19th August 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Scrip Code: 511742

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

NSE Symbol: UGROCAP

Sub: Transcript of the Earnings Call with Analysts/Investors held on 13th August 2025

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 13th August 2025 to discuss the unaudited financial results of the Company for the quarter ended 30th June 2025.

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

This is for your information and records.

Thanking You,

Yours Faithfully,

For UGRO Capital Limited,

Satish Kumar Chelladurai
Digitally signed by Satish Kumar Chelladurai
Date: 2025.08.19 17:47:50 +05'30'

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

"UGRO Capital Limited Q1 FY'26 Earnings Conference Call "

August 13, 2025

MANAGEMENT:	**MR. SHACHINDRA NATH - FOUNDER & MANAGING DIRECTOR, UGRO CAPITAL LIMITED** **MR. ANUJ PANDEY - CHIEF EXECUTIVE OFFICER, UGRO CAPITAL LIMITED** **MS. SHILPA BHATTER - CHIEF FINANCIAL OFFICER, UGRO CAPITAL LIMITED** **MR. SAMEER NANDA - CHIEF REVENUE OFFICER, UGRO CAPITAL LIMITED** **MS. RITU SINGH - SENIOR ECONOMIST AND HEAD INVESTOR RELATIONS, UGRO CAPITAL LIMITED**
MODERATOR:	**MS. SHWETA DAPTARDAR – ELARA SECURITIES INDIA PVT. LTD.**

Moderator: Ladies and gentlemen, good day and welcome to the UGRO Capital Q1FY'26 Earnings Conference Call hosted by Elara Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Daptardar from Elara Securities India Pvt. Ltd. Thank you and over to you, ma'am.

Shweta Daptardar: Thank you, Anushka. Good evening, everyone. On behalf of Elara Securities, we welcome you all to Q1FY'26 Earnings Conference Call of UGRO Capital Ltd.

From the esteemed management, we have with us today Mr. Shachindra Nath – Founder and Managing Director; Mr. Anuj Pandey – Chief Executive Officer; Ms. Shilpa Bhatter – Chief Financial Officer; Mr. Sameer Nanda – Chief Revenue Officer, Ms. Ritu Singh – Senior Economist and Head Investor Relations. We express our gratitude towards the Management of UGRO Capital to provide us the opportunity to host this conference call.

Without further ado, I now hand over the call to Mr. Shachindra Nath – Founder and Managing Director for his opening remarks, post which we can open the floor for Q&A. Thank you and over to you, Sir.

Shachindra Nath: Good evening, everyone. It is my pleasure to welcome you all to UGRO Capital's Q1FY'26 Earnings Call.

We have been maintaining that MSME financing in this decade is the largest credit opportunity in India. And for us, every quarter solidifies its base. Q1 of every quarter for lending institutions starts with a slower base; however, that defies how the year would pan out for us. This quarter for us had multiple milestones. We did capital raise of around Rs. 300 crores through right issues. We did a preferential allotment of around Rs 900 crores where we saw our existing investors commit capital to us and we will be utilizing the funds raised for acquisition of Profectus Capital which would increase our base to approximately Rs. 15,000 crores with a potential of improving our return on asset in FY'27 with added profitability.

Our share price has not been what we would like it to be. Raising capital at low valuation is neither desirable nor acceptable to us. However, in lending, between dilution versus maintaining the momentum of growth, we have preferred growth. We understand the importance of clearly outlining the levers that drive our growth, ROA and ROE and our endeavor would be to explain that more over period. UGRO has been pivoting its asset engine to emerging market small-ticket LAP and embedded finance in last two years. In this journey, we have expanded our footprint from 150 locations in FY'24 to 309 locations as of June'25. This quarter, we are presenting to you how the build-out is happening. We believe on the current performance, when all our branches mature, we would reach monthly exit run rate of around Rs. 400 crores per month just from our emerging market channels. UGRO would be a very different financial profiling company once we reach that scale. Our other lever of ROA is our embedded merchant lending business which came to us through acquisition of MSL tech platform and we are presenting the performance of the same as well.

This quarter, we also elevated Anuj as our CEO. He has been with me since UGRO's very inception. When we started UGRO, the organizational design was to have a CEO for the business so that I can focus on strategic things which are investor interface, lender interface, organic and inorganic business growth opportunity and CEO can focus on core operating performance. I am very pleased that our Board have recognized Anuj's talent, perseverance and knowledge about lending industry and have entrusted him with this responsibility.

I now turn to Anuj to take you through the quarter's performance. Anuj

Anuj Pandey: Thanks, Shachin. Good evening, everyone. The first quarter of FY'26 was all about discipline and laying the groundwork for our next leap forward.

Traditionally, Q1 is a softer quarter in terms of disbursements and this year has not been very different. Especially in this year, this quarter we have tightened our underwriting filters especially where borrowers' leverage was elevated and have moderated origination volumes in those pockets. This focus on quality has meant that even with slower disbursements, our growth trajectory stayed strong, and our risk profile is stable.

Let me walk you through this quarter highlights:

Firstly, on strategic action:

We have announced a Rs. 1,400 crore all-cash acquisition of Profectus Capital which is progressing well. Shareholder approval is secured and change of control and allied regulatory approvals are underway. Profectus has demonstrated stable portfolio expansion, building its access under management to Rs. 3,468 crores as of March 2025 with presence across 7 states through a 28-branch network and over 800 member teams, all while maintaining a gross NPA of 1.6% and a net NPA of 1.1%. Integrating Profectus' School finance expertise unlocks Rs. 2,000 crores growth potential and strengthens our secured asset mix, accelerating our journey to become India's largest MSME lender. This acquisition will accelerate our AUM towards our medium-term goal of reaching Rs. 20,000 crores. On capital raise, as Shachin mentioned, we successfully completed Rs. 381 crores of rights issue and are in the process of Rs. 911 crores of preferential issue this quarter. This capital combined has improved our capital adequacy ratios to 22.4% which also ensures we can continue expanding without compromising quality.

Now on business update, our AUM closed at Rs. 12,081 crores, up 31% year-on-year. Disbursements for the quarter were Rs. 1,599 crores compared to Rs. 1,146 crores in Q1FY'25, the sequential decline from Rs. 2,436 crores in Q4 FY'25 was by design and in line with our budgets. Our emerging market business expanded to 286 operational branches by June with a clear path for more expansion by September 2025. These branches are now showing improving vintage profitability, validating our expansion strategy. In Embedded Finance, we crossed the milestone of Rs. 1,000 crores AUM this quarter. We disbursed Rs. 582 crores through MyShubLife platform with a monthly disbursal run rate of between Rs. 100 to Rs. 150 crores, reinforcing our ability to embedded credit at scale with digital ecosystems. Portfolio quality stayed intact with GNPA at 2.5% and Net NPA at 1.7% well within our internal estimates. Our unsecured portfolio though has witnessed some stress on account of over-leveraging. As mentioned earlier, we have tightened our underwriting and have curtailed disbursements in last two quarters. (Rs. 186 crores in Q1FY'26 vs peak Rs. 623 crores in Q2FY'25). Our total off-book assets stood at 42% of total AUM, supported by 17 co-lending partners. Total debt at Rs. 7,586 crores as of June '30 and with over 50 lenders, we have a very diversified liability profile. Our long-term rating is A+ rating watch with positive implications, assigned by India Ratings.

On financial performance:

Our total income grew 40% year-on-year to Rs. 421.8 crores. Our net total income stood at Rs. 216.5 crores, a 31% year-on-year growth. Our PAT came at Rs. 34.1 crores for the quarter, up by 12% year-on-year. Our credit cost was Rs. 47.7 crores, representing a 44% year-on-year increase, but lower than Q4FY'25, which was Rs. 54.3 crores. ROA for Q1FY'26, if we exclude the branch expansion impact, would be at 2.3%, which is in line with our internal estimates. Looking ahead, we expect disbursement momentum to pick up from Q2 as seasonal effects subside. The emerging market network is near full rollout and our embedded finance funnels continue to expand. The industry is currently facing higher stress in certain unsecured segments, but our exposure there is limited and ring-fenced. Approximately 70% of our book is secured and our underwriting filters are sharper than ever. We remain committed to building UGRO into India's largest small financing institution.

Before we end, I would like to take your attention to Slide #7 and Slide #8 of our investor deck, which we have uploaded. This is specially inserted this time to highlight the traction which we have achieved in our focus, emerging market channel. Out of the total 286 branches which we have currently, 150 of them are greater than 18 months old and 136 are less than 18 months old. And their traction overall from a vintage perspective, we have explained that in the slide. So, our AUM per branch for branches which have attained greater than 18 months is already touching Rs. 15.4 crores. For less than 18 months, it is currently at Rs. 3.4 crores. From business perspective, the average ticket size is close to 20 lakhs for a loan with an average yield of about 17.8% to 18%. Our GNPA for vintage branches is at this point in time 2.4%, well within the estimates and for newer branches, it is 0.2%. Similarly, for credit costs, for greater than 18 months, the average credit cost is about 1%. For newer branches at this point in time, it is 0.3%.

So, out of total 286 branches, 121 branches have already broken even and others in next 12 months to 15 months are on the path of breaking even. We had also given a steady state estimate of once a branch becomes vintage, what is the kind of productivity we can expect. And broadly, our internal estimate is that a branch should be able to deliver Rs. 1 crores to Rs. 1.1 crores of disbursal per month once it becomes stabilized, with a ticket size of Rs. 20 lakhs with a yield of 18%.

In emerging markets, we only focus on secured business, we don't do any unsecured business at all. The distribution of AUM and branches is also very well diversified with 48% of AUM in South, 25% in North and 27% in West.

This is in short I thought I should highlight and now we are open to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Anil Tulsiram from BestPals Research Advisory. Please proceed.

Anil Tulsiram: Yes, thanks for the opportunity. My first few questions are on embedded finance. I want to understand about the customer profile of this embedded finance product, whether it is existing to credit or new to credit? Secondly, is it a monthly EMI product or what? Third, in case of default, do we have any infra to collect the sum? So, those are the few questions.

Anuj Pandey: So, on embedded finance, the way we have built it is to get embedded in an existing payment ecosystem like a Phone pay or a Bharat pay and through that get access of the transaction history of the…So, typical target segment here is our small retailers or medium-sized retailers who use a payment ecosystem QR code for their daily transactions. And the way we have built our business rule engine is to read the transaction history and compile it along with the bureau and other rules, statistical rules which we have made around. Typically, this is a daily repayment product and not a monthly EMI product with an average ticket size of less than Rs 2 lakhs.

Anil Tulsiram: Got it. Sir, in case of default, do we do physical collections also or entirely digital collections?

Anuj Pandey: So, the players in the ecosystem now are also realizing that it is a very important component of their business and they have started investing in very large field forces both for distribution and collections. So, in case of a default, there is a call center and a field force which is there to collect. In any case, the way we have designed this portfolio, we keep about 10% of the loans disbursed as a reserve pool for provision. So, far, the portfolio, this is our 11th month, the portfolio performance has been very good and the credit costs which we are seeing are about 3%.

Shachindra Nath: Anuj, if I may add, the way you think about it, among the top 5 payment platforms in India, your top 4, Google Pay we don't partner but between PhonePe, BharatPe, Paytm and Google Pay, there is roughly around 30 crore merchant footprint we have. Now that 30 crore merchant footprint is not exclusive to each one of them and obviously each one of them uses each other's payment as well. But the way the product is designed, so one, our technology embeds into the payment platform, they are the first point of origination, and they are also our collection agent. The way this works is, think of this that there is a shopkeeper which has a daily transaction flow of roughly around Rs. 10,000. So, what we call daily collection of Rs. 10,000. When our machine runs the program, it looks at the daily transaction flow, then it pings the Bureau, look at their historical payment profile and then basis that it qualifies the customer for a certain amount of loan but it ensures that the loan EMI should not be more than 20% of his daily collection. So, if his daily collection is Rs. 10,000, the EMI should not be more than 2,000 rupees. And then you collect automatically from the system from his daily transaction flow. So, that Rs. 2,000 on a daily basis come back to us. So, if the Rs. 2,00,000 loan is for one year period; the average loan would pay off in six months' time and that's why the risk associated that is much lesser. Second is that, as Anuj said, that these products while there is of the total gross yield, there is a distribution fee which goes to Phone pay, there is a collection fee go to them, but of the total yield, we reserve around 8% to 10% of the yield as a provision coverage. We are seeing around 2.5% of credit cost, but net we get around 16.5% of all the fully provided credit cost. That's why this has potential to deliver a 5% of ROA. Only thing is that you cannot make this as the only business and that's why it's a percentage of the total portfolio. And that's in my opening remark, I said that our EM platform and this have a massive ROA kicker possibility.

Anil Tulsiram: Got it, Sir. And what is the target mix of embedded finance in the next 2-3 years?

Shachindra Nath: We would like to be around 10% to 12% of the total AUM.

Anil Tulsiram: Okay. Thank you, Sir. I will get back in the queue. Thank you so much.

Moderator: Thank you. We take the next question from the line of Amit Agarwal from WaterEquity. Please proceed.

Amit Agarwal: Thank you. I understood your opening remark. You mentioned that around 70% of your book is secured. So, what is the average loan-to-value for such properties or at origination or what is the general cushion you keep on such secure transactions? And what are the type of properties you generally consider for the lender? Thank you.

Anuj Pandey: So, at a portfolio level, our loan-to-value would be around 55%. While for prime secured loans, we go up to 80%. But at a portfolio level, this would be about 55%. And we do self-occupied residential property, commercial property, industrial property.

Shachindra Nath: Amit, good to see you on the call. Joining the call is very encouraging. Of this collateral, which Anuj explained, if you look at our Slide #6, it will give you a clear picture of our asset mix and the type of the collateral. So, in prime we take secure physical collateral - residential, commercial, industrial. In EM, predominantly it's commercial plus residential. In machinery, it is machine. In our digital alliance and partnership, it is the first loss cover and high provision coverage ratio.

Amit Agarwal: Okay, so on Slide #6, you are saying that FLDG from partner is also a part of the collateral?

Shachindra Nath: It's a kind of collateral, yes.

Amit Agarwal: Okay. And if I can just ask one more question, because this pertains to, it may affect you and you have given a separate Slide # on the new co-lending guidelines. So, do you think, so one can be, do you think as a positive or a negative at a general level and how much you see effect on your company going forward from January? So, one can be industry level, your comments, and one the company specifically, if possible. Thank you.

Shachindra Nath: So, there are two parts of it. Half glass full, half empty. I think so, let me talk about the positive first. So, one biggest positive is that now co-lending, all form of co-lending in India have now come under regulatory umbrella. So, as you know, NBFC to NBFC co-lending was not in within any regulatory framework. So, now the co-lending coverage has been given to, do regulatory entity can do co-lending and that, so everything has come under that umbrella. Second big positive is that, RBI for the first time has allowed first loss cover to be given to the bank. Now, some people think, how can that be good? I will tell you why it is good. So, today, if any state bank of India or a large NBFC is a co-lending partner, they have to take, carry the risk of the total co-origination based co-lending which they do. Now, because of that, they charge a certain amount, they presume certain amount of risk and they charge a risk premium and that becomes our net rate. Now we, we report everything on an AUM basis. We are comfortable with our credit cost. If you go to a bank and say that now, if suppose in our secured business, our expected credit cost is around 1% and if we gave them a 2% or 3% of the first loss cover, they would, volume would increase multiple fold. So, that is a big positive. And because of that, of FLDG, our net cost in co-lending would come down. And also, obviously it is a business without capital. So, the advantage with larger players, the AAAs and parent-owned entities have is entities of leverage. So, second largest NBFC or third largest NBFC in India is levered eight times. Now we get leverage of only four times, but now this will give us the capability to actually lever us very similar without actually putting capital behind it. So, I think it's a very ROE positive move. And last but not least, not relevant to us, that co-lending was only applicable to priority sector lending. Now it is open for all. So, actually any class of assets can be done while our assets are only priority sector. Now the challenges. So, I think, so we have industry has very strongly represented to the regulators. They've heard our voices, and they made adjustments from draft to the new guidelines. My view is that from January to two quarters, there would be disruption to reset the new process. The biggest of the challenges would be that now we have to select our co-lending partner at the point of origination itself. I don't think so the technology is a challenge because in most, at least in our case, with most of the banks, we are fully integrated both in simultaneous lending and post disbursement transfer of loan lending. So, that is not a challenge. I think so that would, that would be fine. But at the point of today when we do co-lending, we are, we don't look at which bank the loan would qualify. We disburse from our balance sheet and then bank, we test which loan case would fit to which bank, and it goes there and then they test it on their policy in process and then it gets transferred to them. Now our distribution architecture has to change that at the point of origination, we have to choose that where this loan would get qualified and we would need the corresponding bank to also say yes and the loan documentation would be accordingly get triggered and bank then would still have the time to take 15 days to the loan to get transferred to them. So, it is, a little bit of tweak from our original process, but it is not insurmountable. So, on the balance of capacity of volume increase with the FLDG and the process, market expanding in big way, I think so with a little bit of two quarter of adjustment to the new, the overall industry volume and our volume should multiply from where we are today.

Amit Agarwal: Okay. Thanks for the detailed explanation. Thank you so much and all the very best. Thank you.

Moderator: Thank you. We take the next question from the line of Rishi from LavRish Ventures. Please proceed.

Rishi: Hi. Good afternoon and congratulations to Mr. Anuj for his elevation as the CEO. Ms. Nath, thank you again for coming on national television to explain the acquisition of Profectus. I just have a quick question on, trying to understand the management's thinking about inorganic growth. So, I understand that it's going to be a secured mix that's going to improve the portfolio mix and probably bring down the cost of borrowing. But the point that I would like to understand is it seems like a tactical solution to hit the ROA that we initially wanted to hit. So, how does the management see further or future inorganic growth? Do you think you'll always be open to such growth opportunities or is this a one-time thing and you're now just going to focus on the business as usual?

Shachindra Nath: Very good question. Thanks for this. So, look, we have never focused on any inorganic ever. We have always focused on organic business and that continues to be our philosophy. I don't think so that going forward till the time, we are fairly valued, we would have the availability of capital to look at something. While, everything which is there available, we obviously evaluate it, but there's hardly any fit which we find. So, my reasonable estimate is that we would not be doing more acquisition, unless something very attractive comes that, which can improve our finances dramatically. On your question, so why we did this and whether it is tactical or is a long-term strategy, to be fair, it is more tactical than a long-term strategy. There was a little piece of long-term embedded into that, but it was more tactical for us. We, in our steady state basis, our journey from our current ROA to 4% ROA has a time period and that is largely a function of our emerging market business and their branches getting to a certain level of volume. Our portfolio yield increasing because of that volume and then that hitting in ROA. We were supposed to raise capital because we have to, supposed to maintain certain amount of capital adequacy. Having raised that capital, whether to deploy that capital over a period of some time and build portfolio or whether if there is an asset available which can actually improve our ROA in shorter period, we choose that. It doesn't impact our capital adequacy. Our capital remains the same because we have acquired it more or less near book value and we felt that it improves our asset mix. It gives us a line of business, which is school financing and obviously it has multiple other things, like portfolio quality, asset mix, so on and so forth. One way to look at it is that, we were rated, India rating A+. When any acquisition happened, ratings goes into a watch. India rating, when they looked at the number, the watch, you know, from a stable outlook, we became positive outlook. What does it mean is that what the acquisition, probably from a rating perspective, is a positive because they saw that our financials, number, portfolio quality would solidify. One of the biggest input to our ROA journey, which is less in our control is our cost of borrowing. Our cost of borrowing vis-à-vis our peer set has remained elevated. It's roughly around 150 to 200 basis point more than most of our peer set. Larger peer set, obviously, is much higher, but even if you look at A+ and AA-rated entity, our cost of borrowing is definitely high. It has remained high because we have been a very high growth company, which means on a month-on-month, our borrowing profile, we borrow a lot and when you borrow a lot, obviously, you have to pay a price for that. So, this acquisition also helps us in that because we have achieved our numbers purely from an AUM perspective, profitability perspective. Now, we have an advantage of to play how much more organic disbursement we can do. So, we will play of growth versus bottom-line and reducing our cost of borrowing. So, on these three-spectrum, I think this qualified well and that's why we did this.

Rishi: Okay, thanks for that explanation. Because I mean, to me personally, I was thinking that such kind of an acquisition would be done by companies who are desperately trying to meet the street estimates and given that we are not valued anywhere close to our actual worth is, I thought why do it to satisfy actually nobody who is watching us so closely to either bring the price down or up based on the acquisition and to be frank, I mean, I would share the same comment that you mentioned as well.

Shachindra Nath: Sorry, to intervene between, obviously it's very close to my heart. So, look, beyond a point of time, how the street looks at it and whatever price is, is under our limited control, right? What our job is, what we are interested is that what we think, how do we build, we explain it well to people, sometimes people accept it, sometimes don't accept it. We are confident that what we are building would get value, but in what period of time we don't control. Whatever action we take, we take it purely fundamentally of whether it is good for business or not. One of the ways the street would value us over a long period of time is when we improve our operating metrics, right? So, the constraining factors are constraining factors. We don't have a parent and that's why we don't have the same cost of borrowing, which large parents owned NBFCs have. We have a cap on leverage because that's the way the lending market works. Within that two constraining factors, we have to improve our portfolio yield, we have to control our credit cost, and we have to demonstrate consistent growth. And, we felt that Profectus acquisition fit on those criteria and that's why we did that.

Rishi: Thanks again. One final question, if I may, I mean, could you just talk very briefly about the exits of Mr. Amit and Kishore, if you would?

Shachindra Nath: Yes, of course, why not? Look, UGRO is a growing organization and over a period of time, I always go back in history, if you look at the evolution, even banks like HDFC Bank and ICICI Bank, in the growing organization, people definitely come, commit themselves to build certain things which they are interested in. And, you know, when they see that their role is over and they are getting a better opportunity of what fits to their profile, obviously, they will choose that. Now, we as management, as a company, actually feel that it is important that people come here, stay for a reasonable period of time, if possible, stay for life over here. But if they get the opportunity, then they should choose those opportunities and go for that. What is important for the company that we should have talent embedded, which can step up and fill those vacancies without destruction to that business. Amit, from here, if you look at, we are gratefully thankful to him. When he joined UGRO we were roughly around a Rs. 1,500 crore of asset organization and we delivered almost Rs. 12,000 odd crore. But he felt that his skill set and he came from a background wherein large-scale intermediated distribution business was his core skill set. And he felt that an opportunity of similar size, similar place with a much larger scale for his residual professional career is in interest. And we said that, but what he has put up here and what kind of talent he has built, organization will continue to do well. So, it is in both interests. On CFO again, it's a personal choice. Obviously, a CFO role in UGRO is a difficult role. If you look at the banking financial services industry, majority of the easy lending from mainline banks is to entities which have either have a parent or have a vintage. And sometimes, UGRO has a very deep diversified lending base. So, you have to not only interact with the global DFI, you have to interact with private sector bank, public sector bank, public market. So, it's a, it's a hard job. And sometimes people make personal choices that for the same time and impact where they can deliver more. But they are also, very capable succession, pre-planned. Shilpa was already appointed as a Deputy CFO and when Kishore shown his desire to go to other organization, she was immediately elevated as a CFO position.

Rishi: Thank you, Mr. Nath. If I may, can I just ask one final question, and I will jump back into the queue. So, if the warrant that are possibly going to expire out of the money, can I confirm that the actual, given that they are the same for the CCD buyers as well, can I confirm that the price for them is the Rs. 185 plus the Rs 62 that they had prepaid 18 months back. So, overall, they are doing it at Rs 247 minus the 12% that has been rebated.

Shachindra Nath: Sorry, so I couldn't understand the question, but I will tell you what that is. So, the warrants were issued at price of Rs 264, right? And all the investors had paid 25% of that as their initial contribution. Now, the warrants are deep out of money. When the company needed capital, we had a choice to go and raise the capital either from new investors or raise the capital from the same set of people who had put money through the warrants. Now, we felt because when you need the capital, given the public market is not very widely open, if you go to private investors, the time it would take for private investors to put capital can sometimes be very elongated. And that's why we felt that the good choice would be to go to existing investors who have put money on the warrants and request them that whether they can put capital on the current traded price. The way we have structured it, we said that you come at Rs. 185 which was that time the preferential pricing formula, we paid a coupon, which was 12.5% upfront coupon, and we linked the second coupon to the exercise of the warrants. So, if for some reason share price in the intervening period moves, and the same investor want to exercise the warrant, then they don't get it, they get only 12.5%. So, that's why the effective price for them became Rs. 162. So, from a company perspective, what we said that given that if we were to forfeit the 25%, and if we are to pay 25%, at a balance sheet level, it is a zero impact on us. And the share new, these investors are getting new shares at Rs 185, which otherwise any other investor would have got. In order to be fair to the balanced public shareholder, and you know, because there was a dilution happening at a lower base, we calculated the total dilution that was an extra 4% dilution between Rs 265 and Rs 185. And that's why we did a right issue of the matching 4%, which came out to be Rs 400 crore. We took the effective price of Rs 162, which was Rs 185 minus 12.5%, and made a right offering at Rs 162. And that's why, of that some of the existing investor IFU which is Denmark government committed Rs 150 odd crore. Some of the other investors put money in the right. And also, contrary to our expectation, we saw quite a bit of public participation. And that's why right went to up to Rs 380 odd crore. We could have done a smaller right issue, but we did matching right issue to the dilution. So, there was a 4% extra dilution happening between Rs 265 to Rs 185. And we made the size of the right issue exactly there. So, it was very well debated, both at our board level, and as well as external advice. And that's why to be fair to every public shareholder, this is what we did.

Rishi: So, my question was basically the Rs 162 plus the Rs 62 that they've already paid. So, their effective cost is 224. If they don't exercise the warrant, they lose 25%.

Shachindra Nath: Yes, that you're right.

Rishi: Okay, because this was not clear in a lot of public forums, there was a lot of noise around why it was Rs 162. I was trying to explain to them that it is actually Rs 224. Thank you very much.

Moderator: Thank you. We take the next question from the line of Deepak Yadav, an individual investor. Please proceed.

Deepak Yadav: So, I want to know, where's the net yield going to be stabilized? I think they're increasing since last one year or so. And so where do you see the net yield going to be stabilized or going to go by the end of FY26? And also, what are the interventions you are doing to decrease the cost of borrowing? I heard somewhere that you mentioned on the national TV or the last earning call, that you would decrease the AUM growth, like organic AUM growth, so that you need to take less of credit or loan. And this would motivate the lenders to give you less money at less cost. And also, at last, I would like to understand where do you see the AUM and ROA number at the end of this financial year? Thank you.

Anuj Pandey: So, our net yield increase is a function of the increased contribution of our emerging market business and embedded finance business. So, our emerging market business at end of March '25 was about 22% contribution to the overall portfolio. And we want to take it to around 35% by end of the year. So, while we are not increasing yields in the segments which are already running, we are just increasing the contribution of segment where yields are higher. And hence, because we don't want to take unnecessary adverse credit selection risk in prime segments. So, we foresee the yields to go up by 0.25% to 0.5% in the coming year. So, that was number one. While the ROA trajectory in the longer run, and we have talked about that earlier as well, is that at a steady state, we want to reach 4% ROA levels with Profectus acquisition and operational leverage which we are getting, because of that added to that are cost of borrowing advantage which we foresee should start happening owing to both the macroeconomic factor and our scale and size increasing. And a little bit on OPEX to AUM coming down with our emerging market branches having more vintage playing out. We foresee in next 6 to 8 quarters to reach where we want to be. In the interim for about a year, it would increase on a steady state level. Each quarter about 0.2% to 0.3%, that is what the estimate is. I think you mentioned about how we will bring down the liability cost and you might have heard it is a choice between growth of AUM versus liability. So, let me clarify. What we believe is that within our peer set, and I'm not comparing to entities whose cost of borrowing predominantly bases their parentage. I'm talking about the entities which are similar to our profile, which is similar to our rating band and our cost of borrowing is little elevated to them. It is purely a function of our growth rate. I don't think so that I have come across an entity which in last four years have grown from roughly around Rs 2,000 odd crore to Rs 12,000 odd crore. So, in lending, when your net monthly borrowing is very high, then obviously your flexibility to negotiate cost of borrowing is very, very limited. Now we have reached to a level of maturity wherein for us, improving our cost of borrowing is a paramount and that's why I say if it were to be the case that we have to make a choice between growth versus input to our business is cost of borrowing, we will choose cost of borrowing and if required, we will reduce the growth rate. It doesn't mean that we will not grow at the pace what we are growing. Fortunately, we have added Rs. 3,000 crore of AUM every year in last three years. Now with Profectus, we actually added that Rs. 3,000 crore AUM with the acquisition itself. That's why we have more flexibility to focus on our emerging market business, improve the portfolio yield by improving the funnel, perfect our embedded financing business, maintain the volume in our prime and machinery segment and we think that with the overall improvement of profile, our cost of borrowing would improve from where we are.

Deepak Yadav: Thank you, sir. Thank you for the answer.

Shachindra Nath: Thank you.

Moderator: Thank you. We take the next question from the line of Anil Tulsiram from BestPals Research Advisory. Please proceed.

Anil Tulsiram: Yes. So, my question is on the emerging market business. I'm just trying to understand the ticket sizes and the interest rate. If I see our peers, they are lending Rs 10 lakhs to Rs 12 lakhs at 16% to 17% and our average ticket size is Rs 20 lakhs but we are lending at 18%. So, what sort of customers…

Shachindra Nath: Can you define what do you mean by peer, what do you mean by that?

Anil Tulsiram: I look at the SBFC Finance, their ticket size is around Rs 10 lakhs to Rs 12 lakhs but their average interest rate is around 16%.

Shachindra Nath: I think purely on SBFC, you are comparing this, there are two points. You are comparing that they combine with their gold loan business. We are not in gold loan at all. So, you should segregate us, our portfolio versus their portfolio on micro-LAP perspective. The market, so among the listed peers, majority of the players which are focused on micro-LAP and also unlisted player, largely are below 7, below average ticket size of Rs, 4 lakh and Rs. 5 lakh. Now the average yield is also a little higher. The SBFC might be, and I don't have access, I don't remember their numbers so well. And I presume it's the blended, it will be a little lower because of the total combination of gold plus micro-LAP. So, leave that aside. Majority of other players in the south, which is now similar size, average ticket size is Rs. 4 lakh, but the portfolio would be now, used to be around 24%, now coming down to 22% odd. We have maintained that when it comes to emerging market LAP, our expertise and capability is not to go into that lower ticket size. We in last two years have also maintained that smaller ticket LAP is adjacencies to micro finance and in bad cycles the total credit cost can get elevated significantly. Now UGRO as a company as expertise to do prime LAP all the way up to Rs. 3 crores, average ticket size of Rs. 80 lakh. We have capability to do machinery business. We have a data analytics plus technology platform. So, when we graduated to emerging market LAP, we decided to do only up to Rs. 7.5 lakh. But our competitive advantage vis-à-vis any other player that we can also do larger ticket loans in tier 2, tier 3 towns. So, when we do our EM platform or EM channel, we can do secured loan up to Rs. 1 crore in a tier 2 town, where average is now coming to Rs. 20 lakh. So, at the Rs 20 lakhs, I think we are being able to maintain a better yield than some of our peers. So, most of the micro LAP players are blended portfolio yield would be around 22% to 23%, because it's Rs 20 lakh is what it is coming today. Anuj, you want to add something?

Anuj Pandey: This has been a process, when we started, we focused only up to 50 lakhs in our emerging market branches. But we also realized that there is a small pocket of larger ticket size customers there. And we had already developed that expertise in our prime segment. So, we have transitioned that expertise in our micro and that's why our overall ticket size is increasing a little bit. But we don't mind it because at a portfolio level, it gives a lot of stability.

Anil Tulsiram: Got it. And coming to the co-lending, there is a new wording, something called blended rate, which NBFC and banks have to follow. And there was a note by ICRA at the time of the draft guidance itself that this blended rate will reduce the interest rates which ultimately NBFCs are able to charge and the resultant ROAs. Can you explain this thing?

Shachindra Nath: Sorry, what is the note on ICRA? Sorry, what is the question?

Anil Tulsiram: See, earlier there was no compulsion by the RBI that the rate which NBFCs charge has to be blended rate of banks and NBFCs. NBFCs decide their own rate. But now the interest rate which

NBFCs charge to the customer has to be the blended rate of the banks and NBFCs. So, following this blended rate methodology will reduce the interest rate which NBFCs will be able to charge to the customer for the same product compared to the earlier guideline.

Shachindra Nath: Is that ICRA? I have not seen it. Is it an ICRA comment saying that NBFCs won't be able to charge this thing?

Anil Tulsiram: Yes, I can forward you their earlier note actually.

Shachindra Nath: No, of course, I will go and search it. So, first the blended rate concept was in the 20th November 2020 circular as well. The challenge of the problem was that because loan was first originated by NBFC at its rate and that's why that became the rate and the co-lending partner used to give it a fixed rate and the differential used to come to NBFC. But what rate NBFC charged at the first point of disbursement was the blended rate itself. Only thing what was not disclosed or known to the customer that at what rate a bank has lent and at what rate the NBFC has lent. Now think of a new scenario wherein RBI has said that you have to disclose to customers that what is the rate at which bank is coming and what is the rate at which the NBFC is coming. Now, if suppose there is a loan which need to be charged 15%. Why it is charged 15%? Because NBFC now will have everything. The entire cost of origination is NBFC's cost. Entire cost of collection is the NBFC's cost. Now, the credit cost is also NBFC's cost. So, when NBFC will price its portion of the loan, it has to also factor in its total cost and bank has to factor its cost. So, bank would have actually no cost other than to disburse. So, accordingly, the blended rate, the NBFC portion would go higher and bank portion would come lower and that would become the blended rate. Some transmission would surely happen. I don't think so this would shrink the margin of the NBFC but the pricing which bank would give would be lower than what it is giving today and some transmission would keep going to the customer which is also RBI intent. RBI intent is that the lower cost of bank lending should get transferred to the customer. We will see how that transition happens. We don't see that that would shrink the margin for NBFC in a very significant manner. Some of it is evolving play. We will see how it plays out and probably by next quarter we are also studying. There are consultations which are happening with RBI as well. We will get more clarity around it.

Anil Tulsiram: Got it. So, then the last question is on the collection infrastructure for the emerging markets. So, over the last 12 to 18 months, stress has emerged in the various segments. So, have you changed our collection infrastructure, enhanced it or anything that you have done to strengthen our collection infrastructure?

Anuj Pandey: So, yes and it is part of our design itself. So, each of our emerging market branch is a templated branch where there are 5 to 6 front-end sales resources, one credit resource, one operations resource and one branch head and after a certain AUM approximately Rs 2 crores we also have a collection resource. So, today out of the 300 branches which we already have, we have close to 300 people on the ground exclusively focusing on collections. So, as our emerging market branches have expanded, so is the collection infrastructure.

Anil Tulsiram: Got it. And Sir, one last question is on the collection infra for your embedded finance. See, in China, the Ant Financial has its own collection agent, what I understood after reading the prospectus. But in India, these payment gateways which you have spoken about, these people are not maintaining any collection agent while they are getting in the loan. So, how do you see this risk?

Shachindra Nath: No, they are actually, they have started investing a lot on their own collection infrastructure because the portfolio which gets sourced through that ecosystem, unless there is a collection intensity and the portfolio performance, the business will not scale and most of the partners, large partners now understand that and are now investing in that.

Anil Tulsiram: Got it. And sir, this embedded finance is only for business purpose, right? It is not a personal loan for the consumption.

Shachindra Nath: No, we do not do buy now, pay later. We do not do PL. UGRO is a 100% business loan company. We only give loan to a Udyam Aadhar registered MSME customer.

Anil Tulsiram: Got it, Sir. Thank you, sir. Thank you and all the best. Thanks a lot for all the answers.

Moderator: Thank you. Due to time constraints, we will take that as the last question and would now like to hand the conference over to the management for closing comments.

Shachindra Nath: Thank you very much. If you have any further questions, please be in touch with Ritu. We will be more than happy to explain. Our continuous endeavor has been to deliver consistent growth, consistent performance, but we continue to believe that certain pockets of the market would show some amount of stress. We have been anticipating that and we have pivoted some of our asset engine accordingly as a proactive measure. That is why we think so that we are in a much better state than many of other competitive players and will continue to focus on building what we are tasked at and continue to explain you in detail what we are trying to do. Thanks all for putting your time to listen to us. All the very best.

Moderator: Thank you. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.