and scaling back on low yield verticals. Such a portfolio recalibration coupled with cost saving through rundown of less profitable verticals and liability re-pricing are expected to boost cash RoAs.

Funding costs, historically UGRO's Achilles' heel, are improving with productivity driven equity infusion, trimming high-cost liabilities and rising with DFI/ECB funding and rating upgrades anticipated. We expect CoF to ease by ~240bps by FY28E.

UGRO's Upfronting branch/tech investments and operating leverage would enable opex-to-AUM settle at ~4.9% by FY28E, thus supporting durable RoA improvement. Moreover, with capital sufficiency in order (no capital requirement for next 3 years), gradual RoE uptick also stands imminent.

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## Valuation Triggers



### Valuation triggers

- Expect calibrated AUM CAGR of ~10% in FY25-28E
- Expect ROE of ~10.2% by FY28E

### Our assumptions

- Opex-to-AUM to settle at ~4.9% through FY26E-28E
- EPS CAGR of 40% through FY26-28E
- Expect ~8.7% NIM by FY28E

### Valuation drivers: Expect AUM CAGR of ~10% through FY25-28E



Source: Company, Elara Securities Estimate

### Key risks (downside/upside)

- Funding access and CoF risk during tight liquidity cycles
- Asset-quality sensitivity in granular MSME loans
- Execution and integration risks

### Valuation

Fair price - EVA (INR)	38
Fair price - P/ABV (INR)	414
Target price (INR)	226
Target P/ABV (x)	1.2
Target P/E (x)	15.7
CMP (INR)	155
Upside (%)	45

Note: Pricing as on 6 February 2026; Source: Elara Securities Estimate

### Industry trends and macro factors

- India's MSME sector is set to scale to ~USD 2tn by FY28E, with MSME count rising from 66mn to 80-100mn. Within this universe, emerging market MSME lending – small ticket, secured, granular credit has consistently demonstrated superior adjusted returns across cycles. Strong government support through credit guarantees, revised norms, GST penetration, digital infrastructure and ecosystem based origination continue to aid structurally faster growth for MSME credit over the system credit.

### Market position and competitive landscape

- UGRO is fast emerging as a distinctive tech-led MSME lender with pan-India network (325 branches) and a multi-channel model that positions UGRO as a scaled platform transitioning from built to optimization phase. It already matches EM peers on scale and yield capability.
- With INR 35bn Profectus acquisition enhancing scale and diversification, focus on high yielding businesses, UGRO is positioned for an INR150bn+ AUM (FY26) and anticipated calibrated ~10% AUM CAGR through FY25-28E, taking AUM to ~INR158bn by FY28E.

## Strategic hibernation ends; future mispriced

- ▶ Tech-led scalable MSME financier
- ▶ Shifting gears to profitability (over growth) to lift cash RoA and unlock franchise value
- ▶ Responsible lending to stabilize NPA trends

### Tech driven scalable MSME financier

#### Reach broad – Branch costs upfronted; multi-product strategy aiding growth

UGRO positions itself as a pure-play MSME financing institution, purpose-built to capture the large and expanding MSME credit opportunity. It offers a wide suite of customized lending products, delivered through a robust multi-channel distribution architecture, enabling deeper market access and accelerated scale-up. Its competitive edge is anchored in an AI/ML-enabled, technology-first underwriting approach, a balanced and diversified liability engine supported by strong co-lending partners, and a professionally managed leadership team with deep domain expertise. UGRO's governance framework, overseen by an eminent and independent board, further enhances institutional credibility. Together, these position UGRO as a differentiated, well-governed, and scalable MSME lending platform.

UGRO serves **150,000+ MSMEs** customers via **325 branches (90%+ in tier 2+)** across 16 states / union territories in collaboration with **770+ DSAs** and **green anchors, 100+ OEMs and 40+ fintech partners**.

#### #1: Expanding footprint through an emerging market focus

UGRO has a pan-India geographic footprint, spanning all four zones, with branch expansion deliberately mapped to high-density MSME clusters/regions offering strong formalization tailwinds. Branch expansion has been frontloaded with most of the expansion occurring in the past 2-3 years.

UGRO's growth has been strongly branch-led, reflecting its strategy to build a wide physical network to drive scale and customer acquisition. The branch growth accelerated with network growing from nine branches in FY19 to 235 by FY25, implying a 73% CAGR, highlighting focus on geographical diversification and MSME penetration. Much of this growth came post-FY21 with the shift to a hub-and-spoke model, improving reach and localized underwriting. Rapid additions in FY24 and FY25 have fuelled strong disbursement growth and AUM expansion across secured and unsecured segments. As depicted in Exhibit 7, the branch network has doubled in two years (FY24-Q2FY26) with UGRO upfronting branch led investments.

#### Exhibit 7: Expansion in branch network driving growth momentum

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
Number of branches	9	9	34	91	98	150	235	309	325
Branch count (nos.)	-	-	25	57	7	52	85	74	16
YoY growth (%)	-	-	277.8	167.6	7.7	53.1	56.7	88.4	54.8

Source: Company, Elara Securities Research

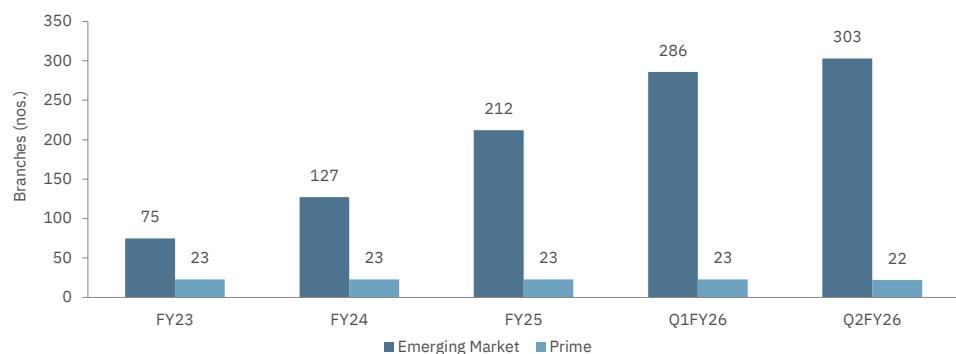
This growth has also reshaped its geographic mix – While Gujarat (24%) and Delhi/NCR (24%) dominated the AUM contribution in FY19, the franchise has since diversified with Maharashtra (24%), Delhi/NCR (15%), Tamil Nadu (13%), Rajasthan (8%), and Telangana & Andhra Pradesh (12%) now evolving into key markets in FY25. The strategic shift reflects its calibrated approach of expanding into states with strong MSME ecosystems and clusters, enabling a well-balanced and de-risked regional portfolio.

**Exhibit 8: Geographic mix evolving over the years**

Geographic mix (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Delhi/NCR	24	21	20	18	17	20	15
Gujarat	24	12	12	9	10	10	10
Karnataka	7	15	18	13	10	8	8
Maharashtra	5	10	11	13	15	21	24
Rajasthan	19	7	5	8	9	8	8
Telangana/Andhra Pradesh	8	8	10	12	14	11	12
Haryana	-	4	2	1	-	-	-
Uttar Pradesh	-	3	3	1	-	-	2
Punjab	-	1	1	1	-	-	1
Chhattisgarh	-	1	-	-	-	-	-
Madhya Pradesh	-	-	-	-	-	-	3
West Bengal	-	8	7	9	6	4	3
Tamil Nadu	13	7	10	14	14	13	13
Others	-	3	1	1	5	5	1

Source: Company, Elara Securities Research

A widening network through both prime and emerging market branches has enhanced access to diverse customer segments. Also, improving the productivity of mature branches indicates operating leverage and efficiency gains. Overall, UGRO's early branch expansion has been a key enabler of stronger origination, portfolio diversification, and sustained profitable growth.

**Exhibit 9: Integrated branch network – Emerging market and prime**

Source: Company, Elara Securities Research

**Emerging market (EM) branches** have been the cornerstone of UGRO's growth strategy. Its network has expanded from 75 branches in FY23 to 303 in Q2FY26, adding new locations primarily across tier 2-3 towns to deepen penetration among smaller MSMEs (turnovers typically below INR 30mn, led by a "feet-on-the-street" approach where local sales executives engage directly with customers through catchment-based marketing, local branding, and partnerships with regional trade associations).

Each branch operates with a standard 10-member structure and typically achieves breakeven when its AUM reaches ~INR 50mn. The EM branches function as multi-product hubs, offering secured business loans, machinery loans, rooftop solar loans, and supply chain loans. With higher average yields of 19-21%, the EM channel is a key driver of AUM growth and profitability, enabling the company to capture underserved markets while structurally improving portfolio yield and return ratios.

**Exhibit 10: Emerging market branches – Accelerated expansion enhanced market penetration**

Emerging market branches	FY23	FY24	FY25	Q1FY26	Q2FY26
Tamil Nadu	19	25	42	57	52
Madhya Pradesh	-	11	32	39	47
Andhra Pradesh	-	13	26	36	31
Rajasthan	15	23	28	32	54
Maharashtra	-	-	19	28	33
Uttar Pradesh	-	-	-	24	32
Telangana	10	14	15	18	20
Karnataka	15	15	15	18	26
Gujarat	15	14	14	14	19
Haryana	-	-	11	9	15
Other states	1	12	10	11	10
<b>Total</b>	<b>75</b>	<b>127</b>	<b>212</b>	<b>286</b>	<b>303</b>

Source: Company, Elara Securities Research

**Prime branches operate in metros and tier-1 cities**, focusing on serving established MSMEs with annual turnovers ranging between INR 10mn to INR 150mn. These branches primarily source business through intermediaries and GRO partners, leveraging the GRO Plus technology platform to deliver faster credit decisions, often providing in-principal approvals within 60 minutes.

Products include secured business loans (SBL), business loans, machinery finance, and rooftop solar loans. Given the focus on larger, established borrowers, ATS is higher, ranging within INR 1.9mn for business loans and INR 8.4-8.7mn for SBL, resulting in yields of 19% and ~14-15%, respectively. *Prime branches have been concentrated in Maharashtra, Madhya Pradesh, Rajasthan and Andhra Pradesh.*

However, with key strategic initiative to pivot the high yielding business segments of emerging market LAP and embedded merchant lending verticals, the less profitable prime high-ticket LAP & secured business loans led branches are being wound down.

**Exhibit 11: Prime branches steady as yet but should run-down as focus shifts to emerging markets**

Prime branches	FY23	FY24	FY25	Q1FY26	Q2FY26
Tamil Nadu	1	1	1	1	1
Madhya Pradesh	-	3	3	3	3
Andhra Pradesh	2	2	2	2	2
Rajasthan	2	2	2	2	2
Maharashtra	6	6	6	6	6
Uttar Pradesh	-	-	-	1	1
Telangana	1	1	1	1	1
Karnataka	1	1	1	1	1
Gujarat	1	1	1	1	1
Haryana	-	-	1	-	-
West Bengal	4	-	-	-	-
Other states	5	6	5	5	4
<b>Total</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>22</b>

Source: Company, Elara Securities Research

**#2: Multi- channel, multi -product strategy**

UGRO offers a wide array of customized MSME lending products delivered through a multi-product, multi-channel model that serves a diverse range of customer segments. Its four-channel distribution architecture enables deeper market access and faster business build-out, supported by both physical presence and an extensive network of intermediaries, ecosystem partners and digital alliances. This combination of broad product capability, diversified sourcing channels and deep geographical penetration helps UGRO effectively address varied MSME credit needs across regions and sectors.

UGRO has structured its customer asset origination into four specific channels. The first is the emerging market branches, which have seen significant growth, with the number of branches increasing from 127 by March 2024 to 212 by March 2025. Second to that is the prime intermediated business channel, wherein customers engage through UGRO's intermediaries and GRO partners. Third, UGRO's ecosystem and green asset financing channel tap into business opportunities within various ecosystems, particularly with OEMs and rooftop solar manufacturers. And fourth, the direct and digital alliances channel is dedicated to addressing every MSME financial needs through strategic partnerships and alliances with digital lenders and UGRO's embedded finance platform 'MyShubhLife (MSL)'.

**Exhibit 12: Diversified product sourcing through four channels**

Particulars	Prime intermediated	Emerging market	Ecosystem channel and green asset financing	Direct & digital alliances
Market presence	Metro and tier 1 & 2 branches	Tier 2 and beyond branches -	-	-
Collateral	Prime property (for Sec.), prime machinery	Standard property	Prime machinery	Receivables, FLDG from partner
Cashflow assessment	GST, banking & liquid income assessment	Liquid income assessment	GST & banking	Banking & liquid income assessment
Customer turnover	INR 10mn-150mn	<INR 30mn	INR 10mn-100mn	<INR 5mn
Average ticket size (ATS)	Secured business loan: INR 8.9mn Business loan: INR 2.0mn Prime machinery: INR 4.6mn	INR 1.7mn	INR 3.6mn	Alliances: INR 0.4mn Embedded finance: INR 0.1mn
Yield	Sec/Biz/Mch: 14%/19%/15%	19%	14%	15%/26%
Tenure	Sec/Biz/Mch: 12/3/4 yrs	10 years	4 years	4 years / 1 years
Channel AUM mix	44%	25%	11%	8%/10%
	Sec/Biz/Mch : 20%/22%/2%			
Products sold	Secured business, loan, business, loan (CGTMSE backed), rooftop solar and machinery	Secured business loan, Rooftop solar and machinery	Direct distribution and across other channels	Digital business and Embedded finance

Source: Company, Elara Securities Research

**Channel-wise sourcing and scaling strategy**

**#1: Prime intermediated channel – Anchor customer acquisition channel**

The prime intermediated channel caters to larger and more formal MSMEs, primarily sourced through metro and tier 1/2 branches. These customers typically exhibit turnovers between INR 10mn and INR 150mn and are served through products such as secured business loans, business loans (CGTMSE backed) and prime machinery loans.

Credit underwriting is backed by strong collateral, including prime property in secured cases and prime machinery, and is strengthened via data-driven cash-flow analysis, incorporating GST returns, banking transactions and liquid income assessment. The average ticket sizes are relatively large, INR 8.9mn for secured business loans, INR 2.0mn for business loans, and INR 4.6mn for prime machinery, with corresponding yields of 14%, 19%, and 15%, and tenures of 12, 3, and 4 years respectively.

Representing 44% of UGRO's total AUM, this continues to be UGRO's anchor channel, contributing scale, asset-quality resilience, and strong risk-adjusted returns.

**#2: Emerging market channel – Key contributor to growth, scale and margin**

UGRO's primary focus is the emerging market channel, which serves MSMEs in tier-2 and beyond, typically with customer turnovers of <INR 30mn, offering property-backed loans underwritten through liquid-income assessment. The average ticket size in this segment is INR 1.7mn, with a yield of 19% and long tenures of around 10 years, enabling affordability in smaller towns.

This channel has scaled meaningfully with UGRO's branch expansion and contributes 25% of total AUM as of Q2FY26. Its strong growth visibility is supported by the GRO Line underwriting system and UGRO's deep understanding of sectoral and regional MSME behavior.

UGRO's sourcing model for EM branches relies on a 'feet on the street' approach, ensuring strong local presence and engagement. This has ensured a nation-wide presence for branches, and future expansions will continue within these states in the next growth phase. EM branches provide a range of products, including secured loans, machinery loans, and business loans, serving MSMEs in tier 2-

3 locations. Via partnerships with local associations, UGRO has conducted events on government initiatives, digital credit, and business growth strategies in emerging markets. Through these efforts, UGRO's EM branches effectively support growth and success of small and micro enterprises.

#### #3: Ecosystem channel and green asset financing – Leveraging OEM strengths

This channel targets MSMEs embedded within organized industry ecosystems (OEM-linked manufacturers, component suppliers and borrowers investing in green or energy-efficient assets). These customers have turnovers within INR 10mn-100mn and avail products backed by prime machinery. Underwriting relies on GST data and banking-led cash-flow assessment, enabling rapid evaluation of businesses with formal transaction trails. The average ticket size is INR 3.6mn, with yields of 14% and four-year tenure. Contributing 11% of total AUM, the vertical offers lower-risk, asset-backed growth aligned with India's formalization and sustainability trends.

#### #4: Direct and digital alliances – Funding last-mile supply chains

The digital business and alliances channel leverages partnerships to originate loans in locations beyond UGRO's direct geographical reach. It focuses on digitally originated small-ticket loans sourced via fintech partners, marketplaces, and embedded finance platforms such as MyShubhLife (MSL). Borrowers are micro-entrepreneurs with very small turnovers (<INR 5mn) and loans are backed primarily by receivables or FLDG from partners, with underwriting led by banking and liquid-income assessment. Average ticket sizes are INR 0.4mn under partnerships and alliances and INR 0.1mn under embedded finance, with yields of 15% and 26%, and tenures of four years and one year respectively. Together, these digital channels contribute 8% and 10% to AUM, with future growth primarily driven by embedded finance, positioning it as UGRO's most scalable, high-velocity origination engine led by API-led integrations and a fully digital credit stack.

#### Diversified product franchise – focus on high yielding business verticals

UGRO has built a well-diversified product franchise, with offerings sourced through its four acquisition channels. Exhibit 13 highlights UGRO's multi-product dynamics. However, with Management strategizing to focus on profitable growth, the low-yielding verticals; namely, prime intermediated high-ticket LAP, business loans and machinery origination verticals are being phased out.

#### Exhibit 13: Customized product range for all customer profiles

Product	Vintage (starting year)	About product	Average ticket size (INR mn)	Collateral	UGRO's right to win	Sourcing channel by AUM	Loan repayment (>90 days due, %)
Secured business loan-emerging market	2022	Property backed, long-tenure, small ticket size business loans for MSMEs in emerging markets (tier 2 and beyond)	1.7	Standard property	Strong on-ground presence through branches across tier 2 and beyond cities. Capability to underwrite small ticket size loans to MSMEs in underserved markets.	30% through DSAs, 70% through other branch sales.	1.80
Secured business loan-prime	2020	Property backed, long-tenure business loans for MSMEs in metro and tier-1/2 cities	8.7	Prime property	Industry-leading loan approval time of under seven days Unique cash-flow based underwriting via a strong backbone of proprietary technology	100% through DSAs.	0.10
Machinery loan	2020	Machinery financing solution for MSMEs Pan-India sourced majorly through OEM partners	3.6-4.5	Machinery	<ul style="list-style-type: none"> <li>Distinctive offering as one of the few NBFCs operating in this segment.</li> <li>Fully-monitored loan usage with payments made directly to OEMs.</li> </ul>	14% through DSAs 86% through OEM and dealer partnerships.	1.80
Business loan	2020	Unsecured short-tenured business loans in metro and tier-1/2 cities	2.3	Partially CGTMSE backed	<ul style="list-style-type: none"> <li>Industry-best loan approval time of less than 48 hours.</li> <li>Proprietary tech led cash-flow based underwriting.</li> </ul>	100% through DSAs.	3.20
Merchant lending	2024	Real-time financing solution for digitally-enabled micro enterprises disbursed through partner applications	0.1	Receivables	<ul style="list-style-type: none"> <li>Fully-built tech stack with unique capability to process daily payments effortlessly.</li> <li>Potential to act as a marketplace providing tech platform to partner financial institutions.</li> </ul>	100% through partner apps.	0.20
Others	Since 2020	Defocused products including partnership and alliances business, supply chain finance product, certain portion of small ticket loans in secured (Saathi) and unsecured (SBL) which does not align with the company's strategy going forward. UGRO is decreasing its exposure to these products and currently only servicing the existing book as part of ongoing operations.					

Source: Company, Elara Securities Research

**#1: Emerging market secured business loans (tier-2 and beyond)**

This secured loan against property (LAP) product caters to underserved MSMEs in tier-2 and deeper geographies, offering smaller ticket property-backed loans with higher yields. Loan sizes span INR 0.75-10mn, average tickets INR 1.7-1.9mn, yields within 18-21% (micro) and 15-16% (high-ticket), and long tenures of up to 144 months. Borrowers generally have turnovers of <INR 30mn and stable business vintage of three+ years, with documentation partially verifiable. Credit discipline is maintained through criteria such as loan to value (LTV) of ≤75%, debt service coverage ratio (DSCR) of >1.2, CIBIL of ≥650, mandatory co-applicants and strict EMI bounce filters. This channel enables UGRO to profitably penetrate high-growth but historically underbanked micro-MSME markets.

**Exhibit 14: Secured business loans – Emerging market**

Product description	Product commercials	Borrower profile	Applicant profile	Specific underwriting
Collateral backed business loans in tier 2 cities and beyond for working capital requirements, debt consolidation or business expansion.	Portfolio yield for micro product/ high ticket secured: 18-21%/15-16%	Business vintage of three+ years operating as SENG, LLPs, Pvt. and trusts in manufacturing or services or trading segment.	<ul style="list-style-type: none"> <li>Resident Indian aged 23-70 years.</li> <li>Must reside in UGRO-approved locations</li> </ul>	LTV up to 75% and DSCR>1.2
Range of loan size: INR 0.75-10mn Average ticket size: INR 1.7-1.9mn	Processing Fees: 2.0-2.5%	Annual customer turnover <INR 30mn (at least 50% verifiable via documents)	<ul style="list-style-type: none"> <li>Co-applicant is mandatory</li> <li>PAN and Aadhar for all applicants/co-applicants is mandatory</li> </ul>	Collateral property must be located in a UGRO-approved location
Range of tenor: 12-144 months Most common maturity: 120 months	Insurance premium: 2.5-3.0%	CIBIL MSME rank (CMR) score =<6	CIBIL Score > 650	No EMI bounces in past six months and no 30+ DPD in past 12 months.

Source: Company, Elara Securities Research

**#2: Prime secured business loans (metro and tier-1) – Building balance sheet resilience**

UGRO's prime secured business loan is a property-backed offering, designed for established MSMEs in metro and tier-1 markets, seeking working capital or expansion funding. Loans range within INR 1-50mn, with INR 8-9.5mn average ticket size, yields of 12.5-14.5%, and long tenures up to 140 months. Borrowers typically have three+ years vintage, turnovers of INR 10-150mn, and CMR of ≤7, with applicants required to have a CIBIL of ≥675. The product allows LTV of up to 80%, depending on asset type, and mandates no recent EMI bounce patterns. This serves as UGRO's core secured offering in formal urban markets with high-quality collateral.

**Exhibit 15: Secured business loans – Prime**

Product description	Product commercials	Borrower profile	Applicant profile	Specific underwriting
Collateral backed business loans in metro and tier 1 cities for working capital requirements, debt consolidation or business expansion.	Portfolio yield: 12.5-14.5%	Business vintage of three+ years operating as any type of privately registered firm in India with 51%+ shareholding held by Indian resident	<ul style="list-style-type: none"> <li>Resident Indian aged 23-70 years.</li> <li>Must reside in UGRO-approved locations</li> </ul>	LTV up to 80% (40-50% for residential or commercial plot to 70-80% for state owned residential property)
Range of loan size: INR 1-50mn Average ticket size: INR 8.0-9.5mn	Processing fees: 1.0-1.2%	Annual customer turnover: INR 10-150mn	<ul style="list-style-type: none"> <li>Co-applicant is mandatory</li> <li>PAN and Aadhar for all applicants/co-applicants is mandatory</li> </ul>	Collateral property must be located in a UGRO-approved location
Range of tenor: 60-180 months Most common maturity: 140 months	Insurance premium: 1.0-1.2%	CMR score =<7	CIBIL score > 675	No EMI bounces in past three months and <1 bounce in past six months

Source: Company, Elara Securities Research

### #3: Machinery loans (secured equipment finance) – Secured business loans aiding balance sheet resilience

The machinery loan product provides collateral-backed financing for the purchase of new equipment from approved OEMs and dealers. Ticket sizes range within INR 0.5-30mn, with average loan sizes of INR 3.6-4.5mn, priced at 13.5-14.5% yields and tenures of 12-60 months. Eligible borrowers typically have two+ years of business operations, annual turnover of INR 10-100mn, and CMR score of  $\leq 7$ . With LTV ratios of 80-85%, and mandatory co-applicants plus GST-bank statement verification, this product offers MSMEs asset-led expansion financing, while maintaining secure lending dynamics and strong recoverability.

#### Exhibit 16: Machinery loans – Focus on secured loans

Product description	Product commercials	Borrower profile	Applicant profile	Specific underwriting
Collateral backed loans for financing purchase of new machines from the OEM/ dealers	Portfolio yield: 13.5-14.5%	Business vintage of two+ years; loans required for domestic/imported machines based on approved list of OEMs/dealerships, operating across end-sectors	<ul style="list-style-type: none"> <li>Resident Indian aged 25-65 years.</li> <li>Must reside in UGRO-approved locations</li> </ul>	LTV up to 80-85%
Range of loan size: INR 0.5-30mn Average ticket size: INR 3.6-4.5mn	Processing fees: 1.0-1.2%	Annual customer turnover: INR 10-100mn	<ul style="list-style-type: none"> <li>Co-applicant is mandatory</li> <li>PAN and Aadhar for all applicants/co-applicants is mandatory</li> </ul>	Collateral property must be located in a UGRO-approved location
Range of tenor: 12-60 months Most common maturity: 48 months	Insurance premium: 1.2-1.4%	CMR score $\leq 7$	CIBIL score $> 650$	70% of GST turnover reflected in banking

Source: Company, Elara Securities Research

### #4: Business loans (unsecured working capital) – Leveraging untapped, better-quality target market

UGRO's unsecured business loan product provides collateral-free financing to MSMEs in metro and tier-1 cities for working capital, debt consolidation and business expansion. Loans range within INR 1-5mn, with an average ticket of INR 2.3-2.5mn, yields of 18-20%, and tenures of 12-60 months (36 months most common). Borrowers typically have three+ years of business vintage and annual turnover of INR 10-150mn. Strong credit filters – CMR of  $\leq 6$ , CIBIL of  $\geq 650$ , trade references, mandatory co-applicants, and no EMI bounce in the last year – help maintain asset quality. This product supports faster, unsecured credit delivery in urban markets with robust cashflow visibility.

#### Exhibit 17: Business loans – Leveraging untapped, better-quality target market

Product description	Product commercials	Borrower profile	Applicant profile	Specific underwriting
Unsecured business loans in metro and tier 1 cities for working capital requirements, debt consolidation or business expansion.	Portfolio yield: 18-20%	Business vintage of three+ years operating as any type of privately registered firm in India with 51%+ shareholding held by Indian resident.	<ul style="list-style-type: none"> <li>Resident Indian aged 23-70 years.</li> <li>No new-to-credit (NTC) profiles can be funded.</li> <li>Must reside in UGRO-approved locations</li> </ul>	Two trade reference checks
Range of loan size: INR 1-5mn Average ticket size: INR 2.3-2.5mn	Processing fees: 1.8-1.2%	Annual customer turnover: INR 10-100mn	<ul style="list-style-type: none"> <li>Co-applicant is mandatory</li> <li>PAN and Aadhar for all applicants/co-applicants is mandatory</li> </ul>	Collateral property must be located in a UGRO-approved location
Range of tenor: 12-60 months Most common maturity: 36 months	Insurance premium: 1.2-1.4%	CMR score $\leq 6$	CIBIL score $> 650$	No EMI bounces in past one year

Source: Company, Elara Securities Research

**#5: Merchant lending / embedded finance (MSL) – Capitalizing on merchant ecosystem**

Merchant lending is UGRO's embedded finance vertical, built on the acquisition of MyShubhLife (MSL) in July 2024, and targets micro-retailers and digital merchants across India. It operates as an on-demand credit channel with repayment structures aligned to merchant cashflows – EDI, EWI and daily flexi formats – improving collection efficiency. With 10+ ecosystem partners across e-commerce and fintech platforms, the model leverages real-time transactional, banking and behavioural data for tech-driven underwriting with limited manual intervention. The segment addresses a significantly underpenetrated digital merchant base, with >35mn digitally enabled merchants and 0.12mn+ customers already on MSL's platform, offering strong potential for short-term working capital loans.

**Exhibit 18: Merchant lending – Capitalizing on merchant ecosystem****Product overview**

Started through acquisition of MyShubhLife (MSL) in July 2024

On-demand lending channel for micro distributors and small retailers across India with loan repayment options of EDI, EWI, flexi term loans and credit lines

Daily repayment structure aligned to merchant cash flows, minimizing over-leverage risk and enhancing collection efficiency

Ten+ ecosystem partners across fintechs and e-commerce platforms, providing end-to-end partnership from sourcing to collection

Prudent tech-based underwriting capabilities leveraging personal and banking data of merchants from the platform, with no manual intervention required

Potential to use MSL as a commission-based marketplace enabling other financial institutions to provide embedded finance solutions leveraging MSL's best in-class tech

Source: Company, Elara Securities Research

**#6: Partnerships and alliances (P&A) – Leveraging co-lending capabilities but growth with caution**

The partnerships and alliances channel operates on a co-origination model, where UGRO sources customers through fintech and ecosystem partners on a commission basis. These loans are traditionally supported through FLDG covers or corporate guarantees provided by partners, with risk-sharing aligned to borrower risk profiles. The product caters to small-ticket MSMEs with an average loan size of INR 0.4mn, tenures of up to 48 months, and yields near 15%, aggregated across 40+ fintech partners. With revised industry lending guidelines reducing FLDG coverage, UGRO plans to reduce emphasis on this channel due to its impact on profitability, as was visible in the flattening AUM trend in FY24-Q2FY26.

**Exhibit 19: Partnerships and alliances – Leveraging co-lending capabilities****Product overview**

Co-origination model, sourcing through fintechs and ecosystem partners on a commission basis

Traditionally backed by FLDG cover with each lending partner, while some of the partners also provide corporate guarantees to UGRO

FLDG agreed with partners based on risk profile of the borrower

**Metrics**

Average ticket size: INR 0.4mn

Average tenure: 48 months

Average yield: 15%

Customer turnover: <INR 5mn

Fintech partners: 40+

FLDG from partners

Source: Company, Elara Securities Research

### Diversified exposure across 8-9 key sectors

UGRO follows a sector-diversified lending strategy that prioritizes domestic market-facing MSMEs while maintaining disciplined exposure across key productive industries. This design ensures that the portfolio remains resilient to sectoral or export-cycle volatility, supports broad-based MSME penetration, and aligns with UGRO's focus on micro-enterprises in emerging geographies.

Through FY22-Q2FY26, UGRO's AUM mix demonstrates a consistently balanced allocation across sectors such as light engineering, auto components, food processing, electrical equipment, healthcare, hospitality, education and chemicals, with no single sector contributing disproportionately. Micro-enterprises form a stable and meaningful share of ~one-fourth of the book, reflecting UGRO's focus on smaller, domestically oriented businesses with strong local demand linkages.

Sectoral weights have remained broadly steady over time, with gradual deepening in high-velocity segments such as light engineering and food processing, supporting steady growth without concentration risk. This diversified structure enhances portfolio quality, reduces cyclical risk, and positions UGRO to capture MSME credit demand across varied supply chains and service clusters.

#### **Exhibit 20: Select sectoral exposures culled out leveraging data tech capabilities**

Sectors	Share in AUM (%)
Auto Components	8
Education	1
Food Processing	5
Hospitality	3
Emerging Market	36
Chemicals	4
Electrical Equipment	4
Healthcare	4
Light Engineering	19
Other MSMEs	17

Note: Sector mix (Q2FY26); Source: Company, Elara Securities Research

### Data-tech powered scalable growth model

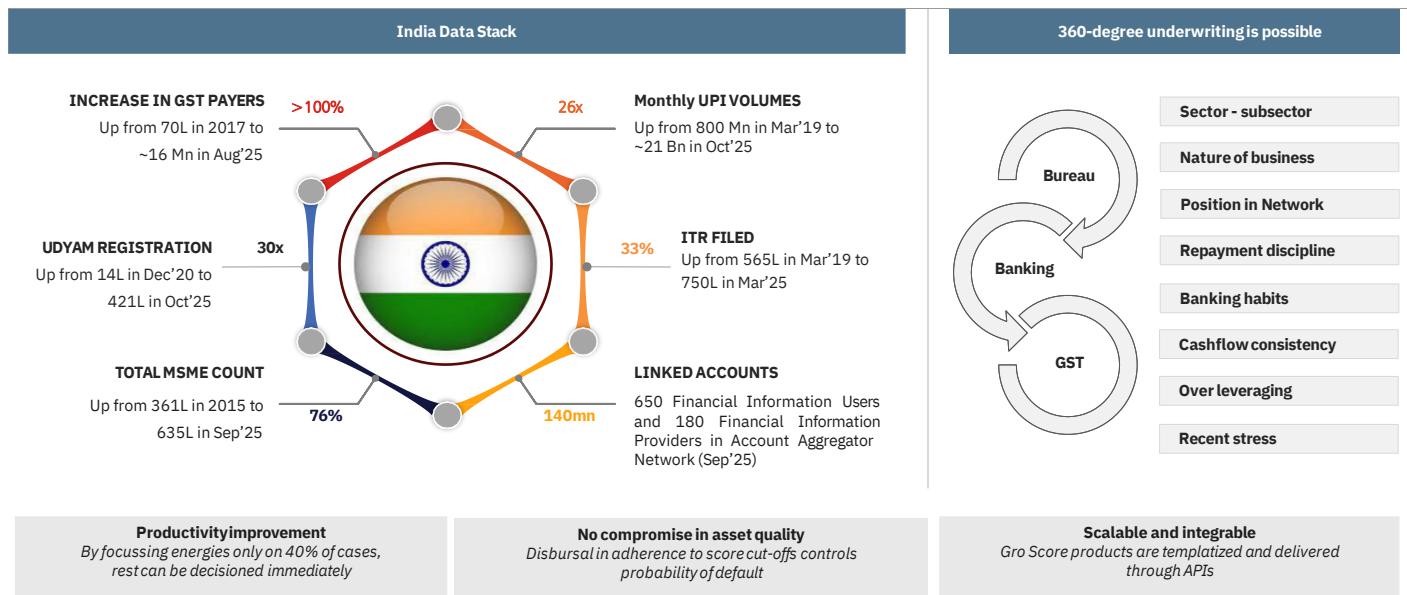
UGRO operates a differentiated "DataTech NBFC" model, focused exclusively on MSME lending, using a proprietary AI/ML underwriting engine GRO score (patented Dec-24) to bridge India's large formal MSME credit gap of INR 32-40tn. UGRO's business model combines: (1) data-driven underwriting, (2) multi-channel distribution, and (3) a capital-light co-lending architecture.

GRO score integrates bureau data, 12-24 months of banking transactions, and GST filings into a single statistical risk score, enabling cashflow-based lending at scale and significantly reducing turnaround time. UGRO operates a diversified four-channel distribution architecture, comprising prime intermediated, emerging markets, ecosystem and green asset financing, and direct and digital alliances, with each channel offering distinct ticket-size, yield, and tenure profiles.

This multi-channel model enables UGRO to serve the full MSME spectrum, from micro digital borrowers to large, secured enterprises, while maintaining disciplined, risk-calibrated growth. Funding is supported by bank co-lending partnerships, a diversified liability mix, and improved credit ratings, which together enable UGRO to expand AUM without proportionate balance sheet deployment.

India's rapidly expanding digital infrastructure is a core enabler of MSME credit growth, with GST payers more than doubling since 2017, monthly UPI transactions rising from 800mn to over 21bn, Udyam registrations increasing from 14mn to >42mn, and total MSME count reaching 63.5mn. The integration of Account Aggregator, OCEN and ONDC has facilitated linked financial accounts and real-time data sharing across institutions. This expanding data stack makes 360-degree underwriting possible, covering sectoral positioning, credit summation, cashflow stability and stress signals, allowing lenders such as UGRO to expand credit while maintaining asset-quality discipline. The resulting ecosystem is scalable, API-led and supportive of immediate decisions for ~40% of cases.

Exhibit 21: India's data stack enabling data-driven MSME credit expansion



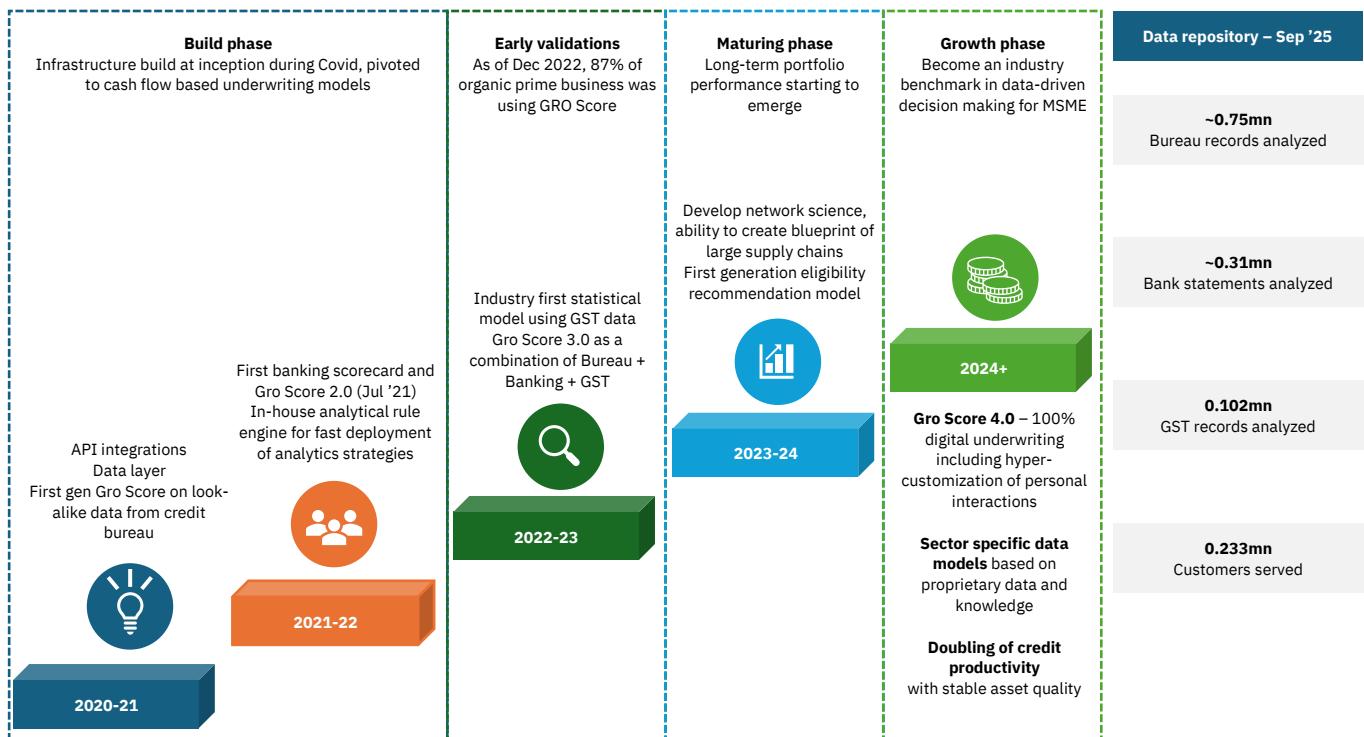
Source: Company, Elara Securities Research

#### Seamless process flow backed by robust tech architecture

UGRO's data tech-led model has evolved over a five-year journey, beginning with the build-out of API integrations and data infrastructure in FY21, followed by the launch of GRO score 2.0 and the first generation of analytics engines. By FY23, UGRO validated its underwriting model with GST-based scoring and introduced network science-led supply-chain risk models.

In FY24, UGRO matured its portfolio analytics, expanding digital decisioning. Entering FY25, UGRO transitioned to full digital underwriting through GRO score 4.0, leveraging proprietary data models, hyper-local segmentation and sector-specific algorithms. Its data repository comprises 0.75mn bureau records, 0.31mn bank statements, 0.10mn GST records and 0.23mn customers, forming a unique competitive moat.

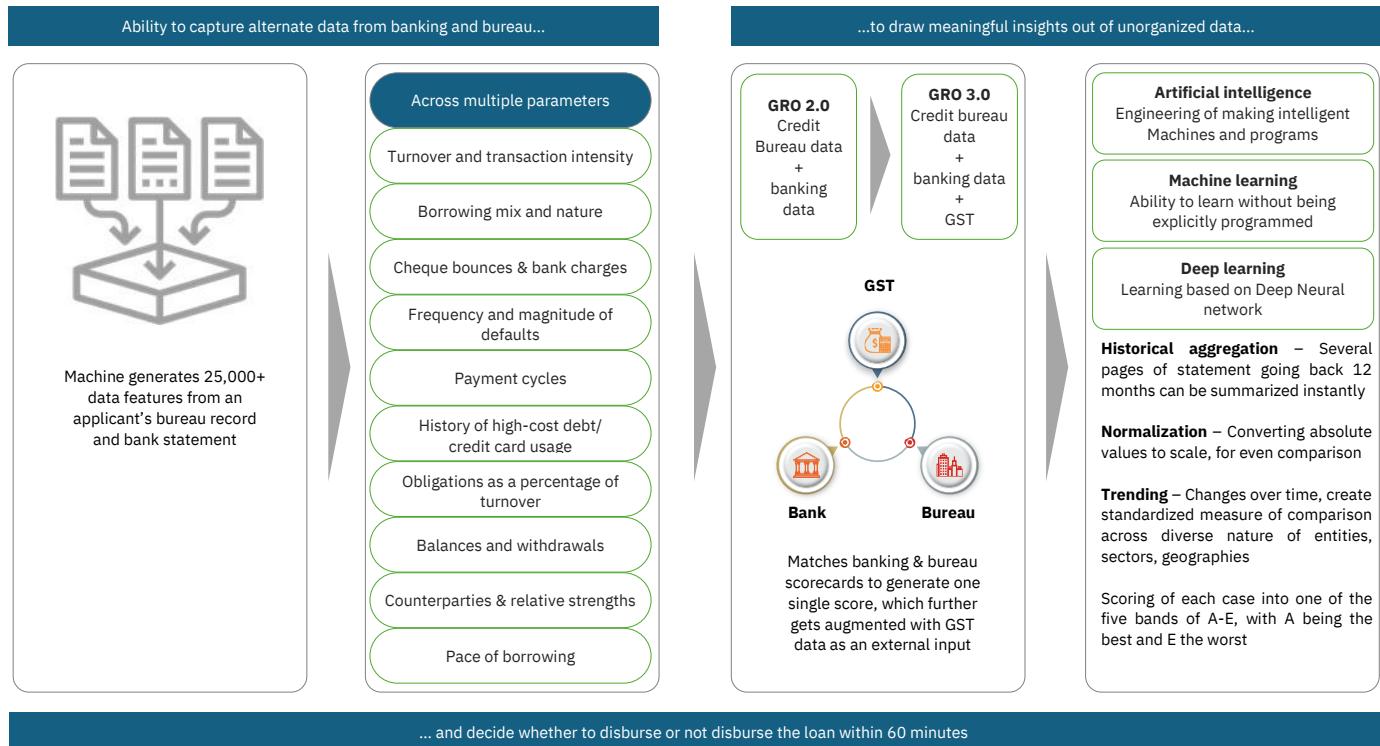
## Exhibit 22: UGRO – +Five years journey in data-tech driven MSME lending



Source: Company, Elara Securities Research

GROScore uses AI/ML models to generate >25,000 data features from bureau and banking data, transforming unstructured information into actionable credit insights. GRO score 2.0 blends bureau behaviour and banking flows, while GRO score 3.0 integrates GST data to elevate predictive accuracy. The model identifies patterns linked to cashflow stability, credit discipline and business strength, while advanced techniques such as artificial intelligence, normalization layers and deep neural networks enhance segmentation and risk scoring. This enables loan decisions such as approve, reject or modify exposure to be made within 60 minutes, improving both scalability and asset-quality outcomes.

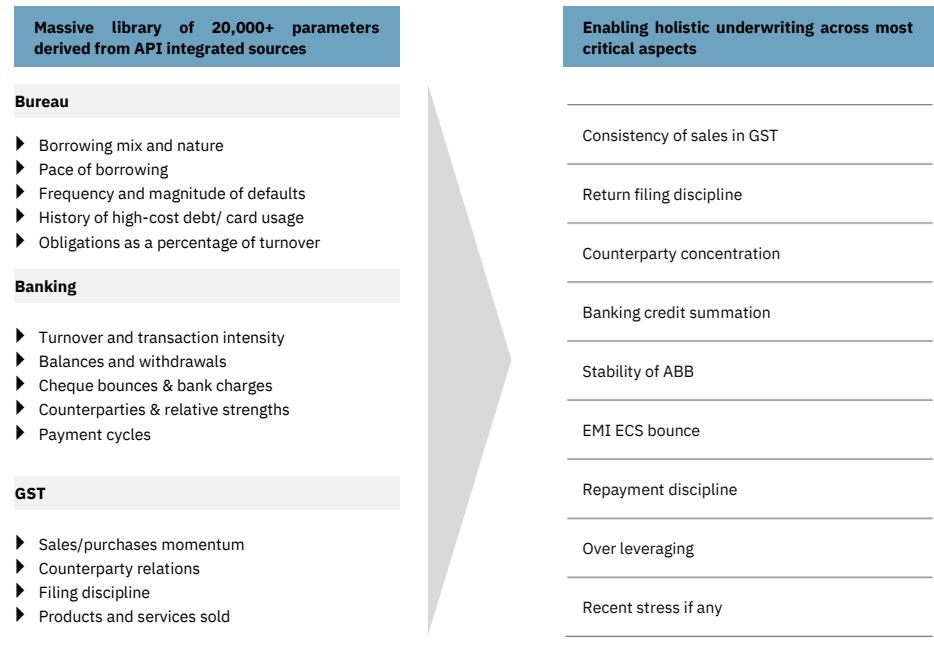
## Exhibit 23: GroScore enabling data-driven AI/ML underwriting



Source: Company, Elara Securities Research

UGRO leverages an extensive library of 20,000+ data parameters sourced from API integrations across bureau, banking and GST systems to build a holistic and predictive view of MSME creditworthiness. Bureau data contributes insights around borrower behaviour and obligations; banking data provides visibility into turnover, balances, payment cycles and transaction intensity and GST data adds transparency into sales momentum, filing discipline and counterparty relationships. These inputs enable multidimensional assessment of factors such as sales consistency, repayment discipline, over-leveraging, EMI bounce patterns and stress indicators, allowing UGRO to underwrite MSMEs with far greater accuracy than traditional collateral-led models.

## Exhibit 24: Alternate data revolutionizing end-to-end MSME credit evaluation

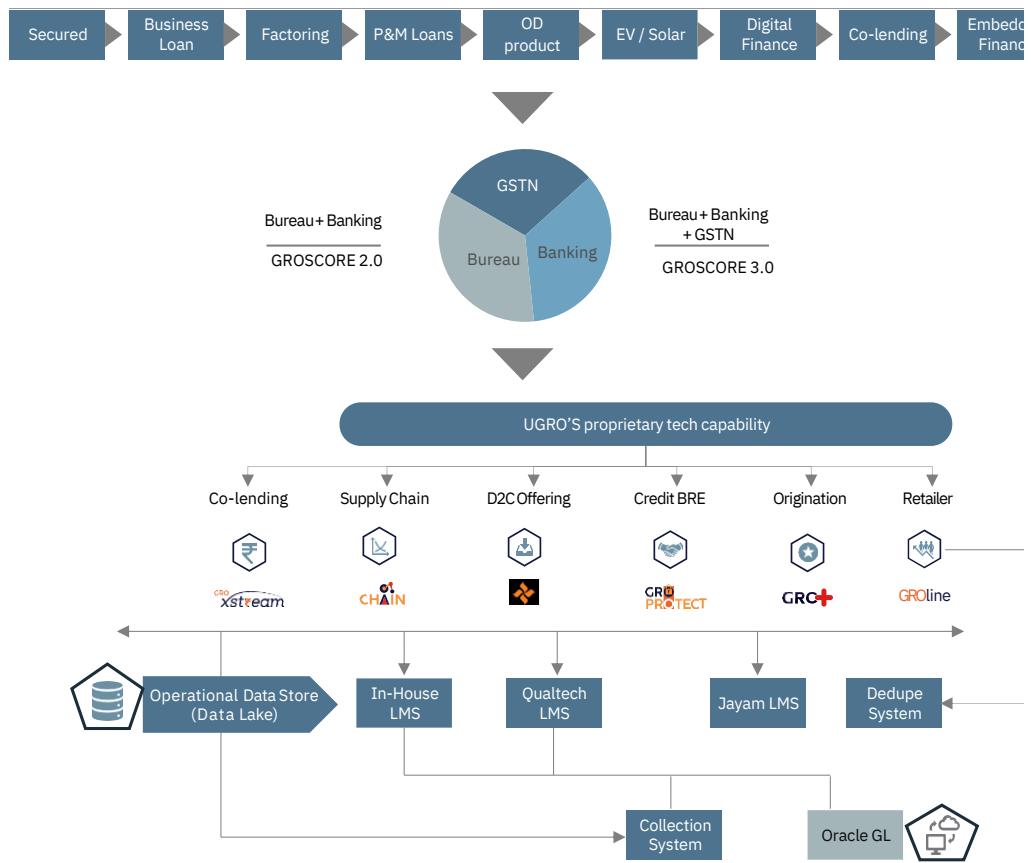


Source: Company, Elara Securities Research

UGRO's system architecture is further strengthened by deep integrations with banking partners, credit bureaus, data service providers and technology collaborators. Powered by AWS, the platform aggregates bureau, banking and GST data into GRO Score 3.0, enabling 360-degree borrower profiling. Each origination channel is tied to specialized modules such as GRO Xstream (co-lending), GRO Chain (supply chain), GRO+ (origination), GRO Protect (credit engine) and GRO Line (retail finance). A unified operational data store ensures real-time analytics, while integrations with partners such as SBI, ICICI Bank, Axis Bank, CIBIL, Peritos, Karza, ScoreMe, Decimal and Qualtech support a highly scalable, compliant and secure digital credit infrastructure.

UGRO has developed a vertically integrated, tech-enabled lending architecture that supports the full spectrum of SME credit products from secured and business loans to supply-chain finance, digital finance, and embedded finance. The platform is anchored by GRO Score 2.0 and 3.0, which combine bureau, banking and GST data to power cashflow-based lending. Each distribution channel of co-lending, supply chain, D2C, credit BRE, origination and retailer financing is supported by proprietary modules such as GRO Chain, GRO Xstream, GRO+, GRO Protect and GRO Line. These feed into operational systems including the central data lake, credit engines, LMS platforms and the collection system, creating a seamless front-to-back digital lending ecosystem capable of high-velocity, risk-calibrated MSME underwriting.

Exhibit 25: End-to-end SME lending, enabled by UGRO's system architecture



Source: Company, Elara Securities Research

UGRO's lending process is underpinned by a comprehensive technology stack spanning origination, distribution, underwriting, analytics and collections. The company leverages 25+ API integrations, automated policy approvals, in-house business rule engines and machine-learning models to accelerate and improve credit decisioning.

Purpose-built platforms include GRO Protect for centralized credit policy management, GRO+ for branch/intermediary onboarding, GRO Chain for supply-chain invoice financing, GRO Line for retailer invoice discounting, GRO X for direct MSME applications, and GRO-Xstream for co-lending partnerships enable channel-specific workflows. These systems collectively allow UGRO to deliver real-time assessments, faster disbursals and scalable, high-quality MSME underwriting.

Exhibit 26: In-built technology platforms enabling efficient process flow

GRO Protect	UGRO's centralized credit policy engine offers flexibility of no-code real-time policy changes. This powers automated loan application assessments across all the platforms in UGRO.
GRO+	Supports UGRO's branch-based business and is designed to support customers onboarded in metro cities through intermediaries. It has completely integrated every element of underwriting digitally (using all conventional parameters).
GRO Chain	Specifically designed to cater to supply chain business and support real time disbursement. Suppliers can upload invoice on this module, which can be in turn approved by the anchor on the module itself. Real time disbursement can be made available against the invoices approved by anchors.
GRO Line	UGRO's retailer financing platform provides quick easy self or assisted onboarding for retailers for invoice discounting. This platform also provides easy disbursement of invoices through web and mobile application.
GRO X	Platform built to allow non-intermediated loan applications from eligible MSMEs. UGRO's GRO X app allows MSMEs to directly apply for loans through mobile phones.
GRO Xstream	GRO Xstream is currently being used for onward co-lending with banks and NBFCs. It is intended to evolve into a marketplace powered by UGRO's BRE, connecting asset originators with liability partners. It currently allows seamless API integration with co-lenders, allowing UGRO to reduce turnaround time and bring in efficiencies in the entire process.

Source: Company, Elara Securities Research

### Inorganic acquisitions to aid scalability

UGRO, through inorganic acquisitions, has established synergies to scale-up its business.

#### #1: Acquisition of MyShubhLife (MSL) in July 2024

UGRO's acquisition of MyShubhLife (MSL) represents a forward-looking move to deepen its digital presence in the micro-merchant ecosystem and strengthen its position in embedded MSME finance. The transaction is anchored not in scale alone, but in the strategic integration of MSL's high-velocity, API-driven lending platform with UGRO's DataTech underwriting model. By leveraging MSL's ability to capture real-time merchant transaction data, spanning POS flows, inventory purchases and supplier invoices, UGRO meaningfully enhances the predictive depth of its GRO Score™, GRO+ and GRO Line engines, enabling sharper risk selection and fully automated loan journeys.

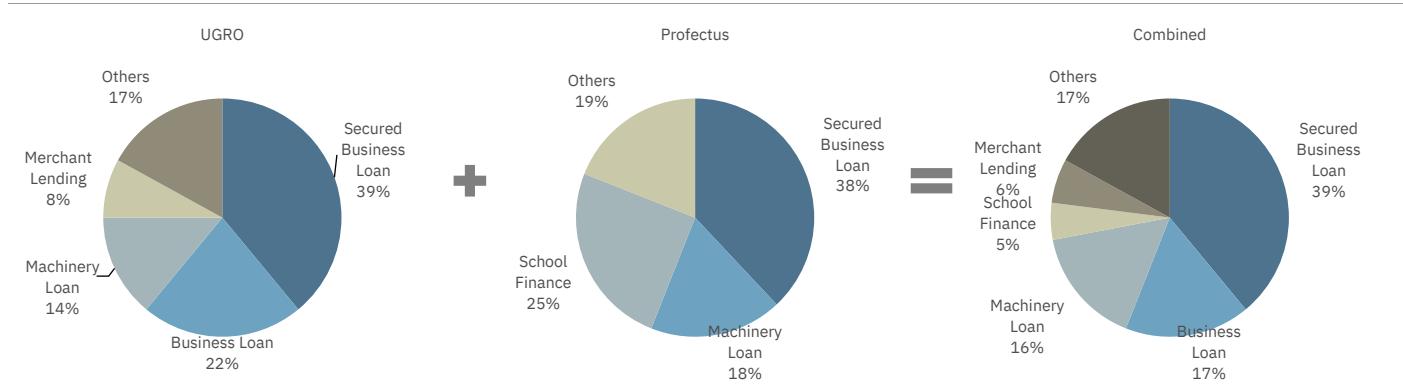
MSL's short-tenure, daily-repayment construct, supported by partnerships with PhonePe, Meesho, Airtel, Mobikwik and FINO, provides UGRO with a low-cost, high-frequency origination funnel that is already scaling rapidly, with AUM crossing INR 12.7bn by Q2FY26 and monthly disbursements in the INR 1.5-2bn range. As embedded finance expands, UGRO expects the MSL-led franchise to contribute ~15% of its total AUM mix in the next 2-3 years, strengthening diversification and enhancing portfolio granularity. With high yields (~26%), disciplined provisioning, and the potential to generate ~5% ROA, the acquisition positions UGRO to capture the sizeable +USD 20bn micro-retailer credit gap and evolve into a more scalable, profitable, and digitally integrated MSME lending platform.

#### #2: Acquisition of Profectus Capital

UGRO's acquisition of Profectus Capital represents a strategically aligned expansion aimed at strengthening its DataTech-led MSME lending platform. Rather than being a pure scale-driven transaction, the acquisition is designed to integrate complementary technology, underwriting capabilities and product specialization (particularly in school finance), while significantly enhancing efficiency, profitability and secured-asset mix. The combined entity will become a more robust and diversified lender with improved asset quality contours and a broader customer footprint.

The acquisition meaningfully uplifts UGRO's scale (AUM rising from INR 121bn to INR 154bn combined) and drives operational leverage through shared systems, with an estimated INR 1.15bn in opex savings and measurable improvement in cost-to-income of ~5% and credit costs improvement of 30bps. Integrating Profectus' origination flows, school-finance expertise and customer datasets into UGRO's GRO Score, GRO+ and GRO Line architecture deepens its AI/ML models, expands data repositories and strengthens business analytics for sharper risk selection. The combined entity enjoys a more balanced product mix, higher secured proportion and a diversified liability structure, enabling better pricing power and lower leverage. These synergies are expected to translate into a 60-70bps RoA accretion in FY26E, positioning UGRO as a more scalable, efficient and profitable DataTech NBFC post-integration.

#### Exhibit 27: Portfolio synergy with added school-finance opportunity



Source: Company, Elara Securities Research

### Capital-efficient lending through on/off-book mix

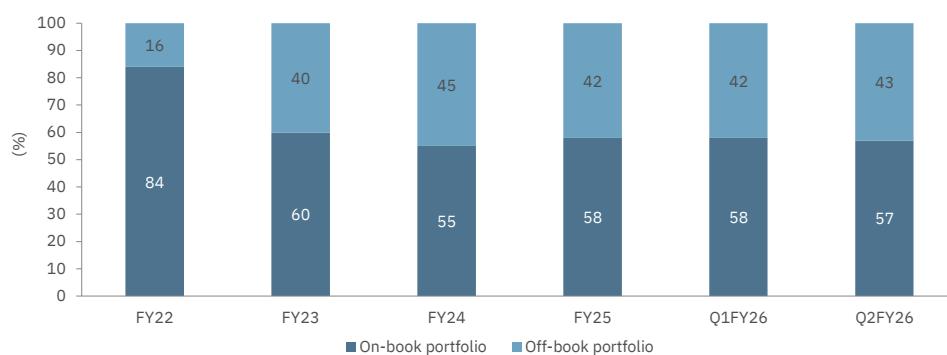
A core element of UGRO's liability architecture is its disciplined allocation between on-book and off-book assets, allowing high growth without proportional strain on equity capital or leverage.

Over the years, UGRO has maintained a calibrated mix between on-book and off-book assets, with a ~57:43 split as of Q2FY26. On-book assets are funded through UGRO's balance sheet, supported by more than 60 lenders across PSU and private banks, DFIs, FIs and NBFCs.

The remaining portfolio is executed through off-book structures, including co-lending, where UGRO sources the customer and the loan is disbursed jointly with the partner in a pre-agreed proportion; co-origination, where loans are jointly originated, underwritten and disbursed with the partner; and direct assignment, where loans are originated by UGRO and subsequently transferred to NBFCs or public and private sector banks.

These off-book models rely on partner balance sheets while UGRO retains origination and servicing responsibilities, enabling capital-light scale-up and efficient risk sharing. This structure strengthens fee income streams, diversifies credit risk across partner balance sheets and supports faster AUM expansion with measured leverage, reinforcing UGRO's capital-efficient and scalable operating model.

#### Exhibit 28: Stable and sustained off-book AUM portfolio



Source: Company, Elara Securities Research

### Capital enhancement and private equity backing supportive of growth

UGRO has raised capital in phases, and each round has directly supported a different step in its growth journey. The first large raise of +INR 9bn in FY19 from global investors helped the company start its lending business, build its technology platform and put the core team in place. The INR 3.4bn raised in FY24, including support from IFU (Denmark's sovereign fund), strengthened UGRO's capital position and allowed it to expand its distribution network, deepen co-lending partnerships and roll out the next version of its underwriting model. In FY25, UGRO secured INR 5.1bn through CCDs and warrants, which helped fund the acquisition of MyShubhLife and supported the rapid scale-up of the merchant lending business as AUM crossed INR 120bn. The most recent INR 9.2bn in Q1FY26 via CCDs and a rights issue provided the capital required for the Profectus acquisition and supports the development of GRO Score 4.0.

Overall, each capital raise has been tied to a clear purpose: (1) strengthening the balance sheet, (2) supporting acquisitions and (3) investing in technology and enabling UGRO to scale consistently in the MSME lending segment.

**Exhibit 29: UGRO's strong PE-backing and growth capital-led evolution journey**

Set-up phase		Creating infra to build scale			Growth phase			Strategic initiatives	
Jul-18	Jan-19	Mar-19	Mar-20	Mar-22	Mar-23	Mar-24	Mar-25	Sep-25	
Raised capital	Started disbursing	INR 0.8bn	INR 8.6bn	INR 29.7bn	INR 60.8bn	INR 90.5bn	INR 120.0bn	INR 122.3bn	
Incorporation and setting up UGRO		► Pivoted business to make it multi product, focused on emerging market.	► Focus on digitizing business processes and product diversification	► Upgraded to Gro Score 3.0 - Data tripod of underwriting from GRO Score 2.0	► Increased distribution strength & laying foundation of co-lending model		► Launched embedded finance through MSL platform		
Raised INR 9bn+ capital from Marquee PE investors:	1. ADV 2. NewQuest 3. Samena 4. PAG						► Increased focus on emerging market with branch expansion crossing 300+ EM branches		
Between Jul-18 and Jan-19		Between Mar-19 and Mar-20		Between Mar-23 and Mar-24		Between Mar-24 and Mar-25		After Sep-25	
Developed sectoral expertise and GRO Score 1.0	Series of Credit Crises • ILFS • DHFL • Yes Bank		Equity raise of INR 3.4bn		Raised INR 2.6bn through CCDs	1) Fund raise: INR 3.8bn through Rights issue (2) Proposal for acquisition of Profectus Capital (completed in Dec-25)		Raised INR 5.3bn through CCDs	

Source: Company, Elara Securities Research

**Capturing MSME potential through emerging market focus**

India's MSME sector represents one of the most compelling long-term credit opportunities, given its significant contribution to GDP, exports, and employment, contrasted against chronically low formal credit penetration. Despite being the backbone of economic activity, MSMEs are severely underserved due to fragmented documentation, limited collateral, and inconsistent cashflows. This persistent structural gap has created a large-scale MSME lending opportunity that remains underpenetrated by mainstream financial institutions.

For India to achieve a USD 5tn GDP target, the MSME sector must expand to ~USD 2tn by FY28, supported by rapid digitization, rising e-commerce penetration, and widespread adoption of digital public infrastructure such as UPI, Account Aggregator, OCEN, and ONDC. The sector is expected to increase from 66mn MSMEs today to 80-100mn by FY28, with employment rising to 350-400mn, lifting MSMEs' GDP contribution from ~30% to 35-40%. Rising digital payments (India accounts for 49% of global transactions) and the upgraded Digital India Stack further enhance formalization, data availability, and credit visibility, creating structural drivers that expand addressable credit pools for lenders such as UGRO.

**Exhibit 30: MSME sector expected to grow to ~USD 2tn by FY28**

Parameter	Today	FY28
Number of MSMEs	66mn	80-100mn
Employment	290mn	350-400mn
Share in GDP (%)	30	35-40

Source: Company, Elara Securities Research

The MSME sector has been at the center of India's economic and employment agenda, given its capacity to generate 350-400mn jobs and its role as the backbone of the domestic supply chain. A suite of flagship government programmes, including PMEGP, PM SVANidhi, MUDRA, ZED certification, MSME Competitive Lean Scheme, procurement and marketing assistance, Udyog Aadhaar, and ESDP, highlight the depth of institutional focus on strengthening MSME capabilities. As MSME count is expected to scale toward 100mn enterprises, the government continues to deploy multiple schemes addressing skilling, credit access, productivity improvement, formalization, and market linkages. This sustained policy emphasis reinforces the strategic relevance of MSMEs to India's next phase of economic expansion.

**Exhibit 31: MSMEs at the core of India's employment engine**

Source: Company, Elara Securities Research

MSMEs constitute a central pillar of India's economic engine, contributing significantly to GDP, exports, and employment. Yet, despite their scale, they continue to face persistent credit access challenges due to limited formal documentation, diverse business models, and highly variable cash-flow cycles. This structural gap requires lenders to adopt customized, data-driven approaches rather than uniform, collateral-heavy models that have historically underserved the segment.

UGRO explicitly recognizes these nuances and has positioned itself to address the MSME financing gap by leveraging technology, cashflow-based underwriting, and deep understanding of sectoral and regional business behaviors. Overall, the business model combines tech-driven credit selection, diversified distribution, and capital partnerships to build a scalable and asset-quality-focused MSME lending platform.

The MSME sector continues to benefit from consistent and expanding government support in the past decade, creating a conducive policy environment for credit growth. Key initiatives include the Pradhan Mantri MUDRA Yojana (2014), Udyog Aadhaar (2015), Stand-Up India (2016), MSME Samadhaan and Samriddhi schemes (2017), and the 59-minute loan portal with interest subvention (2018). Liquidity support measures such as the Emergency Credit Line Guarantee Scheme (ECLGS), 2020 and the Revised Credit Guarantee Scheme, 2022 have expanded formal credit access, while the TEAM scheme (2024) and ONDC-linked trade-enablement reflect continued innovation.

**Exhibit 32: Government initiatives throughout the years**

Year	Initiatives
2014	Pradhan Mantri MUDRA Yojana (PMMY)
2015	Udyog Aadhaar Memorandum (UAM)
2016	Stand-Up India Scheme
2017	MSME Samadhaan, MSME Sambandh
2018	59-minute loan portal, Interest Subvention Scheme for MSMEs
2019	MSME Support and Outreach Program
2020	Emergency Credit Line Guarantee Scheme (ECLGS)
2021	Raising and Accelerating MSME Performance (RAMP) Program
2022	Revised Credit Guarantee Scheme for MSMEs
2023	Credit guarantee trust, Vivad se Vishwas scheme
2024	MSME-TEAM Scheme: A trade enablement initiative launched through ONDC

Source: Company, Elara Securities Research

Budget 2025 further reinforced this focus with INR 230bn allocation, enhanced credit guarantees, revised classification norms, and support mechanisms such as credit cards for micro enterprises and dedicated schemes for women and tribal entrepreneurs. This stable policy tailwind strengthens the long-term environment for MSME lending.

**Exhibit 33: Financial support for MSME growth – 2025****Budget allocation**

For Ministry of MSME: INR 230bn

**Revised classification criteria**

The investment and turnover limits for classification of MSMEs have been increased by 2.5x and 2x, respectively.

**Enhanced credit availability**

- The credit guarantee cover has been increased from INR 50mn to INR 100mn, enabling additional credit of INR 1,500bn over five years.
- Startups will see their guarantee cover double from INR 100mn to INR 200mn, with a reduced fee of 1% for loans in 27 priority sectors.

**Credit cards for micro enterprises**

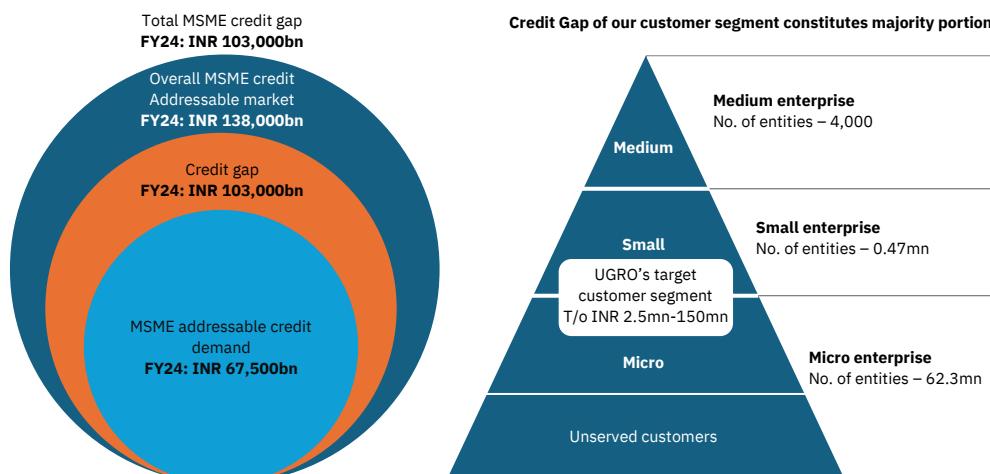
A new customized Credit Card Scheme will provide INR 0.5mn in credit to micro enterprises registered on the Udyam portal, with 1mn cards set to be issued in the first year.

**Others**

A scheme for 0.5mn first-time women, scheduled caste, and scheduled tribe entrepreneurs will provide term loans up to INR 20mn over five years, incorporating lessons from the Stand-Up India scheme.

Source: Company, Elara Securities Research

India's MSME sector represents a massive structural lending opportunity, with a total formal credit gap of INR 103tn, driven by the mismatch between the addressable credit demand and actual flow of institutional credit. While the overall credit addressable market was INR 138tn in FY24, only INR 67.5tn is being serviced, leaving a significant unmet requirement concentrated largely within micro and small enterprises. UGRO's target customer segments are MSMEs with annual turnover between INR 2.5mn and INR 150mn that sit squarely within this underserved portion of the pyramid. This structural gap, combined with under penetration among micro and small enterprises (over 62.3mn micro and 0.47mn small units), underscores the long-run scalability of a specialized MSME lender.

**Exhibit 34: Large MSME credit opportunity supported by strong macro backdrop**

Source: Company, Elara Securities Research

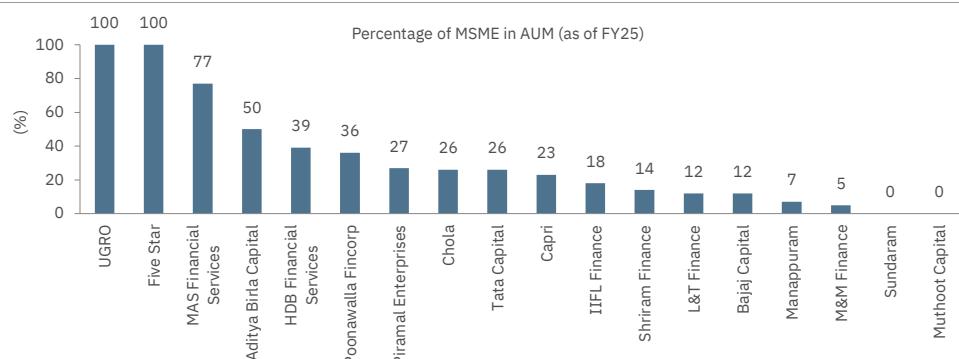
India's expanding digital public infrastructure is significantly enhancing the availability and reliability of data required for MSME credit assessment. Key pillars such as GST filings, Udyam registrations, income-tax return data, Account Aggregator frameworks and UPI transaction trails are creating formal, verified and real-time datasets on small businesses that were historically opaque. This surge in digital footprints enables lenders such as UGRO to access richer behavioural and financial information, strengthening cashflow-based underwriting, improving borrower segmentation and reducing information asymmetry, ultimately leading to better risk selection and more inclusive MSME credit flow.

**Exhibit 35: Digital infrastructure boosts data-led underwriting****Digital credit data sources****GST payer base** expanded from ~7mn in 2017 to ~16mn by Aug '25**Udyam Registrations:** Expanded from 1.4mn in Dec'20 to 42.1mn by Oct '25.**ITR Filings:** Increased from 56.5mn in Mar '19 to 75mn by Mar '25.**Account Aggregators:** Network scaled to 650 Financial Information Users and 180 Financial Information Providers as of Sep '25.**UPI (monthly volumes):** Rose sharply from 800mn in Mar '19 to ~21bn by Oct '25.

Source: Company, Elara Securities Research

UGRO is one of the very few NBFCs with scale of >INR 120bn in AUM, where the business model is entirely MSME-focused. Among all NBFCs with AUM above INR 100bn, only a handful such as Aditya Birla Capital, HDB Financial Services and Poonawalla Fincorp have >30% MSME mix in their AUM, while most large peers, including Chola, Shriram Finance, L&T Finance, Piramal, IIFL Finance and M&M Finance, have MSME mixes below 30%. This positions UGRO uniquely as a pure-play MSME lender at scale in a landscape where most large NBFCs operate diversified books with limited exposure to MSMEs.

**Exhibit 36: Dedicated MSME-focused business model**



Source: Company, Elara Securities Research

**Growth calibration underway with strategic pivot towards high yielding business**

After delivering a remarkable 69% AUM CAGR in FY20-25, the franchise is entering a more normalized and calibrated growth phase, with ~10% CAGR expected in FY25-28E.

UGRO's tech-driven MSME financing model spans prime and emerging markets, catering to diverse customer segments (turnover of INR 2mn-150mn) with varied risk profiles and yields, making it resilient to business cycles. UGRO offers a uniquely comprehensive product suite addressing MSMEs' working-capital needs, enabled by a multi-channel origination strategy and a proprietary AI/ML-driven operating architecture.

While AUM CAGR touched 69% in FY20-25, the franchise is entering a more normalized growth phase, with ~10% CAGR expected in FY25-28E, to be led by:

- **Comprehensive suite of lending solutions**, addressing multiple credit needs such as: (a) secured business loans, (b) business loans, (c) machinery loans and (d) merchant lending, with focus on specific sectors, spanning micro enterprises, light engineering, auto components, food processing, electrical equipment, healthcare, chemicals, hospitality and education.

**Exhibit 37: Focus on emerging market and machinery loans; cautious approach to partnership-led lending**



Source: Company, Elara Securities Estimate

- ▶ **Pan-India distribution footprint through three key channels:** UGRO has built pan-India distribution footprint via three key channels, *viz*, branch-led channel (intermediate and net), ecosystem channel, and payment platforms addressing multiple MSMEs' credit requirements.
- ▶ **Upfront branch investments:** About INR 30bn AUM accretion was supported by productivity gains from the 300+ emerging market branches built in the past two years. The 300+ branch network currently generates INR 5mn productivity, with potential to rise to INR 8-10mn in 6-8 quarters, implying disbursement monthly run-rate doubling from INR 1.5bn to INR 3bn. Resultantly, annual disbursement run-rate should surpass INR 3.5bn.
- ▶ **Synergistic acquisition** driving scale through inorganic expansion, including:
  - ▶ The INR 12bn embedded-finance platform (MSL in FY25, 100-employee count) contributing INR 25mn monthly disbursements

**Exhibit 38: Gradual disbursements scale-up, driven by expansion across MSME segments**



Source: Company, Elara Securities Research

- ▶ The INR 35bn AUM (22% of overall AUM) addition through MSME focused NBFC, Profectus acquisition (FY26), strengthening diversification via school finance, a sharper push toward secured business loans in prime markets
- ▶ **Tech architecture** has been built, yielding productivity gains, supported by proprietary AI/ML-based scoring model, leveraging banking, bureau and GST data for analysis of 25,000+ data points, enabling credit decisions in <60minutes.
- ▶ **Enhancement in growth capital** (recent CCD + rights issue: INR 9.2bn).
- ▶ **Scaling down low-return segments, productivity gains to anchor growth:** With an intent to have robust penetration, focus on **multi-product architecture and deeper penetration of the emerging market (EM) channel are now central to UGRO's growth engine**. As of end-Q2FY26, of the total branch network of 325, 303 operate under the EM channel and 22 under the prime channel. **The Co. aims to maintain branch network at 300 count over next three years; i.e, FY26-FY29 and focus on driving productivity gains capitalizing upon the upfronted branch investments.** Moreover, with strategic pivot to profitable segments of EM LAP and embedded merchant lending, UGRO plans to wind down lower yielding businesses; namely, prime intermediated high-ticket LAP, business loans and machinery origination verticals. The existing prime and machinery AUM of INR 6.2bn will wind down with no fresh loans to be originated from Apr-26. Subsequently, productivity gains to anchor growth with EM branch productivity expected to climb from INR 0.6 lacs per month to INR 0.9 lacs per month. Additionally, the Co. will increase the number of FOS in the existing branches which have potential by FY28. With regards to embedded finance, increase in volumes would be driven by existing partners and new ecosystem partners such as Google, PayTM etc. As prime and machinery businesses wind down, high-yielding segments will gain share over 3 years with both these businesses anticipated to contribute to approximately 85% of AUM over next three years.

**Exhibit 39: Expect AUM CAGR of ~10% in FY25-28E, led by productivity gains, scale enhancement**

Source: Company, Elara Securities Estimate

## Shifting gears to profitability to lift cash RoA; unlock franchise value

Elevated funding costs and high operational expenses have remained Achilles' heel for UGRO. The incremental delta for RoA recovery hinges upon turnaround in three key components:

- ▶ **Low-cost liabilities** through existing debt replacement with lower-cost borrowings, anticipated ratings upgrades, calibrated off-book rise (43% of AUM) and on-book assets (supported by >60 lenders, DFI and ECB) should help CoF to improve 45bps in FY26E-28E.
- ▶ **Optimal utilization** of fixed-cost resources such as technology, underwriting, and infrastructure (~180 of 300 branches have been earning no revenue, leading to higher costs, but this has positioned UGRO for scalable growth and operating leverage).
- ▶ **Cost efficiency** through technological initiatives.
- ▶ **Pivoting to scale down low-return, high-cost businesses**

### Reduction in funding costs is the key to drive a re-rating

UGRO's funding costs have been historically high, but it is taking corrective action, adopting a three-pronged strategy for liability management – UGRO continues to focus on balance-sheet lending, supported by a large and diversified base of >55 lending partners. The company follows a capital-light approach through off-balance-sheet exposures via co-origination, co-lending, securitization, and direct assignment, which together account for ~43% of AUM. These exposures are supported by more than 16 co-lending partners. An impending ratings upgrade is expected to enable UGRO to secure more competitive borrowing costs.

The co-lending engine is further enabled by GRO-xStream, a proprietary BRE-driven platform that seamlessly connects asset origination flows with liability partners such as PSU banks, private banks, NBFCs and DFIs, facilitating real-time underwriting, rule-based allocation and scalable off-book expansion. Together, these create a robust and balanced liability engine that underpin UGRO's capital-efficient MSME lending model.

From a liability-management perspective, UGRO has intentionally moderated its organic disbursal run-rate to optimize future funding requirements. Having added ~INR 30bn of AUM annually in the past three years, and with the Profectus Capital acquisition set to bring in an additional ~INR 35bn of AUM inorganically, UGRO has recalibrated its growth trajectory to prevent unnecessary build-up of liabilities. This disciplined approach reduces incremental borrowing needs, supports a lower cost of funds and strengthens balance-sheet efficiency. The shift is complemented by tighter underwriting, which is prudent in the context of macro pressures in small-ticket MSME lending and further reinforces the stability of UGRO's liability profile.

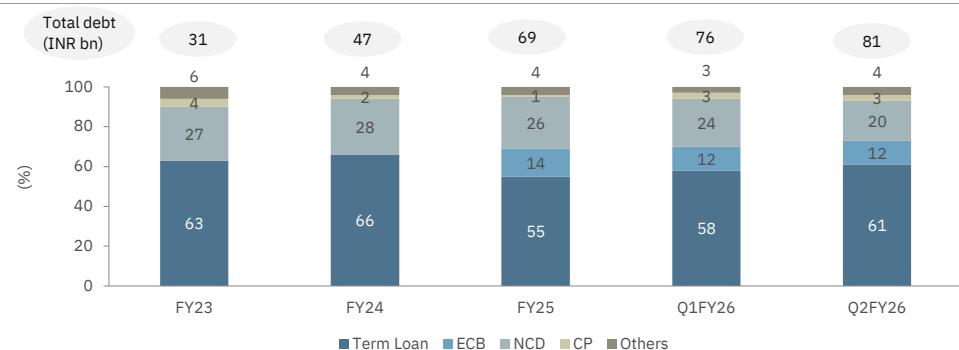
### Liability management – Three-pillar approach

UGRO has been following a **three-pronged approach to liability management** of balance sheet lending, co-origination/co-lending and securitization/DA (43% off-BS AUM), supported by **55+ lending** and **15+ co-lending partners** in a quest to reduce funding costs.

- ▶ **Balance sheet lending aided by strong funding sources:** UGRO's liability mix by instruments reflects a deliberately diversified funding structure designed to optimize borrowing costs, manage refinancing risk and create flexibility across market cycles. The company is steadily expanding its debt base while maintaining a balanced allocation across long-term and short-term instruments. The total debt outstanding has increased from INR 31bn in FY23 to INR 81bn in Q2FY26, supported by a stable mix of borrowing instruments.

Term loans form the core of the liability stack at 58-66%, providing long-term funding stability, while NCDs have grown to 24-28%, enabling better tenor management and access to capital-market investors. Since FY25, ECBs have formed 12-14% of borrowings, adding a lower-cost foreign currency funding channel to the mix. This well-rounded instrument mix reduces concentration risk and helps UGRO manage its ALM profile efficiently as the balance sheet scales.

Exhibit 40: Liability mix shifts toward term loans and ECBs



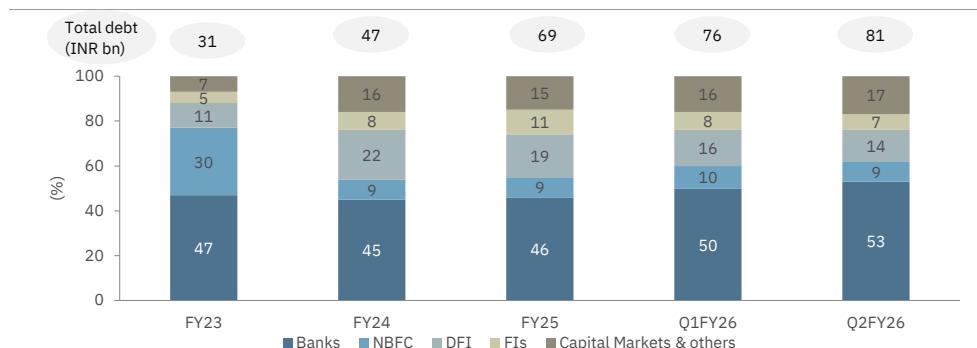
Source: Company, Elara Securities Research

UGRO maintains a broad and well-distributed lender ecosystem, ensuring resilience in liquidity access and competitive cost of funds. The company systematically diversifies across banks, NBFCs, DFIs, FIs, and capital-market participants to avoid overreliance on any single category of lenders.

The lender mix shows consistent diversification from FY23 to Q2FY26, with total borrowings rising from INR 31bn to INR 81bn. Banks remain the dominant source of borrowings at 45-50%, benefiting from UGRO's strong access to both PSU and private sector institutions. NBFC exposure has moderated sharply to 9-10% from 30% in FY23 as the company reoriented its funding mix toward more cost-effective and longer-duration sources.

Meanwhile, DFIs (11-22%) and FIs (5-11%) provide diversification and specialized sectoral funding. Capital market and other investors contribute a consistent 15-16%, signaling increased institutional confidence in UGRO's credit profile. This balanced lender mix enhances funding stability, improves borrowing competitiveness and strengthens the liability franchise as UGRO scales within its capital-light lending model.

Exhibit 41: Borrowing mix continues to shift toward banks



Source: Company, Elara Securities Research

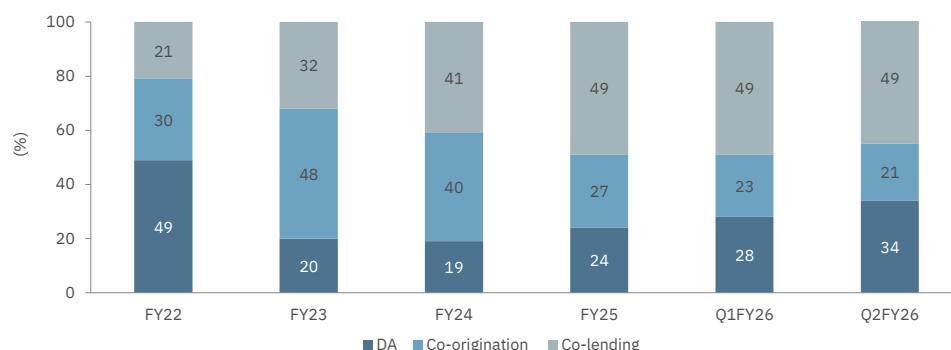
UGRO's robust and diversified lender ecosystem enables it to secure borrowings at competitive rates while improving resilience across market cycles. Continuous deepening of relationships with PSU banks, private banks, DFIs and NBFCs has strengthened its liability profile and improved funding predictability. The institution now borrows from 60+ lenders, with a balanced mix across PSU banks, private banks, DFIs and NBFCs. Long-term ratings have strengthened to Ind-Ra A+, while short-term borrowings hold an ICRA A1+ rating, supporting access to low-cost funding. This has enhanced long-term funding stability and stable leverage (~3.1x-3.4x). The breadth of relationships reduces refinancing risk and supports UGRO's capital-light growth model.

- **Focus on capital light structure through off-Balance sheet exposures:** UGRO operates a differentiated, capital-light liability architecture that blends balance-sheet lending with off-book structures such as co-lending, co-origination and securitization/DA. This hybrid construct

enhances capital efficiency, improves balance-sheet turnover and enables AUM expansion without a commensurate increase in leverage or equity consumption. As of Q2FY26, UGRO sustained a calibrated mix of ~57% on-book and ~43% off-book assets, reflecting consistent liability diversification and discipline over FY22-Q2FY26. This curated liability blend improved overall risk-return optimisation, ensured positive ALM across buckets and provided meaningful operating leverage.

- ▶ **Co-lending:** Under the co-lending framework, UGRO originates and services the loan while funding it alongside the partner bank in an agreed proportion. Prior to onboarding, the bank conducts due diligence on UGRO, evaluating its credit processes, technology systems and portfolio performance. The commercial arrangement is structured around a hurdle rate payable to the bank, with UGRO capturing the balance as servicing income and spread, enabling scalable, off-book growth with shared credit risk.
- ▶ **Co-origination:** Co-origination entails UGRO and the partner bank/NBFC jointly originating, underwriting and disbursing loans through a tripartite agreement, with funding allocated in predetermined proportions. UGRO's participation generally ranges between 10% and 20%, enabling calibrated balance-sheet exposure while leveraging the partner's capital for scale. The model promotes uniform credit standards and synchronized risk-sharing across the loan lifecycle.
- ▶ **Direct assignment** involves UGRO originating loans and assigning them to banks or NBFCs, thereby moving the assets off its balance sheet while continuing to service them. The transaction generates upfront income through the gain on sale, whereas the retained interest strip is treated as an asset and amortized over the life of the loan. This model improves balance-sheet turnover and contributes to predictable fee and interest accruals.

**Exhibit 42: Off-book AUM mix maintained**



Source: Company, Elara Securities Research

#### Impending ratings upgrade – Another key driver to improve CoF and RoA

Funding costs have historically been higher but are now trending downward, supported by structural improvements in UGRO's liability profile. Stronger credit ratings (Ind-Ra A+, CRISIL A) and an expanding, diversified lender base have enabled access to lower-cost borrowing pools, including DFIs and ECBs. These developments, combined with disciplined balance-sheet management, are expected to further ease CoF and enhance return metrics going forward, reinforcing the effectiveness of UGRO's capital-light funding strategy. Management expects a 25-50bps improvement in CoF in the next two years led by an upgrade in ratings boosting NIMs and RoAs.

**Exhibit 43: Steady upgrade in credit ratings**

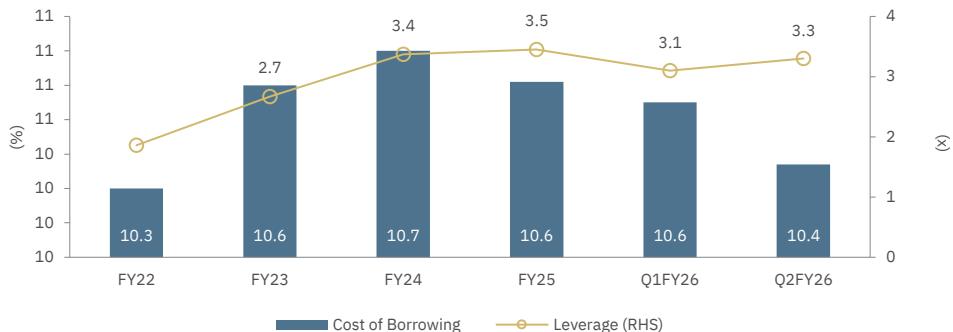
Credit rating	FY23	FY24	FY25	Q1FY26	Q2FY26
Ind Ra	A/Stable	A/Stable	A+/ Stable	A+/ Stable	A+/ Stable
CRISIL	A-/ Positive	A/Stable	A/Stable	A/Stable	A/Stable

Source: Company, Elara Securities Research

### Improvement in CoF to lift margins to 8.7% by FY28E

UGRO's cost of funds performance illustrates the strength of its liability franchise, underpinned by diversified lender relationships, reduction in high cost debt, improving credit ratings and a disciplined approach to balance-sheet expansion. The metric has steadily benefited from liability optimisation and partner diversification.

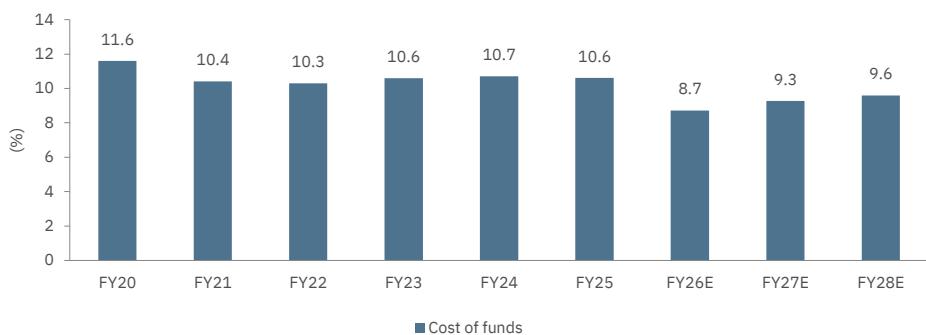
**Exhibit 44: Improving borrowing cost with controlled leverage**



Source: Company, Elara Securities Research

CoF moderated from 11.63% in FY20 to 10.6% in FY25, reflecting improved access to lower-cost PSU and private bank borrowings, reduced reliance on higher-cost NBFC funding, and growing traction in ECB lines. UGRO also consciously recalibrated disbursal momentum in FY26 to contain incremental borrowing needs ahead of the acquisition of Profectus Capital, supporting stability in funding costs. Moreover, the repayment of existing lines would be replaced with lower cost borrowings resulting in decline in the blended cost of borrowings. Furthermore, the impending funding pipeline, tapping DFI and ECB funding, with anticipated ratings upgrades, should lead to a 45bps CoF improvement in FY26E-28E.

**Exhibit 45: Cost of funds – Improving trajectory instrumental to RoA uptick**



Source: Company, Elara Securities Estimate

### Focus on high-yield products to aid margin expansion

UGRO's yield trajectory reflects a combination of product-mix evolution, risk-based pricing and data-driven underwriting, enabled by the scalability of its GRO-Score led credit framework. As the franchise has expanded across secured, unsecured and digital MSME segments, yields have emerged as a key indicator of pricing power and credit-risk differentiation. UGRO's product-level diversification ensures returns are aligned to the underlying risk, tenure and collateral profile of each segment, forming the foundation for its steadily improving blended portfolio yield.

Portfolio yields strengthened steadily from 14.3% in FY22 to 17.5% in Q2FY26, supported by a rising contribution from high-yield products such as emerging market loans, business loans and embedded finance. Risk-based pricing enabled through the GRO Score allows UGRO to differentiate customer segments more effectively, while repricing in a rising rate cycle supported by further yield accretion.

Even with deeper penetration into secured products such as prime secured and machinery loans, UGRO preserved pricing discipline, resulting in sustained yield expansion through FY24-26.

Overall, yield is supported by a well-balanced mix of secured and unsecured assets, spanning large-ticket and micro-ticket loans across both on-book and embedded digital channels. Yields have been structurally improving, driven by a deliberate shift toward higher-yielding emerging market and merchant/embedded finance products, strengthening UGRO's blended return profile and reinforcing margin resilience through sustained spread and NIM performance.

**Exhibit 46: Diversified yield exposure enable NIM uptick (as on Q2FY26)**

Product category	AUM (INR bn)	ROI (%)	Ticket size (INR mn)
Secured business loans	24.38	14.00	8.9
Business loans	26.43	18.60	2.0
Emerging market loans	29.97	18.70	1.7
Supply chain financing	1.93	15.40	1.6
Machinery loans	17.04	14.60	3.7
Partnerships & alliances	9.81	15.40	0.4
Embedded finance	12.7	26.00	0.1
<b>Total</b>	<b>122.26</b>	<b>17.50</b>	

Source: Company, Elara Securities Research

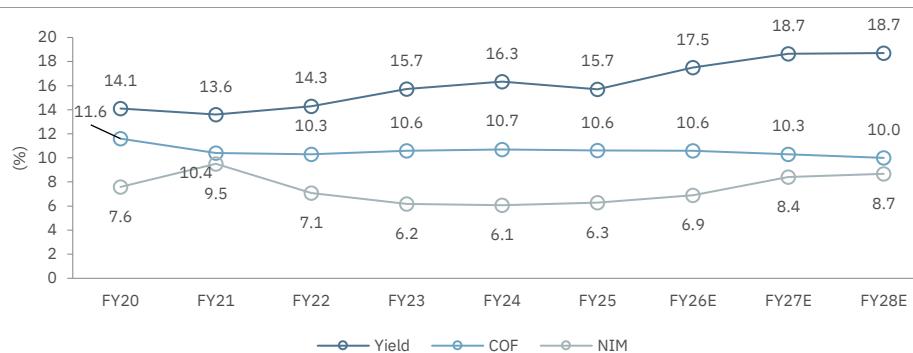
**NIMs poised to expand ~240bps in next two years**

NIM plus fee income serves as a comprehensive indicator of UGRO's earnings engine, capturing both on-book spread performance and the fee-based economics of its off-book, capital-light channels. The trend highlights UGRO's ability to balance portfolio mix with scalable fee-generating partnerships.

NIM + fees improved, driven by strong growth in high-yield and fee-accretive products, and by the rapid scale-up of co-lending and DA partnerships. The sustained performance reflects the resilience of UGRO's blended earnings model, combining stable NIM from on-book assets with meaningful fee income from off-book structures.

Margins are set to improve as CoF declines and the high-yield portfolio mix rises, driving an expected ~240bps NIM expansion to 8.7% by FY28E.

**Exhibit 47: Lower CoF and higher yields to support NIM expansion**



Source: Company, Elara Securities Estimate

### Leveraging branch & tech architecture & productivity to drive cost efficiencies

UGRO's operational efficiency metrics signal a clear shift toward cost rationalization and operating leverage as the franchise scales. The company's scaling has been accompanied by improvements in productivity metrics as upfront branch investments and full-fledged proprietary tech built are in order. The 300-branch network currently generates INR 5mn productivity, with potential to rise to INR 8-10mn in 6-8 quarters, implying disbursement monthly run-rate doubling from INR 1.5bn to INR 3bn. Future growth should be fueled by productivity gains from branch investments and operational efficiencies, driving cost savings.

While AUM per branch was high in the initial years due to a concentrated footprint and lower branch count (INR 956mn in FY20), the gradual expansion into newer markets naturally moderated productivity to ~INR 350mn in FY21 and FY22. However, as these newer branches ramped up sourcing capability and customer engagement, AUM per branch recovered meaningfully to ~INR 600mn in FY23 and FY24, before moderating to INR 511mn in FY25 on account of accelerated branch additions. AUM per employee demonstrates a similar trend, improving from INR 26.7mn in FY22 to INR 57.2mn in FY25, reflecting enhanced operational efficiency, better sourcing productivity, and process standardization.

#### Exhibit 48: Improving branch productivity with robust network built

Particulars (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
AUM	790	8,610	13,170	29,690	60,810	90,470	120,030
AUM/branch	87.8	956.7	387.4	326.3	620.5	603.1	510.8
AUM/employee	8.2	52.2	36.5	26.7	46.8	53.2	57.2

Source: Company, Elara Securities Research

The EM channel has become an increasingly important growth driver, contributing 25% to UGRO's total AUM in Q2FY26, up from 13% in FY24. Disbursements through EM branches reached INR 4.lbn in Q2FY26, reflecting strong traction. The newer branches have demonstrated faster maturity cycles and a large portion of the network sits in the INR 5-10mn bucket, where half the branches are profitable and expected to scale to INR 10mn within a year. Branches having productivity below INR 5mn per month are projected to reach INR 10mn in the next 18 months, underscoring strong ramp-up potential and strengthening operating leverage across the franchise.

#### Exhibit 49: Emerging market approaching steady-state efficiency

Branch productivity bucket	No. of branches (as of Q2FY26)	AUM (INR mn)	Yield (%)	GNPA (%)	Insights
Greater than INR 10mn per month	29	7,030	17.7	1.2	About 75% branches are profitable
Within INR 5mn to INR 10mn per month	86	10,050	18.6	1.9	Expected to reach productivity of INR 10mn in next 12 months; 50% branches are profitable
Less than INR 5mn per month	188	12,890	19.4	2.7	Expected to reach productivity of INR 10mn in next 18 months
<b>Overall</b>	<b>303</b>	<b>29,970</b>	<b>18.7</b>	<b>2.1</b>	

Source: Company, Elara Securities Research

#### Cost-to-income ratio set to dip in FY25-28E

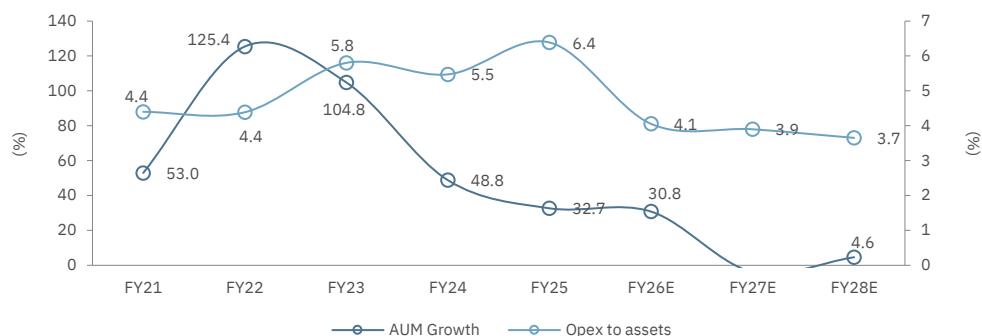
Cost-to-income, which peaked at 71.6% in FY22 during the heavy investment phase, has steadily improved to 56.8% in FY25 and is projected to decline to ~55% in FY26E and further to ~42% by FY28E. This sustained improvement reflects stronger income momentum, disciplined cost management, and deeper utilization of UGRO's fixed-cost infrastructure. Even as AUM growth moderates from the hyper-scaling years in FY22/23 to a more stable ~10% CAGR trajectory through FY25-28E, the maturing branch network, the run-down of non-profitable businesses leading to cost savings, tech-driven workflows and integration synergies are expected to drive meaningful operating leverage.

**Exhibit 50: Cost efficiency strengthening as AUM scales up**

Source: Company, Elara Securities Estimate

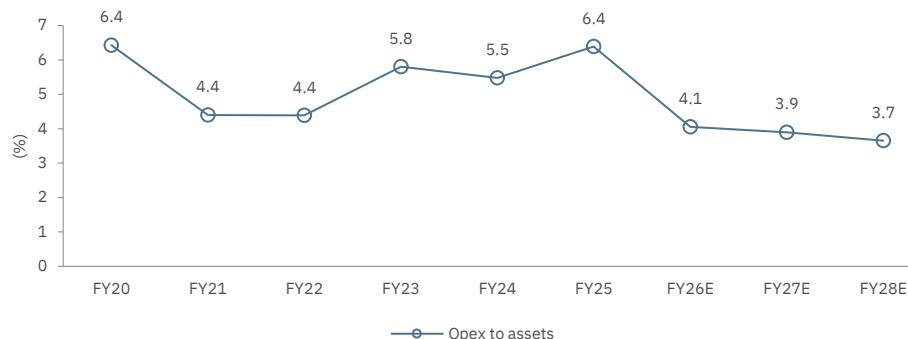
**Opex-to-assets set to decline 274bps through FY25-28E**

Opex-to-assets, which increased from 4.4% in FY22 to a peak of 6.4% in FY25 due to accelerated branch expansion, tech build-out and inorganic initiatives, is now entering a moderation cycle as the fixed-cost platform scales. Moreover, emerging market branch productivity to rise from INR 0.6L/month to INR 0.9L/month. More feet-on-street in high-potential branches by FY28. With AUM expected to scale >1.5x in the next two years, incremental productivity gains from the 300+ emerging branches, tighter cost discipline and consolidation of acquired platforms, we expect opex-to-assets to decline as meaningfully as 274bps from 6.4% FY25 to 3.7% in FY28E.

**Exhibit 51: Operating efficiency improves significantly as growth scales up**

Source: Company, Elara Securities Estimate

This steady downward glide path underscores the onset of operating leverage and supports a broader RoA expansion thesis.

**Exhibit 52: Gradual easing in opex-to-assets with productivity gains**

Source: Company, Elara Securities Estimate

### Cost efficiency through technology

All emerging-market branches are fully integrated into UGRO's real-time digital platform. From instant e-KYC to mobile-first servicing apps, the company ensures that loan approvals and disbursements happen within days, not weeks – an essential factor for businesses that cannot afford working capital delays.

Through the acquisition of MSL, UGRO has established an embedded finance platform that seamlessly integrates working capital solutions into merchants' daily workflows. This strategic acquisition has allowed UGRO to embed financing 'at the point of need,' transforming MSL into a powerful on-demand lending channel for micro-distributors, and small retailers across India. MSL's technology-first model taps directly into merchant transactions such as inventory purchases, point-of-sale data, and supplier invoices using proprietary APIs to assess creditworthiness in real-time. By embedding loan offers within existing enterprise resource planning (ERP) and payment applications that merchants already use, MSL eliminates the need for separate loan processes or paperwork. Traders simply receive a credit limit on their dashboard, draw down funds instantly, and repay automatically as they sell goods. This frictionless experience resonates deeply with small businesses that lack time, documentation, or appetite for traditional bank loans.

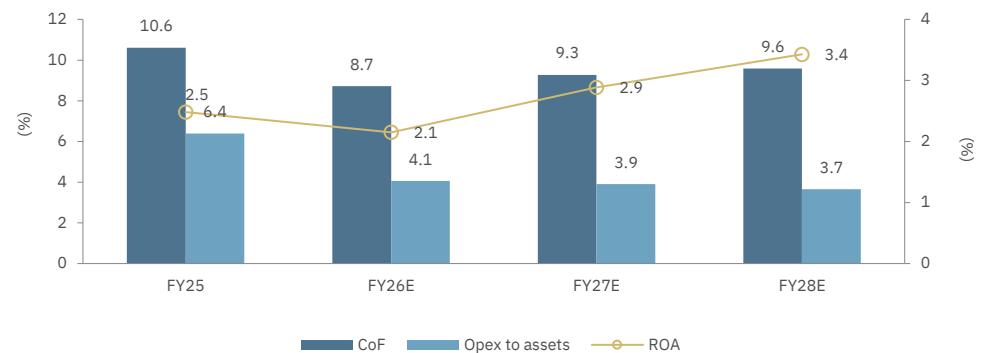
### Pivoting to scale down low-return, high-cost businesses

UGRO to prune non-profitable segments, optimize costs, and boost high yielding business segments. The existing prime and machinery AUM of INR 6.2bn will wind down, no fresh loans from Apr-26. As prime and machinery businesses wind down, high-yielding segments will gain share over 3 years. The company will focus on high yielding businesses of emerging market and embedded finance to boost cash RoA. Both these businesses are anticipated to contribute to approximately 85% of AUM over next three years. Amidst this ongoing exercise, certain costs tied to exit businesses will persist, declining with portfolio reduction. Said that, these costs should be offset by twin benefits driving RoA up; namely, (1) rise in productivity gains: Emerging Market branch productivity to rise from INR 0.6L/month to INR 0.9L/month, with more feet-on-street in high-potential branches by FY28 and growth in embedded finance business volumes driven by current partners and new ecosystems like Google, PayTM (2) reduction in opex: Anticipated INR 2.3bn cost reduction by Q1FY27 due to prime branch closures. On top of Profectus' INR 1.15bn cost cut, another INR 0.90-1bn to be slashed. (3) co-lending gains aiding current expenses: UGRO's 300+ branch expansion (FY22-25) hiked opex from INR 1.25bn to INR 4.37bn, funded by Co-Lending Income (INR 0.26bn to INR 3.82bn) limiting adverse impact on RoA.

### Course correction underway; drop in CoF and opex-assets to lift RoA

Elevated funding costs and high operational expenses are UGRO's Achilles' heel. UGRO's cost trajectory reflects the transition from a heavy investment phase to an operating-leverage phase. High-yielding biz (Emerging Market, Embedded Finance) hitting ~85% of AUM in 3 years should lift RoA. Moreover, the expected reduction in borrowing costs with replacement of high costs debts to lead to funding costs decline to the tune of 100-115bps over next three years. The combination of normalizing cost ratios and steady AUM expansion underpins UGRO's medium-term RoA and RoE improvement cycle.

As UGRO undertakes this course correction, we expect NIMs to improve by ~240bps to 8.7%, with opex-to-assets declining as high as ~274bps to settle at ~3.7%, driving RoA recovery from 2.5% (FY25) to 3.4% by FY28E, unlocking value.

**Exhibit 53: Reduction in operating and liability costs to drive RoA recovery**

Source: Company, Elara Securities Estimate

## Responsible lending to stabilize NPA trends

UGRO's data-tech powered credit assessment models have enabled it to keep NPAs below 2.5% in the past five years, despite market concerns on MSMEs' credit quality. Amidst market turbulence, UGRO has streamlined its portfolio, reducing riskier emerging market exposure and MFI adjacencies and growing tech-driven embedded finance businesses with daily payment collections focus.

## Stable asset quality supported by a data-driven risk framework

UGRO's asset quality performance is underpinned by a disciplined, technology-led credit framework, built on real-time data ingestion, automated bureau scrubs, and behavior-driven underwriting through the GRO score model. The risk management architecture integrates continuous portfolio surveillance, quarterly re-rating of customers, and a robust ECL framework, ensuring proactive identification of stress across borrower segments. This approach is reinforced by advanced analytics using GST filings, banking transactions and repayment behavior, enabling early-warning detection and granular borrower segmentation. As a result, asset quality has remained broadly stable despite rapid AUM growth and expansion into new MSME clusters.

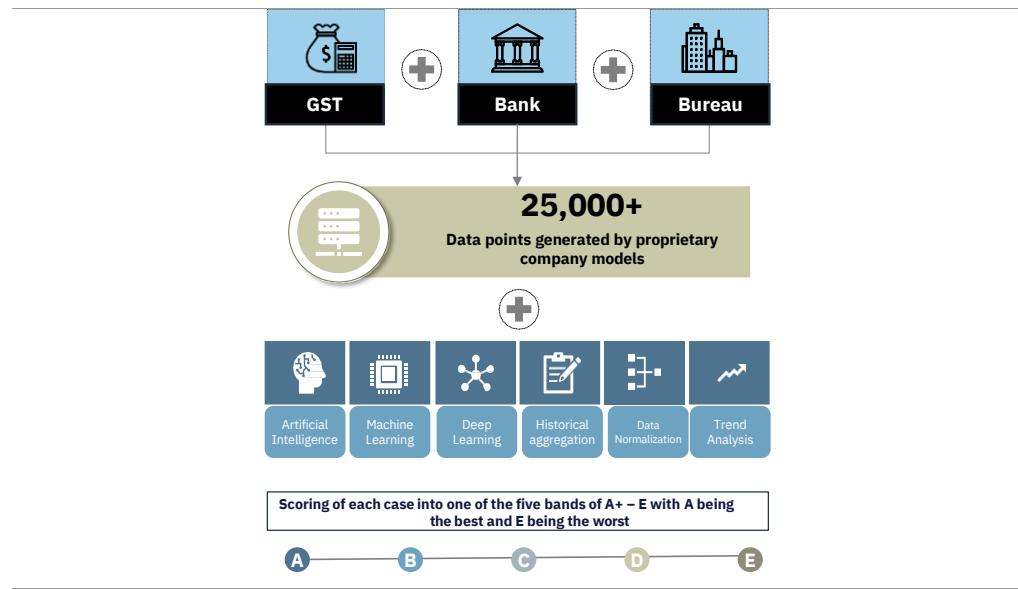
### #1: Tech-enabled risk management strengthening asset quality

UGRO's GRO Score, a patented credit-scoring engine, is revolutionising MSME finance by leveraging alternate data and analytics. From its inception in 2022, GRO Score has evolved through three major iterations, each integrating richer data streams and more sophisticated algorithms. Today, GRO Score 3.0 ingests and processes millions of data points— over 0.56mn credit bureau records, 0.23mn bank statements, and 80,000 GST filings – to build a nuanced risk profile for each borrower. In practical terms, this enables UGRO to underwrite loans in under 48 hours, compared with the weeks-long cycles of traditional banks, unlocking vital working capital for MSMEs at the very moment they need it most. Behind these capabilities lies a rigorous methodology. Our data science team employs machine-learning models that weigh variables such as payment patterns, cash-flow consistency, supplier relationships, and even e-commerce transaction histories. By calibrating thousands of parameters against actual repayment behaviours, the GRO Score achieves high predictive accuracy, even as we expand into new, lesscharted markets.

### #2: Advanced use of varied alternate data sources with scoring

UGRO's underwriting engine leverages a deep alternate-data framework that integrates GST filings, banking behaviour and bureau records, enabling a 360-degree assessment of MSME repayment capacity. The system generates >25,000 data points, using proprietary AI/ML models, drawing from parameters such as turnover intensity, cheque bounce patterns, credit utilization, sales consistency and counterparty strength. These data layers are processed through advanced techniques, including artificial intelligence, machine learning, deep learning, historical aggregation and normalization, to score borrowers into granular bands from A+ (best) to E (worst). This multi-dimensional approach allows UGRO to evaluate real cashflow behaviour rather than relying on conventional collateral or static financial statements.

Exhibit 54: Diverse alternate data leveraged through robust scoring

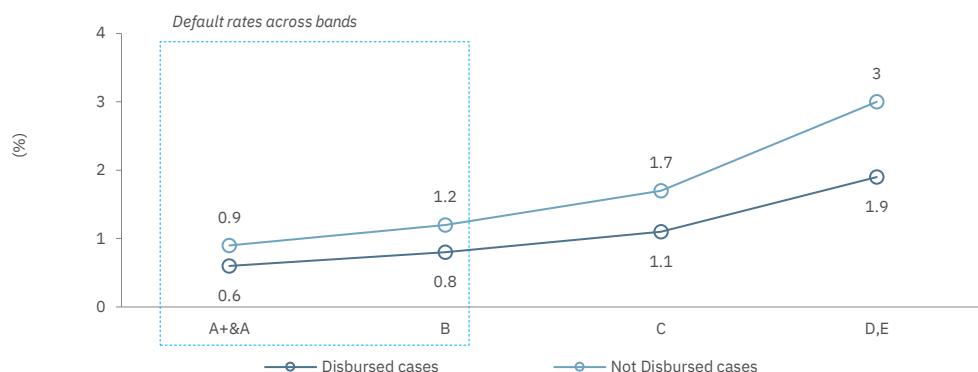


Source: Company, Elara Securities Research

### #3: Selecting quality credit through high-score bands

The depth of UGRO's data-driven credit model enables precise filtering of borrower segments and accurate prediction of default probabilities. By combining bureau, banking and GST signals, the system can identify patterns that indicate business stability, liquidity strength and stress behaviour, leading to more selective origination. Exhibit 41 shows that A and A+ rated borrowers exhibit default rates as low as 0.6-0.9%, while weaker segments (C, D/E) naturally display higher loss expectations. Importantly, most of UGRO's disbursements are made to the higher-quality A+, A and B bands, reflecting disciplined portfolio construction and risk-calibrated growth rather than volume-led underwriting.

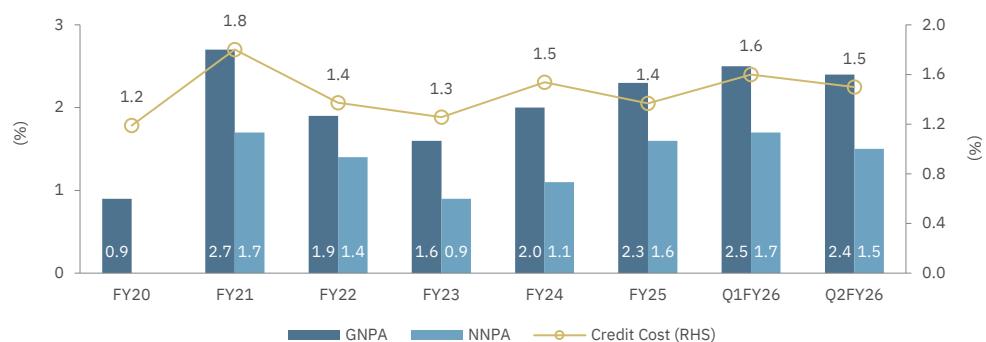
Exhibit 55: Most disbursements skewed toward A+ and A profiles



Source: Company, Elara Securities Research

### Ensuring sustained asset quality stability

UGRO's technology-first underwriting translates directly into stable and predictable asset-quality outcomes. Through FY22-Q2FY26, UGRO has maintained GNPA consistently in the 1.6-2.4% range and NNPA within 0.9-1.7%, despite rapid AUM expansion across diverse MSME segments. Credit costs have also remained controlled at 1.0%-1.6%, demonstrating the effectiveness of the GRO Score risk-selection model in filtering high-quality borrowers and mitigating stress. This consistency validates UGRO's DataTech-led approach, where real-time alternate-data analysis, score-based decisions and portfolio discipline together deliver strong asset-quality resilience through different operating environments.

**Exhibit 56: Asset quality challenges remain under control**

Source: Company, Elara Securities Research

**Calibrated risk reward reflected in product-level GNPA trends**

UGRO's product-wise GNPA trends highlight differentiated credit behavior across segments, reflecting the underlying borrower profiles, ticket sizes and cash-flow patterns. Secured business loans continue to exhibit the strongest asset quality, with GNPA largely contained within 0.5-0.9%, supported by collateral coverage, longer-tenure structures and more formalized borrower profiles. Machinery loans remain similarly stable at 1.3-2.0%, consistent with their asset-backed nature and medium-sized operating borrowers. In contrast, business loans (unsecured working-capital facilities) naturally show higher GNPA in the 3.0-4.6% range, driven by shorter tenures and cash-flow sensitivity in micro and small enterprises.

Emerging market loans, added more recently, have normalized to ~2.1-2.6%, improving from initial onboarding volatility. Partnerships and alliances show rising stress in recent quarters (0.6-1.1%) as the FLDG-heavy model reduced. Embedded finance generally remains sub-1%, but with expected volatility due to micro-ticket exposure. The stress pockets were most visible in supply chain financing (SCF), where GNPA escalated from 2.6% to 24.2% over the period, prompting a strategic decision to run down the lower-yielding SCF book, alongside tighter underwriting and portfolio recalibration to contain further slippages. Overall, the product-level GNPA distribution reflects UGRO's calibrated risk-reward pricing, tighter underwriting and ongoing diversification of its MSME franchise.

**Exhibit 57: Unsecured MSME segments drive GNPA volatility; secured books show stability**

Product category (%)	FY23	FY24	FY25	Q1FY26	Q2FY26
Secured Business Loan - Prime	0.8	0.5	0.6	0.9	0.8
Business loans	2.9	3.4	4.0	4.6	3.9
Loan Against Property - EM	0.6	2.6	2.6	2.1	2.1
Supply Chain Financing	2.8	4.2	14.6	18.5	24.2
Machinery Loan	0.2	0.9	1.3	2.0	1.8
Partnerships & Alliances	1.3	0.6	0.7	1.0	1.1
Embedded Finance	0.0	0.0	0.2	0.2	1.3

Source: Company, Elara Securities Research

**NPA to stabilize at ~2.7% by FY28E**

UGRO has demonstrated stable asset quality with GNPA levels largely contained within 1.6%-2.4% in FY23-Q2FY26, despite strong disbursal momentum and product diversification. GNPA increased modestly from 1.6% in FY23 to 2.4% in Q2FY26, reflecting normalization from a low base and selective stress emerging in small-ticket MSME segments. NNPA trends have remained well-managed between 0.9% and 1.6%, supported by consistent Stage 3 provisioning of ~47-49%.

Stage distribution has remained healthy, with Stage 1 assets consistently above ~93-95%, while Stage 2 exposures have been stable at 3-5%, and Stage 3 exposures broadly around 2.0-2.5%. The increase in absolute GNPA in FY24-26E reflects growth in the on-book portfolio rather than deterioration in asset quality ratios.

**Exhibit 58: Asset quality stable across buckets**

ECL data	FY21	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
<b>Loan exposure (INR mn)</b>							
Stage 1	12,497	28,417	58,440	85,090	111,350	111,700	114,090
Stage 2	369	339	1,380	3,550	5,880	6,100	5,290
Stage 3	303	565	990	1,830	2,800	3,010	2,890
<b>Loan exposure (%)</b>							
Stage 1	94.9	96.4	96.1	94.1	92.8	92.5	93.3
Stage 2	2.8	1.2	2.3	3.9	4.9	5.1	4.3
Stage 3	2.7	1.9	1.6	2.0	2.3	2.5	2.4

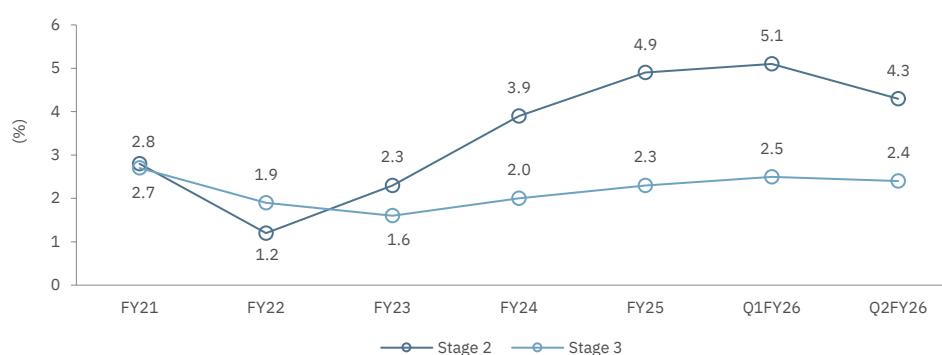
Source: Company, Elara Securities Research

**Moderation in Stage 2, stability in Stage 3; improved risk containment**

Stage 2 assets have shown some cyclical but remain within a manageable band for a granular MSME portfolio. Stage 2 levels stabilised at ~2-3% through most of FY23-24, reflecting steady behavioural performance in the early-delinquency buckets. A gradual uptick is visible through FY25, with Stage 2 rising to 4.9%, driven by softer collections in certain unsecured and emerging-market cohorts amid macro pressures. However, the latest quarter (Q2FY26) exhibited moderation to 4.3%, indicating improving forward buckets and effective early-warning interventions. Overall, the Stage 2 trajectory reflects typical volatility for MSME borrowers but remains well-controlled through active monitoring, data-led re-rating and prompt roll-back strategies.

Stage 3 ratios have held steady at ~2% through FY21-25, despite strong AUM growth and expansion into new MSME clusters. The recent print of 2.4-2.5% in Q1-Q2FY26 represents only mild normalisation and remains well within the expected band for UGRO's diversified portfolio mix. Consistently high collection efficiency, strong recoveries, and a stable 47-49% PCR have anchored Stage 3 outcomes, enabling UGRO to absorb episodic stress in certain segments while maintaining portfolio stability.

We expect NPA to stabilize at ~2.7% and credit costs at 1.7% by FY28E.

**Exhibit 59: Gradual uptick in Stage-2 while Stage-3 stays within controlled range**

Source: Company, Elara Securities Research

**Exhibit 60: Consistent credit performance supports sustainable AUM growth**

Source: Company, Elara Securities Estimate

**Collection efficiency best-in-class; cognizance of current headwinds**

Collection efficiency (CE) has remained consistently high, fluctuating within the 93-100% band in the past four years, underscoring UGRO's strong recovery architecture, behavioural analytics and early-warning mechanisms. CE improved materially from ~91-93% in FY21-22 to ~96-99% through FY23-24, with Q2FY26 touching 100%, reflecting both borrower quality and investments in digital repayment infrastructure. High CE levels across cycles have been instrumental in containing delinquency slippages, maintaining Stage 1 assets at ~93-95%, and supporting stable GNPA outcomes even as UGRO expanded into smaller-ticket digital and emerging-market segments. The sustained performance highlights the effectiveness of UGRO's collections strategy, anchored by hyperlocal teams, automated reminders, risk scoring and data-led bucket management.

**Exhibit 61: Collection efficiency rebounds to peak levels**

Source: Company, Elara Securities Research

**Expect credit costs to normalize at 1.7% by FY28E**

PCR has remained consistently robust within 47-49%, indicating conservative provisioning on defaulted assets despite portfolio growth. This stability demonstrates disciplined adherence to UGRO's ECL framework, supported by granular PD/LGD modelling, quarterly re-rating of borrowers and strong recoveries. The provisioning cushion allows UGRO to absorb episodic volatility, especially in unsecured and emerging segments without disproportionate P&L impact. PCR stability also indicates that the rise in absolute GNPA over time is primarily a function of AUM expansion rather than weakening asset quality, confirming that UGRO is provisioning in line with risk upgrades and maintaining healthy coverage on impaired assets.

UGRO's credit costs have remained broadly stable over time, reflecting disciplined underwriting and steady portfolio behavior. After stabilizing at 1.2% in FY20, credit costs rose to ~1.8% in FY21 amid stress in select unsecured and small-ticket MSME segments but subsequently eased as collections strengthened and recoveries improved. With credit costs settling at ~1.4-1.5% through FY24-25, slippage appears well-contained despite higher AUM levels. The trend reinforces that UGRO's credit costs are tracked within the steady-state band, typical for a granular, multi-segment MSME portfolio.

Amidst market turbulence, UGRO has streamlined its portfolio, reducing riskier emerging market exposure and MFI adjacencies and growing embedded finance businesses with daily payment collections focus. We expect NPA to stabilize at ~2.7% and credit costs at 1.7% by FY28E.

**Exhibit 62: Expect credit costs to stabilize at 1.7% levels**



Source: Company, Elara Securities Estimate

## Valuations and Recommendation

- ▶ Unique MSME finance model, with technology + diversification
- ▶ Shifting gears towards profitable growth; Initiate with BUY and a TP of INR 226
- ▶ Key risks are funding access and CoF risk in tight liquidity cycles

### Unique MSME finance model, with technology+ diversification

UGRO's unique MSME finance model combines tech and diversification. Its business model is distinct in prioritizing customer needs and segment expertise over product focus. It targets MSMEs with INR 2mn-150mn turnover, offering secured LAP, machinery loans, and unsecured/tech-enabled loans, capping unsecured AUM at <30%. UGRO focuses on chosen segments, with yield bands aligned to risk profiles, led by data science and tech driving a consistent business model, resilient across cycles. Focus on diversified product offering in prime and emerging markets offsets monoline business risks.

### Two-pronged profitability approach to aid a turnaround in RoA

**UGRO is on the verge of a turnaround, having established significant scale via its tech-driven MSME financing model, despite facing challenges related to costs and liabilities.** With right acquisitions on NBFC-fintech side and establishing synergies and upfronting investments in network and capabilities, the time is ripe for UGRO to position itself firmly in the NBFC-MSME financing market.

We offer parallel comparisons of some large takeovers and/or rechristening of certain businesses:

- ▶ Piramal Group's acquisition of DHFL's home loan portfolio
- ▶ Poonawala acquiring Magma Fincorp
- ▶ IHFL rechristened into Sammaan Capital

### 1. Piramal Group's acquisition of DHFL's home loan portfolio

#### Strengthening retail presence through strategic DHFL integration

PIEL's acquisition of DHFL was a pivotal step in its shift from wholesale real estate lending to a retail-focused financial services model. DHFL, which had collapsed due to governance lapses, related-party transactions, and severe liquidity stress after the IL&FS crisis, offered Piramal a rare opportunity to fast-track its retail expansion. Instead of spending years building a branch network, customer base, and affordable housing capabilities, Piramal gained immediate access to ~1mn borrowers, 300+ branches, specialized underwriting skills, and deep reach across tier 2/3 markets. This helped bridge Piramal's retail deficit and provided a ready framework to scale housing finance, MSME, and other small-ticket lending businesses.

#### Exhibit 63: Transaction details

Item	Details
Acquirer / target	PIEL (Piramal) acquired DHFL under IBC; DHFL became a 100% subsidiary.
Total consideration	<b>INR 342.5bn</b> (INR 147bn cash + INR 195.5bn NCDs at 6.75%).
Additional creditor receipts	INR 38.1bn from DHFL's existing cash reserves.
Assets acquired	Full retail & wholesale loan book; 301 branches in 24 states; 1mn+ customers; affordable housing portfolio; 2,338 employees; full tech & operating infrastructure.
Creditor & regulatory approvals	>70,000 creditors; 94% CoC approval; approvals from RBI, CCI, and NCLT.
Timeline	CoC approval: Jan 2021; deal closure: Sep 29, 2021; reverse merger effective: 30 Sep 2021.

Source: Company, Elara Securities Research

#### Operational gains and retail scale-up following DHFL integration

Post-merger, Piramal rapidly expanded its distribution footprint to 423 branches and increased the retail mix of its AUM from 11% in June 2021 to 55% by June 2023, with total AUM rising to INR 639.38bn. Integration benefits were visible through improved asset quality. GNPA fell from 6.6% to 2.3% and credit costs stabilized after the initial clean-up. The unified "Piramal Finance" platform, combined with digital origination and better liability management, also reduced the cost of funds from ~10.5% to <9.5%. The DHFL acquisition accelerated Piramal's transformation into a diversified retail lender and demonstrated how a targeted resolution-led acquisition can drive long-term strategic value.

## 2. Poonawalla acquiring Magma Fincorp:

### Strategic rationale and entry into retail NBFC through magma acquisition

The Poonawalla Group's acquisition of Magma Fincorp in FY21 marked a major strategic entry into India's retail NBFC space at a time when Magma was struggling with weak asset quality, limited capital access, and pandemic-led disruptions. The deal offered the Poonawalla Group an immediate platform with +INR 150bn loan book, 290+ branches, and a strong customer base across semi-urban and rural markets, capabilities that would have taken years to build organically. Supported by an INR 34.56bn capital infusion, the acquisition strengthened the balance sheet, improved ratings, lowered the cost of funds, and provided regulatory licenses, distribution reach, and deep expertise in vehicle finance, affordable housing, SME loans, and rural lending.

### Exhibit 64: Transaction details

Item	Details
Acquirer / target	Rising Sun Holdings (Poonawalla Group) acquired Magma Fincorp (now Poonawalla Fincorp).
Deal value & structure	INR 34.56bn preferential allotment; 458mn shares; 60% stake; open offer for up to 26%.
Scope of acquisition	Vehicle & used vehicle finance, affordable housing, SME & equipment loans, Magma HDI (insurance JV).
Scale at acquisition	21 states; ~298 branches; 5mn+ customers; ~INR 150bn AUM.
Approvals required	Shareholders; RBI; IRDAI (insurance); CCI.
Timeline	Announcement: Feb 2021; Approvals: Apr 2021; Close: Q2FY22; rebranding & management transition post-deal.

Source: Company, Elara Securities Research

### Post-acquisition transformation and strengthening of business performance

Post-acquisition, the combined entity has undergone a complete strategic and operational transformation. Poonawalla Fincorp's AUM grew sharply from ~INR 160bn in FY21 to INR 477bn in Q2FY26, supported by a shift toward a more diversified retail mix across MSME, LAP, and consumer lending. Asset quality improved significantly with GNPA reducing to 1.59% and NNPA to 0.81%, while profitability strengthened on the back of better underwriting, a higher PCR, and lower funding costs of 7.69%. The company now operates 300+ branches and is expanding aggressively, supported by strong digital investments, including 45+ AI-led initiatives to improve origination, efficiency, and risk management. Overall, the Magma acquisition enabled the Poonawalla Group to rapidly scale into a high-quality, nationwide retail NBFC with stronger governance, improved financial performance, and a well-diversified growth strategy.

## 3. IHFL rechristened into Sammaan Capital

### Strategic transformation and repositioning of Sammaan Capital

Sammaan Capital (formerly Indiabulls Housing Finance) is undergoing a major transformation following years of governance concerns, liquidity stress post-IL&FS, and high exposure to wholesale real estate loans. The rebranding to Sammaan Capital, along with promoter exit and a newly appointed independent board, marks a decisive shift toward a professionally governed, retail-focused institution. The company aims to rebuild credibility, strengthen governance, and realign its business model toward affordable housing and MSME mortgage lending. The entry of International Holding Company (IHC) as a strategic investor further accelerates this shift, bringing renewed institutional confidence, modernizing capabilities, and supporting a clean break from legacy challenges that had weighed on performance and fundraising

### Impact of IHC investment and long-term strategic outlook

IHC's landmark INR 88.5bn investment—one of the largest primary capital infusions into an Indian NBFC—positions it as the controlling shareholder and sets the foundation for a scaled turnaround. The capital infusion significantly strengthens net worth, reduces leverage, and is expected to improve credit ratings, helping lower borrowing costs by 80-150bps. With better governance, fresh capital, and planned digital upgrades, Sammaan Capital is targeting higher NIMs, improved profitability (ROE of 15-18%), and AUM expansion to INR 850-900bn by FY27. The investment enables a structured, three-phase transition: near-term stabilization, medium-term value creation, and long-term consolidation as a leading affordable housing finance player, positioning Sammaan Capital for consistent growth within India's rapidly expanding retail credit segment.

### RoA trajectory set to improve; cash RoAs to get a boost

UGRO aims for a strong balance sheet, with equity cushion for growth and diversified liabilities for cost-effective funding. With capital adequacy ratio (CAR) comfortably above 20%, leverage around 3.4x, and credit costs guided at ~1.7%, UGRO is well-positioned to seize emerging opportunities in MSME lending, garnering confidence of rating agencies.

With a two-pronged approach towards RoA recovery, UGRO has been correcting deficiencies by focusing on improving its cost of liabilities and operating efficiency. With historically high funding costs acting as its Achilles' heel, UGRO is now strengthening its liability profile through a larger equity base, increased low-cost off-book sourcing (now ~43% of AUM), and a diversified lender network of 60+ institutions. The planned DFI and ECB borrowings, along with expected rating upgrades, position UGRO for a meaningful ~60bps reduction in CoF in FY25-28E, supporting expansion in NIM.

In parallel, UGRO's upfront investments in technology, underwriting architecture, and infrastructure have created a scalable platform that is now approaching operating leverage. Together, these improvements in liabilities and opex form the core of UGRO's profitability turnaround narrative. As growth accelerates, with AUM addition of ~INR 35bn in FY26E and rising productivity, cost savings on run-down business verticals, opex-to-assets is set to decline to ~3.7% by FY28E, driving RoAs to a trajectory closer to 3.4%+ levels by FY28E.

### Exhibit 65: Dupont analysis – RoA poised to climb from 2.5% in FY25 to 3.4% in FY28E

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	9.2	13.6	14.3	15.7	16.3	15.7	17.5	18.7	18.7
Interest Expense	1.6	4.1	7.2	9.5	10.3	9.4	10.6	10.7	10.0
<b>Net Interest income</b>	<b>7.6</b>	<b>9.5</b>	<b>7.1</b>	<b>6.2</b>	<b>6.1</b>	<b>6.3</b>	<b>6.9</b>	<b>7.9</b>	<b>8.7</b>
Other Income	3.0	0.5	2.1	6.5	8.7	5.6	5.5	2.9	2.8
<b>Total Income</b>	<b>10.6</b>	<b>10.0</b>	<b>9.2</b>	<b>12.7</b>	<b>14.8</b>	<b>11.9</b>	<b>10.0</b>	<b>10.9</b>	<b>11.5</b>
<b>Opex</b>	<b>9.0</b>	<b>7.1</b>	<b>6.6</b>	<b>8.1</b>	<b>8.0</b>	<b>6.7</b>	<b>5.5</b>	<b>5.2</b>	<b>4.9</b>
Staff	5.5	4.2	3.8	4.6	4.2	4.0	3.1	2.7	2.5
Other Opex	3.6	2.9	2.7	3.6	3.7	2.7	2.4	2.5	2.4
<b>Pre-Provisioning Profit</b>	<b>1.6</b>	<b>2.9</b>	<b>2.6</b>	<b>4.6</b>	<b>6.8</b>	<b>5.1</b>	<b>4.5</b>	<b>5.7</b>	<b>6.6</b>
<b>Provisions</b>	<b>1.2</b>	<b>1.8</b>	<b>1.5</b>	<b>1.8</b>	<b>2.7</b>	<b>2.1</b>	<b>2.2</b>	<b>2.5</b>	<b>2.6</b>
<b>PBT</b>	<b>0.4</b>	<b>1.1</b>	<b>1.1</b>	<b>2.7</b>	<b>4.1</b>	<b>3.0</b>	<b>2.3</b>	<b>3.2</b>	<b>4.0</b>
Tax	(1.9)	(1.5)	0.3	1.4	1.4	0.8	0.7	0.8	1.0
<b>PAT (RoA)</b>	<b>2.3</b>	<b>2.6</b>	<b>0.8</b>	<b>1.3</b>	<b>2.8</b>	<b>2.5</b>	<b>2.1</b>	<b>2.9</b>	<b>3.4</b>
Leverage	0.3	0.6	1.9	2.7	3.4	3.5	3.6	3.5	3.4
<b>RoE</b>	<b>2.1</b>	<b>3.1</b>	<b>1.5</b>	<b>4.1</b>	<b>9.9</b>	<b>11.2</b>	<b>6.3</b>	<b>7.9</b>	<b>10.2</b>

Source: Company, Elara Securities Estimate

### Shifting gears towards a profitable growth story

UGRO's pivoting to strengthen profitable businesses, scaling back low-yield ones. Branch wind-downs + upfront investments = near-term cost savings. Some costs tied to exited businesses will linger, decreasing with portfolio reduction. However, twin benefits should offset these costs and boost RoA:

- 1. Productivity gains:** Emerging Market branch productivity to rise from INR 0.6L/month to INR 0.9L/month by FY28, and embedded finance volumes to grow via partners like Google, PayTM.
- 2. Opex reduction:** INR 2.3bn cost cut by Q1FY27 (prime branch closures), including INR 1.15bn (Profectus) + INR 0.9-1bn more cuts.

UGRO's past expansion (300+ branches, FY22-25) saw opex rise (INR 1.25bn to INR 4.37bn), funded by co-lending income (INR 0.26bn to INR 3.82bn). The upfront branch/tech costs over 3 years stood rightly offset by upfront co-lending income, given the higher off-book share in the same periods. With the investment period standing largely behind, upfront co-lending income to reduce as UGRO shifts to high-yield assets, boosting earnings quality. With high-yielding businesses (Emerging Market Embedded Finance) expected to contribute ~85% of AUM in 3 years and anticipation of decline of 100-

115bps of borrowing costs, cash ROA should get a boost, pushing return metrics towards desirable levels.

### Initiate with Buy

UGRO, a private-equity-supported MSME lender, sets itself apart with a best-in-class tech platform, driving a robust AUM CAGR of 69% for the past five years. The stock is trading at a sub-book 0.8x FY27E P/ABV, and we expect RoA recovery to trigger a multiple re-rating. Three catalysts are set to unlock UGRO's value and lift RoA: 1) liability repricing, 2) cost optimization, and 3) growth spurred by an imminent ratings upgrade, backed by upfront branch-and-tech spend and strategic acquisitions. We anticipate RoA to recover from 2.5% in FY25 to 3.4% by FY28E.

UGRO is set to deliver a strong earnings trajectory in the MSME NBFC space, with PAT expected to compound at ~16% CAGR in FY25-28E, driven by expanding NIMs, operating leverage, and improving credit outcomes. As operating efficiencies kick in and cost of funds moderates, we forecast RoA to rise durably to ~3.4% and RoE to improve to ~10.2% in FY28E, marking a decisive turnaround from the current profitability base.

**Strategic hibernation ends, future mispriced:** Key strategic initiatives of leadership alignment, strengthened liabilities, tech-driven cost optimization and inorganic business expansion are set to fuel UGRO's resurgence. We expect a 60bps drop in CoF, ~274bps dip in opex-to-assets and credit costs to stabilize at 1.7% translating into 5% BV CAGR and 40% EPS CAGR in FY26-28E.

### Exhibit 66: Financial summary

Particulars (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM	8,610	13,170	29,690	60,810	90,470	1,20,030	1,57,000	1,51,000	1,58,000
YoY growth		53.0	125.4	104.8	48.8	32.7	30.8	(3.8)	4.6
NII	652	1,036	1,348	1,896	2,617	5,487	4,328	7,477	8,666
YoY growth %		58.8	30.2	40.7	38.0	109.7	(21.1)	72.7	15.9
OPEX	779	770	1,253	2,499	3,437	5,896	5,314	4,894	4,848
YoY growth %		(1.1)	62.6	99.5	37.6	71.5	(9.9)	(7.9)	(0.9)
PROVISIONS	102	196	294	568	1,163	1,850	2,159	2,360	2,586
YoY growth %		91.7	50.0	93.1	104.7	59.1	16.7	9.3	9.6
PAT	195	287	145	398	1,193	1,956	1,541	2,226	3,024
YoY growth %		47.2	(49.4)	173.7	200.0	63.9	(21.2)	44.4	35.9
NET WORTH	9,215	9,524	9,666	9,840	14,384	20,461	28,484	28,110	31,134
YoY growth %		3.4	1.5	1.8	46.2	42.3	39.2	(1.3)	10.8
EPS (INR)	3	4	2	6	13	21	10	14	20
YoY growth %		47.2	(49.4)	178.6	127.1	63.2	(53.2)	44.4	35.9
BOOK VALUE (INR)	131	135	137	142	157	223	184	182	201
YoY growth %		3.4	1.4	3.6	10.6	41.7	(17.3)	(1.3)	10.8

Source: Company, Elara Securities Estimate

With a data-driven, customer-focused strategy and diversified product offering, UGRO is steadily establishing itself in the vast MSME financing market (USD 865bn), serving varied risk profiles across prime and emerging segments. Upfront investments in branch and tech architecture are yielding productivity gains. Inorganic moves (MyShubhLife and Profectus Capital acquisitions) are expanding UGRO's scale, underpinning a 10% AUM CAGR FY25-28E and 40% EPS CAGR in FY26E-28E. As distribution setup expenses normalize and acquisitions drive economies of scale, with an impending ratings upgrade, we anticipate RoA to recover from 2.5% in FY25 to 3.4% by FY28E. The stock is trading at a sub-book 0.8x FY27E P/ABV, yet the heavy lifting of the past five years — upfronting costs, disciplined growth and a solid balance-sheet — positions UGRO for a RoA lift that should spark a valuation re-rating. We initiate with a BUY and a TP of INR 185, on 1.0x FY27E P/ABV.

We initiate with BUY for a TP of INR 226, on 1.1x FY27E BV.

**Exhibit 67: UGRO – Initiate with Buy for a TP of INR 226**

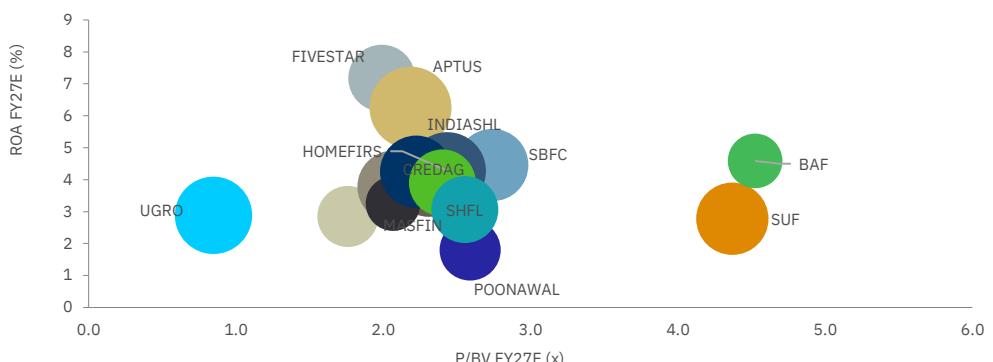
Fair price - EVA (INR)	38
Fair price - P/ABV (INR)	414
<b>Target price (INR)</b>	<b>226</b>
Target P/ABV (x)	1.2
Target P/E (x)	15.7
CMP (INR)	162
<b>Upside (%)</b>	<b>39.6</b>

Note: Pricing as on 06 February 2026; Source: Elara Securities Estimate

**UGRO trades at rock-bottom valuations**

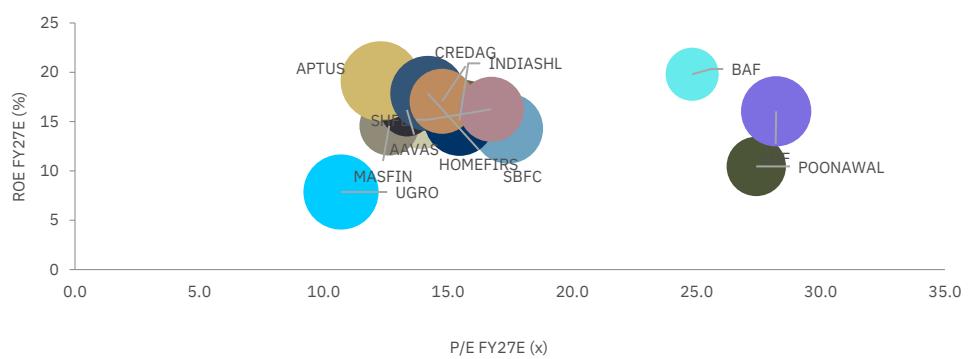
UGRO stands out as one of the most undervalued names within the peer set, trading at ~0.8x FY27E P/BV, which represents rock-bottom valuations relative to peers that typically command 2.0-3.0x P/BV. This deep discount persists despite UGRO being at a clear operating inflection point, with FY27E RoA of ~2.9% and a visible trajectory toward ~3.4%, broadly comparable to or better than several higher-valued franchises. The valuation gap therefore appears disconnected from underlying profitability potential, suggesting significant scope for re-rating as returns normalize and the turnaround narrative gains traction.

**Exhibit 68: UGRO at an inflection point; set to catapult RoA to ~3.4%+ levels but trades below BV**



Source: Company, Elara Securities Estimate, Bloomberg

**Exhibit 69: RoE set to rise to ~10.3%+ by FY27E levels but to trade cheap**



Source: Company, Elara Securities Estimate, Bloomberg

**Key risks (downside/upside)**

- ▶ Funding access and CoF risk in tight liquidity cycles
- ▶ Asset-quality sensitivity in granular MSME loans
- ▶ Execution and integration risks

**Exhibit 70: UGRO poised for a turnaround, trades at rock-bottom valuations –**

Name of company	Bloomberg Code	Rating	M Cap (INR bn)	TP (INR)	CMP (INR)	Upside (%)	ROA (%)				ROE (%)				P/BV (x)			
							FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Bajaj Finance	BAF IN	Accumulate	5779	1129	935	20.7	5.0	4.5	4.6	4.6	20.8	18.9	19.8	19.8	6.1	5.5	4.5	3.7
Shriram Finance	SHFL IN	Accumulate	1913	801	1019	(21.4)	3.7	3.1	3.1	3.0	18.6	15.9	16.3	16.5	2.1	3.9	3.4	2.9
Sundaram Finance*	SUF IN	Not Rated	583	-	5242	-	2.8	2.8	2.8	2.9	15.0	15.9	16.0	16.2	4.5	5.0	4.4	3.7
Poonawalla Fincorp*	POONAWAL IN	Not Rated	330	-	406	-	(0.3)	1.0	1.8	2.0	(1.2)	5.3	10.5	12.9	3.3	3.2	2.6	2.3
Aadhar Housing Finance	AADHARHF IN	Accumulate	206	550	476	15.7	3.9	4.3	3.9	3.5	16.9	17.4	15.9	14.8	2.9	2.7	2.3	2.0
CreditAccess Grameen	CREDAG IN	Accumulate	208	1590	1292	23.0	1.7	1.7	3.9	4.0	7.9	7.4	17.1	17.3	2.2	2.9	2.4	2.0
Capri Global Capital*	CGCL IN	Not Rated	169	-	176	-	2.7	3.4	3.8	4.0	11.8	14.7	15.8	18.1	3.3	2.4	2.1	1.8
Five-Star Business Finance*	FIVESTAR IN	Not Rated	148	-	501	-	8.2	7.4	7.2	7.0	18.7	16.7	16.7	16.8	3.3	2.0	1.7	1.4
Aptus Value Housing Finance India	APKTUS IN	Buy	137	439	273	60.7	6.7	6.6	6.3	5.8	18.6	19.6	19.1	18.5	3.5	2.7	2.2	1.8
Aavas Financiers	AAVAS IN	Accumulate	119	1832	1493	22.7	2.7	2.8	3.3	3.3	14.1	14.2	16.2	16.3	3.8	2.4	2.1	1.8
Home First Finance Company India	HOMEFIRS IN	Accumulate	124	1353	1191	13.6	3.4	3.9	4.3	4.4	16.5	17.6	17.9	18.6	3.5	2.9	2.4	2.0
SBFC Finance*	SBFC IN	Not Rated	97	-	89	-	4.4	4.5	4.4	4.4	11.6	13.2	14.3	15.3	3.1	2.7	2.4	2.0
India Shelter Finance Corporation	INDIASHL IN	Accumulate	82	1002	751	33.4	4.9	5.2	4.3	4.2	15.1	17.0	15.1	15.8	3.2	2.6	2.2	1.9
MAS Financial Services *	MASFIN IN	Not Rated	58	-	317	-	2.9	2.9	2.9	2.9	14.1	13.5	14.5	15.1	1.8	2.0	1.8	1.6
<b>Ugro Capital</b>	<b>UGRO IN</b>	<b>Buy</b>	<b>21</b>	<b>226</b>	<b>155</b>	<b>45</b>	<b>2.5</b>	<b>2.1</b>	<b>2.9</b>	<b>3.4</b>	<b>11.2</b>	<b>6.3</b>	<b>7.9</b>	<b>10.2</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

Note: Pricing as on 6 February 2026; Source: Company, \*Bloomberg Estimate, Elara Securities Estimate

## Company Description

UGRO Capital (UGRO IN) is a technology-led, MSME-focused NBFC positioned as a pure-play lender, addressing India's structurally underpenetrated MSME credit market. It is registered as a systemically important NBFC with the RBI and operates on the core pillars of knowledge, technology and governance. UGRO targets MSMEs across select sectors and micro enterprises, offering a diversified product suite spanning secured and unsecured business loans, supply-chain finance, machinery loans, micro-enterprise lending and embedded finance.

UGRO's differentiated underwriting is anchored in its proprietary AI/ML-driven GroScore platform, which integrates bureau, banking and GST data to enable cash-flow-based credit assessment with rapid decisioning. Distribution is driven through multi-channel architecture comprising branch-led, ecosystem, partnership and digital channels. Supported by a capital-light liability structure, strong governance, and marquee institutional investors, UGRO has scaled rapidly to over INR 120bn in AUM while maintaining focus on asset quality, operating leverage and sustainable MSME credit expansion.

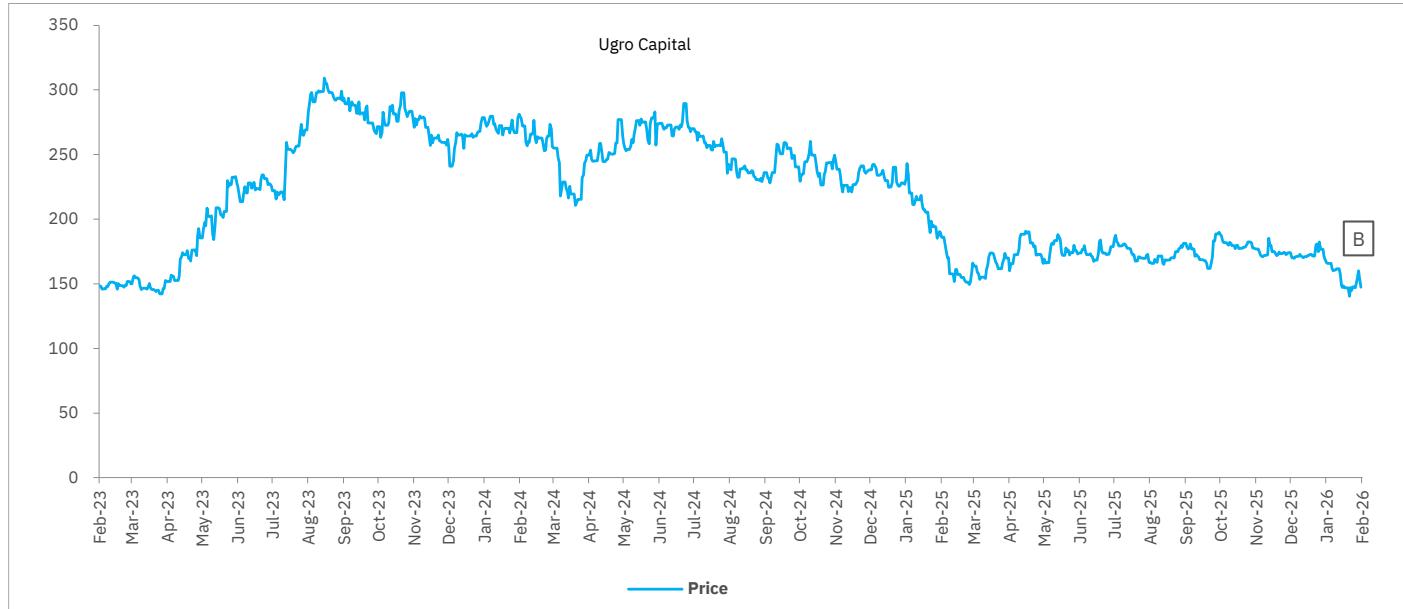
## Board of Directors and Management

Name	Designation	Experience
Shachindra Nath	Founder & Managing Director	A diversified financial-services professional with 26+ years of experience across asset management, lending, capital markets and insurance, he has built two insurance platforms, a major asset management business and an NBFC before taking entrepreneurial control of the listed entity that became UGRO Capital in 2018. He is also a qualified lawyer and a University rank holder from Banaras Hindu University.
Anuj Pandey	Chief Executive Officer	A senior financial-services professional with 25+ years of experience across leading institutions such as Barclays, ABN AMRO, GSK Consumer and Religare Finvest. He was elevated from the position of Chief Risk Officer to CEO in July 2025, and drives UGRO's analytics- and technology-led risk architecture to expand MSME credit reach. He is a PGDM graduate from IIM Lucknow.
Shilpa Bhatter	Chief Financial Officer	A finance leader with 18+ years of experience, she leads UGRO's financial management, capital planning and reporting as Chief Financial Officer.
Rajni Khurana	Chief People Officer	A human-resources leader with over 24 years of global experience, she has been an integral part of UGRO Capital's founding team, helping scale the people function and embed the organisation's culture.
Sameer Nanda	Chief Revenue Officer	A senior industry professional with >24 years of experience across businesses
Irem Sayeed	Chief Risk Officer	A risk-management professional with over 20 years of experience
Sunil Lotke	Chief Legal & Compliance Officer	A legal and compliance professional with over 21 years of experience
Sharad Agarwal	Chief Operating & Technology Officer	A technology and operations specialist with over 25 years of experience across business, startups, fintech and BFSI, he has a strong track record in building fintech organisations and leading large-scale digitisation initiatives.

**Abbreviations and Acronyms**

Acronym	Full form
AUM	Assets under management
ATS	Average ticket size
API	Application programming interface
AI	Artificial intelligence
ML	Machine learning
MSME	Micro, Small and Medium Enterprises
EM	Emerging market
PABV	Price to adjusted book value
EPS	Earnings per share
RoA / RoAA	Return on assets / return on average assets
RoE / RoAE	Return on equity / return on average equity
NIM	Net interest margin
NII	Net interest income
CoF	Cost of funds
Opex	Operating expenses
PAT	Profit after tax
PBT	Profit before tax
PPoP	Pre-provision operating profit
GNPA	Gross non-performing assets
NNPA	Net non-performing assets
DPD	Days past due
EMI	Equated monthly instalment
DSCR	Debt service coverage ratio
LTV	Loan-to-value
CASA	Current account savings account
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
FLDG	First Loss Default Guarantee
DFI	Development Finance Institution
ECB	External commercial borrowing
PSU	Public sector undertaking
CAGR	Compound annual growth rate
DA	Direct assignment
OEM	Original equipment manufacturer
GST	Goods and services tax
UPI	Unified payments interface
OCEN	Open Credit Enablement Network
ONDC	Open Network for Digital Commerce
BRE	Business rule engine
LMS	Loan management system
POS	Point of sale
EDI / EWI	Equated daily / weekly instalment
PE	Private equity
CCD	Compulsorily Convertible Debentures
AWS	Amazon Web Services
CIBIL	Credit Information Bureau (India) Limited
CMR	CIBIL MSME Rank
LAP	Loan against property

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
06-Feb-2026	Buy	226	155

## Guide to Research Rating

**BUY (B)** Absolute Return >+20%

**ACCUMULATE (A)** Absolute Return +5% to +20%

**REDUCE (R)** Absolute Return -5% to +5%

**SELL (S)** Absolute Return < -5%

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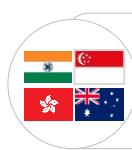

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