

13th February 2026

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

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

Scrip Code: 511742

NSE Symbol: UGROCAP

Sub: Transcript of the Earnings Call with Analysts/Investors held on 09th February 2026

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 09th February 2026 to discuss the unaudited financial results of the Company for the quarter and nine months ended 31st December 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
Company Secretary and Compliance Officer
Encl: a/a

UGRO CAPITAL LIMITED

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“UGRO Capital Limited
Q3’FY26 Earnings Conference Call”
February 09, 2026



MANAGEMENT: **MR. SHACHINDRA NATH – FOUNDER AND MANAGING DIRECTOR – UGRO CAPITAL LIMITED**
MR. ANUJ PANDEY – CHIEF EXECUTIVE OFFICER – UGRO CAPITAL LIMITED
MS. SHILPA BHATTER – CHIEF FINANCIAL OFFICER – UGRO CAPITAL LIMITED
MS. RITU SINGH – SENIOR ECONOMIST AND HEAD INVESTOR RELATIONS – UGRO CAPITAL LIMITED

MODERATOR: **MR. KISHAN RUNGTA – EMKAY GLOBAL FINANCIAL SERVICES LIMITED.**

Moderator: Ladies and gentlemen, good day, and welcome to the UGRO Capital Conference Call hosted by Emkay Global Financial Services 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Kishan Rungta, Emkay Global Financial Services Limited. Thank you, and over to you.

Kishan Rungta: Thank you, Avirat. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Mr. Shachindra Nath, Founder and MD; Mr. Anuj Pandey, CEO; Ms. Shilpa Bhattar, CFO; Ms. Ritu Singh, Senior Economist and Head IR. I shall now hand over the call to the management for the opening remarks. Thank you, and over to you, Sir.

Shachindra Nath: Thank you. This is Shachindra Nath. Good afternoon, everyone, and thank you for joining us for UGRO's quarterly results call. Before we move into the quarterly performance and open the floor for questions, I would like to step back and first talk about the opportunity set we are addressing, then explain why UGRO is well positioned today and finally outline the actions we are taking to align the institution with the opportunity.

India's MSME credit market continues to remain large, structurally underpenetrated and evolving with the broad universe, 2 segments stand out clearly. The first is small ticket secured lending to emerging enterprises where the credit demand is granular, cash flows are relationship-led and local presence, underwriting judgment and collection disciplines are critical. Despite being secured in nature, this segment continues to face a meaningful credit gap because it is operationally intensive and requires on-ground execution.

The second is embedded transaction-led merchant financing, where credit demand is driven by day-to-day business activity, velocity is high and underwriting increasingly relies on data rather than physical proximity. As digital payment and platform deepens across the MSME ecosystem, this segment is becoming structurally more relevant.

Together, these segments represent a significant opportunity, but they reward lenders who can combine branch-led execution, data-driven underwriting and disciplined balance sheet management and who can build annuity-led interest income franchise rather than transaction-dependent models. Over the last few years, UGRO has consciously invested in building exactly these capabilities.

We have built a pan-India branch network of over 300 branches focused on emerging market lending with on-ground underwriting and collection. We have developed a proprietary data analytics and underwriting framework, including GRO Score 3, which uses transaction,

behavioral and bureau data to assess MSME risk. And through the acquisition of MyShubhLife, we have built embedded finance and merchant lending capability with deep platform integration.

These investments were made during a deliberate scale building phase, during which we grew AUM from approximately INR3,000 crores in FY22 to over INR15,000 crores by December 2025, while maintaining stable portfolio quality and capital adequacy. Importantly, the heavy lifting in terms of branches, platform, people and infrastructure has now largely been completed.

As the franchise scaled, it became clear that not all lending formats contribute equally to long-term value creation. Certain portfolios, particularly those that are intermediated, DSA-led and lower yielding tend to rely more on income linked to co-lending and direct assignment and are structurally sensitive to cost of funds and operating leverage.

At the same time, segments such as emerging market small ticket LAP and emerging merchant financing are better suited to building a predictable annuity net interest income profile with a stronger customer stickiness and clearer linkage between reported profitability and net worth accretion.

Accordingly, UGRO has undertaken a strategic realignment to sharpen this focus. At portfolio level, we are progressively reducing exposure to low yield, high opex prime and intermediated origination, including high-ticket LAP, machinery loans and certain DSA-led business loans. At the same time, we are refocusing the franchise around 2 core businesses: emerging market secured LAP through our branch network and embedded merchant financing through digital platforms.

Both segments are large, underpenetrated and aligned with UGRO's operating strength. At income level, this realignment is intended to reduce the dependence on income linked to co-lending and direct assignment and increase the share of recurring interest income over time, thereby improving the quality and predictability of earnings.

At an operating level, this shift is accompanied by a structural cost action. UGRO has undertaken an annualized cost rationalization of approximately INR220 crores. Around 50% of this cost takeout has already been achieved with the balance currently under execution across sourcing structures, underwriting and credit layers, branch and support function and overheads. All those are linked to the intermediated DSA-led verticals.

As these actions flow through, profitability increases reflect operating leverage and annuity income rather than transaction-linked structures. With this realignment, this translates into, in practical terms, a progressive change in portfolio mix rather than balance sheet-led expansion.

As the portfolio rebalances, emerging market secured LAP and embedded financing increases as a share of assets, while the rest of the portfolio is allowed to run down in ordinary manner at approximately 15% to 20% annually. Over time, Emerging LAP -- Market LAP becomes the dominant segment, embedded financing forms a meaningful and growing share and other portfolio reduces as a proportion of overall asset. This mix shift is accompanied by a gradual

increase in the number of active customers, driven by granular nature of both businesses and achieved by sweating the existing branch and platform infrastructure rather than materially expanding the operating footprint. As the mix evolves, the portfolio moves towards a higher yield, predominantly secured construct. At the same time, contribution of income linked to co-lending and direct assignment reduces and the share of recurring interest income increases, improving the durability and visibility of earnings.

From a return perspective, this realignment is intended to support a sustainable improvement in profitability over time, driven by operating leverage and more annuity-oriented income profile. The emphasis here is on durability, visibility and capital accretion rather than near-term optimization. Importantly, throughout this transition, the company expects to maintain a healthy capital adequacy with growth being funded largely through internal accruals, consistent with the balance sheet profile outlined in the presentation, leading to a non-incremental primary capital requirement.

Before I close, let me summarize what this realignment represents. UGRO is moving from a phase of building scale to a phase of building an institution focused on 2 large MSME segments, supported by capabilities already built and executed with greater discipline on cost, capital and income quality. This is why we are confident and genuinely committed as a management team. We believe this refocused strategy positions UGRO to compound value over the long term while continue to play a meaningful role in India's MSME growth story.

With that, I would now request Anuj to briefly take you through our Q3 quarterly performance, following which we will open the floor for questions.

Anuj Pandey:

Thank you, Shachin, for clearly outlining the strategic realignment and the long-term direction we are setting for UGRO. As a management team, we are genuinely excited about this next phase of growth. With the scale bit largely complete, we are now focused on building out 2 businesses where we see strong structural demand, healthy yields and the ability to generate sustainable annuity-led returns, which is emerging market small ticket LAP and embedded merchant financing.

But before I take everyone through the quarterly performance, I would like to clearly state that UGRO's financial performance for this quarter and going forward should be assessed on a consolidated basis. Post the acquisition of Profectus and the strategic realignment announced today, the consolidated financials best reflect the true scale economics and operating profile of the business. So unless stated otherwise, all metrics I refer would be on a consolidated basis.

As of December 2025, the consolidated AUM stood at INR15,454 crores, representing 40% year-on-year growth and a 26% quarter-on-quarter growth. Disbursements during Q3'FY26 were INR2,217 crores with incremental sourcing increasingly directed towards our 2 core growth engines. We have deliberately reduced the disbursements in lower-yielding segment in last quarter as the increase in AUM was largely achieved through the acquisition of Profectus itself. Emerging market LAP disbursements during the quarter were INR460 crores, driven by a

steady traction across now fully built out 300-plus branches pan-India. Embedded finance disbursements were INR1,065 crores, supported by repeat merchant usage and deeper platform integrations through MyShubhLife platform.

As of December 2025, emerging market LAP and embedded finance together account for approximately 32% of consolidated AUM, and this share is expected to increase steadily as the portfolio mix continues to realign towards high-yielding cash-generating assets. Portfolio quality remained stable at a consolidated level. Gross NPAs stood at 2.2% and net NPA at 1.4% as of December 2025. Collection efficiency improved to 99% during the quarter and Stage 1 assets now comprise 94% of the consolidated AUM.

On a consolidated basis, profit after tax for Q3'FY26 was INR46 crores, reflecting 23% year-on-year growth. On a stand-alone basis, profit after tax for the quarter was INR6 crores compared to INR43 crores in previous quarter. This quarter-on-quarter movement is primarily attributable to the execution of direct assignment transactions at the prospective level during the quarter, driven by more favorable execution economics and the seasoning of assets held at the subsidiary.

Additionally, during the last quarter, UGRO was holding significant cash of approximately INR1,140 crores and any further sale of assets would have increased the negative carry on cash held on balance sheet at UGRO level. Accordingly, the related income and gains were recognized at Profectus and are reflected in the consolidated results. This does not represent any deterioration in underlying business performance or a structural change in UGRO's operating model. For analytical purposes, stand-alone numbers should be read only in conjunction with the consolidated financials.

As the portfolio mix continues to shift towards emerging market LAP and embedded finance, our dependence on co-lending and other transaction-linked income is reducing structurally. In parallel, we are realigning the portfolio away from intermediary-led origination and unlocking operating and cost synergies post the Profectus acquisition, which is expected to support a progressive improvement in bottom line performance over the coming quarters. The cost synergies from the Profectus acquisition are expected to begin reflecting meaningfully from Q4'FY26 following the completion of acquisition in December '25.

On the liability side, we continue to diversify our funding mix by strengthening our off-book strategy in a calibrated manner. On a consolidated basis, off-book AUM stands at 36%, largely reflecting the predominantly on-book nature of Profectus portfolio. This is aligned with our long-term objective of moderating reliance on co-lending and direct assignment in order to improve the durability and sustainability of return on assets.

Our cost of borrowing improved to 10.24% during the quarter compared to 10.37% last quarter, supported by easing macro conditions, including the reduction in repo rates. To summarize, this quarter marks UGRO's transition from a model that relies more on intermediated sourcing with lower cash ROAs to an annuity-led, direct, higher-yielding MSME lending franchise, anchored around emerging market lending and embedded finance. With scale now firmly in place, the

next phase of our journey is focused on improving earnings quality, increasing the share of recurring interest income, and reducing dependence on transaction-linked income, thereby enabling sustained network compounding and long-term stakeholder value creation. We remain deeply committed to our mission of bridging India's MSME credit gap, leveraging data and technology and a disciplined risk management to build a sustainable and respected institution for our target customer segment.

Thank you all for your continued trust and support. We'll now be happy to take questions.

Moderator: Thank you very much. The first question is from the line of Arvind Jha from CapitaL Land. Please go ahead.

Arvind Jha: My question is what would our profit have been on a consolidated basis if we are using the full year Profectus earnings to consolidate into our numbers? And secondly, if we take out the impact of labour code, what would that number be? So pro forma for these 2 adjustments, what would the normalized profit have been for this quarter?

Shachindra Nath: Anuj, Shilpa, you want to take that?

Anuj Pandey: Yes, the second question first, on the account of the new wage bill impact, approximately INR 4.5 crores has been provisioned for that. So our profits would have been higher by INR 4.5 crores. On the first question, can you just repeat what you really meant because the acquisition happened on 8th of December. So the consolidated numbers which we have presented are from 8th December onwards. So what you really meant?

Arvind Jha: On a normalized quarterly basis, what would that number have been? So what my question is, what if you add the October 1 to December 7 numbers as well from Profectus numbers into this quarterly earnings to have a normalized quarterly view of the...

Anuj Pandey: It would have broadly remained the same. I think incrementally about INR 3 crores, INR 4 crores more. Because stand-alone Profectus quarterly profit numbers were approximately INR 3 crores, INR 4 crores per quarter. So that would have got added.

Shachindra Nath: Okay. And Arvind, just to clarify, as you will remember that we had looked at Profectus with the cost acquisition of cost takeout. When we acquired Profectus from the portfolio because they were exactly in the similar nature of business we had taken out roughly around INR120-plus crores of the cost. So incrementally, that would flow starting from Q4 to the entire FY27. Prior to that, Profectus on a stand-alone basis had a marginal profitability of around -- annualized profitability of around INR 35 crores, INR 40-odd crores.

Moderator: The next question is from the line of Piyush Bothra from GMO Payment Gateway India Private Limited. Please go ahead.

Piyush Bothra: So I have 2 questions. First of all, on -- so I understand you said that the numbers have to be looked at on a consolidated basis. But still on a stand-alone basis, the last quarter had a

profitability of over INR40 crores, which is now INR 5 crores. So there must be -- of course, Labour code is one. There must be some other costs, onetime costs or some merger-related costs, which have been there. So I want to know more about that, like how -- what was the impact? And the second one...

Shachindra Nath: Can I take that before you ask your second question, please?

Piyush Bothra: Yes, please go ahead.

Shachindra Nath: Yes. So Piyush, I would recommend you as well as other listeners on the call and investors broadly, we have just made an exchange clarification because during the day, we realized that people compare the stand-alone to stand-alone and not on a consolidated basis. So if you look at we have said on a stand-alone basis, our profit after tax as of December 31 was INR 6 crores comparing to INR43 crores in previous quarter. So which is a quarter-on-quarter decline of INR36 crores. And this is your question why that is. This decline is actually, which Anuj also covered in his opening remarks, is because a large portion of direct assignment transaction was done at a Profectus level because at UGRO level, we are holding cash. So if you compare quarter-on-quarter, the entire income, which was roughly around INR 100 crores in previous quarter came down to INR 66 crores and the balance went into Profectus. So we always looked at it on a total consolidated basis. This decline predominantly represents the decline in the income from derecognition of direct assignment gain, which happened at Profectus level in the month of December.

Piyush Bothra: Sure. So, I'll have a look at that data again.

Shachindra Nath: In last quarter, we have roughly around INR 100 crores income from what we call gains from derecognition of financial instrument. In this quarter, it is INR 56 crores because the volume of the direct assignment was undertaken not at a UGRO level in terms of the volume but was taken at Profectus level. So the difference only represent that.

And why we did that? Because UGRO was already holding a very large amount of cash, roughly around INR1,200-odd crores, and we never wanted to increase that cash. When you sell the portfolio, cash goes up. And that's why we sold the portfolios from Profectus. So that gain went into Profectus -- and on a consolidated basis, that's why our PAT remaining the same.

Piyush Bothra: Okay. Got it. So the second question, so Mr. Shachindra, you said that INR 220 crores of expenses reduction is what you guys are planning. Yes. And out of that, almost half is done. So that should have been reflecting in the numbers?

Shachindra Nath: No, it would not, half of that got reflected post acquisition of Profectus, which was executed when we acquired it on 8th of December and most of this cost takeout has happened after that. As you know, any kind of cost takeout because the cost takeout comes from 3 things: people costs, infrastructure costs and technology-related contracts, all of that have normally a notice period of 3 months to 5 months, and that's why they flow into the P&L after the end of 3 to 4 months and that's why we said that some portion of that would get reflected in Q4 and majority

of our cost takeout and cost takeout which has been done at Profectus level would flow in FY27 completely.

- Moderator:** The next question is from the line of Mehul Panjuani from 40 Cents.
- Mehul Panjuani:** I'm looking at the stand-alone results. There has been a jump in the finance cost from the last year December quarter. So can you share a light on this one?
- Shachindra Nath:** Shilpa, can you take that? Or Anuj?
- Shilpa Bhatner:** Yes, sure. Mehul thanks for the question. So largely, if you have followed us, we had raised some sub debt as well in the last quarter. Last quarter plus 1 month, August onwards, we have raised some sub debt of around INR 400 crores. That has come at about 150 bps, 200 bps higher than our normal borrowing. So there is some uptick in the cost for that. Secondly, there has also been, as Mr. Nath was mentioning and Anuj also was mentioning, that we've been carrying excess liquidity in hand, which has almost on an average, exceeded around INR1,600 crores over the last 4 months' time. So therefore, there has been uptick in the finance cost as well.
- Mehul Panjuani:** I mean I was listening to the response to the prior question. So from Q1 'FY27, will there be some reversal in the numbers? And I did not understand the response to the last question. So maybe if you can put it in easier words.
- Anuj Pandey:** Yes, I'll just explain. So we were carrying higher liquidity in last quarter ie from October to December quarter because we were holding cash for Profectus transaction. So on account of that, the borrowings were a little higher and the finance cost is looking a little higher. So yes, on a progressive basis, next quarter, you would see some reversal. Also, Shilpa added that we also took Tier 2 sub debt last quarter, which are typically at about 150 basis points higher than our normal cost of borrowing, that also added to this. From next quarter onwards, you should see a reduction.
- Mehul Panjuani:** So will there be a subsequent bump up in profits from Q1 'FY27? So will there be a bump up in profits in Q1 'FY27?
- Shachindra Nath:** I think, look, what is not Q4, but the next whole year. You have to remember 2 things. One, that as of effective today, our intermediated DSA-led high ticket LAP, which happens at a yield of 13.5%. The business loan and machinery segment, that disbursement volume would go down because we have just completely stopped it. Now that actually, when we used to do it, it used to go in co-lending, and that's why it used to generate a significant amount of income, which used to come as a derecognition of gain.
- Now obviously, that benefits the P&L, but it doesn't accrete to the balance sheet on an immediate basis. So what we would see that in next 2, 3 quarters that this cost reduction would replace that income. So we think so that our income profile would change from whatever PAT you are seeing from pure profitability, which will come in a combination of interest income going up and cost being taken out. Our view is that we will see the improvement in quality of earnings and

obviously, the quarterly income would stay in line what we are today. So while they will remain more or less same for at least for the next quarter is our assumption, but the quality of that would change dramatically. It would not be contributed from co-lending income, rather, it would be contributed by more interest income and cost takeout, which is being executed now.

Mehul Panjuani: Right. So can we expect some better numbers in FY27?

Shachindra Nath: Yes, we definitely -- so there are 3 things which we are saying that we have clearly articulated. One, we think that our ROAs would improve from where they are today. But more importantly, the quality of ROA would improve dramatically, wherein the contribution of income which is coming from currently from co-lending and direct assignment, predominantly co-lending, which is very transaction. Whenever we do co-lending in a month, the spread income, NPV values get recognized in our balance sheet, that would convert to more interest-led income. So one, on an absolute basis, reported to reported, we expect ROAs to improve from where they are. But more so, the ROA's contribution from annuity-led spread income would dramatically improve over the next 4 quarters and then 8 quarters. And that's why I said that company for next 2, 2.5 years does not require any further capital because it's retained earnings coming from profitability is fueling the growth.

Moderator: The next question is from the line of Prakash Modi from Real & Sons.

Prakash Modi: Hi, good evening. I have a two-part question. One was that we were targeting the AUM of 15,000 crores and target was around 20,000 crores?

Shachindra Nath: Sorry, Prakashji, can you speak a little louder? I can't hear you.

Prakash Modi: I was saying that earlier we were planning to have AUM of INR20,000 crores in the beginning of the year and then that was revised to around INR16,000 crores, which I guess almost we've reached to that. So are you revising the annual AUM target upside?

Shachindra Nath: Prakashji, if you read through our strategic realignment presentation, we have given specific guidance. We have given a guidance on how much in terms of percentage our emerging market LAP plus merchant lending business would grow. That would be in the range of 20% to 25% and we have said the lower yielding portfolio would run down to the range of around 15%, which means you calculate these 2, you'll arrive at what AUM growth would come. We think so that would be on a 2-year time horizon would still be roughly around north of 20% to 25%. But more importantly, what is happening that our large portion of our AUM, which is 67% at a blended yield of 15% would shift to a large portion of our AUM, which is led by small ticket LAP. We have chosen now, to rather than only growing AUM, to grow the AUM which generates at least 200 to 250 basis points higher yield. On one side, we did realignment, we stopped all the DSA-led business, that AUM would gradually run down and given our branch network of 300 branches is now fully built. This quarter, we disbursed almost INR600-odd crores, that would continue to grow. It is more shift of the AUM and more cash-generating profitability, which we

are focusing to build so that, one, our ROEs improve, they improve from more cash income. And third, we don't require any further capital.

Prakash Modi:

My second question was as you are shifting to LAP income and having a larger share over there eventually. So any specific product development or any specific product that we have developed, which would help us move the competition in that?

Shachindra Nath:

Anuj, do you want to take that? Okay. I was actually requesting Anuj to take it up. I'm actually not in Bombay office. I'm in my Gurugram office. But by the time he comes back on the call. So look, all of our 300 branches only focus on what we call small ticket loan against property only for small micro businesses. We have been in this journey of building this vertical for the last 2.5 years. We started 25 locations in 2020, 75 locations in 2022 and from there, we have grown to 300 locations. This segment of the market, and there are 2 listed companies which are also in similar businesses. One, it has a very small ticket size. We have given comparison in our presentation as well and other it does very similar to our ticket size.

This segment of the market requires 3 things: very deep physical footprint, very high quality of on-ground credit underwriting, we have the advantage of our GRO Score which takes the bureau data and the banking data, client data and very keen at that segment and understanding the nuances of collateral and cash flow and underwriting that. So it takes roughly -- for most of the company, it takes around 5, 6 years to get there. We have been building this over a period of 3 years. And now we believe that we -- given that journey is complete, we have both market access, we have distribution capability and underwriting and collection capability. There is no reason for us to continue doing lower-yielding businesses because at our cost of borrowing, those businesses doesn't generate positive P&L which adds to our net worth and that's why we have taken this call and close those verticals and now only focused on emerging market LAP business.

Second is our vertical, which is our merchant lending vertical. As you remember that around 1 year back, we acquired a small fintech called MyShubhLife, which embeds into India's largest payment platform, which has total merchant onboarded capacity of more than 10 crores merchants. We combined our data analytics capability with that. And there, we do small ticket, completely digital, average ticket size of INR1 lakh, daily EMI product, which reduces the risk and have high velocity to do lending through that vertical.

So combination of 2, one is at an average yield of around 25%, which is a merchant lending business and emerging market LAP at an average going forward yield of 17.5% would incrementally increase the total yield on portfolio progressively by at least 200 basis points. So we have presumed that even if our cost of borrowing reduction happens to the tune of around 75 basis points over the next 8 quarters, then also the NIM margin and the ROA improvement will be very, very significant, and it would take us very close to some of the other traded peers of ours.

Moderator:

The next question is from the line of Nitin Dhyani from Royal Sundaram General Insurance Company Limited.

- Nitin Dhyani:** So my question is on other income. Like I can see there is a significant jump in other income from quarter. And another question on the impairment. So is there a reversal of impairment from the Profectus book?
- Shilpa Bhatner:** I'll take the impairment question first. So there has been some realignment of the ECL policy as well vis-a-vis UGRO, and we have done the consolidation of the financial statements between Profectus and UGRO. And accordingly, there has been some change in the ECL numbers as well according to that. Secondly, there have been some resolutions also which we have seen at the book level on Profectus, which are one on account of sale of assets, which we have done through DA transactions. That also has helped us some release in the ECL provisions and therefore, you see that there has been a reversal in the ECL at the Profectus entity level. On the matter of the other income, which you see in UGRO financial statements, there has been a onetime other income, which has accrued to UGRO with respect to an arrangement which we had with Actis and that income has come in, in the December quarter.
- Moderator:** The next question is from the line of Piyush Bothra from GMO Payment Gateway India Private Limited.
- Piyush Bothra:** Apologies for banging in again. Basically, 2 questions. First is 2 quarters back -- sorry, not 2 quarters back. Last year, you gave a projection of 4% ROA, right? I understand that you are working on high-yield loans, high-yield loans to achieve that. So do you have any idea by when you would be able to achieve that 4% ROA targets?
- Shachindra Nath:** Yes. So in fact, we have attached an FAQ at the end of our strategic realignment presentation, and we have answered this question. So question is, earlier, UGRO guided to a 4% ROA. What is the new ROA guideline? And what's fundamentally different now? So what we are saying is that the earlier 4% ROA guidance assumed a very high contribution from co-lending and direct assignment. More than 50% to 60% of ROA contribution was coming from downselling of the assets under direct assignment or co-lending, which over 8 quarters would materially reduce and would remain less than 25% or even more as we progress further.
- So our view is that while the ROA target of 4% would might get shifted or it might get reduced a little bit. But because the net contribution is now cash generating annuity income, this would be more healthier ROA. Purposefully, we are not pinpointing a number of ROA. But if you look at our presentation and if you do this a little bit of math, you should be able to calculate. I would sincerely recommend that you go to slide 13, you would be able to calculate the projected ROA on your own. Because it's in a transitional phase wherein we are closing our low-yielding business and gradually increasing the productivity, we don't want to pinpoint exact ROA number, but more or less the guidance is there. We have said that if you look at the ROAs of some of our peer set who are in MSME small ticket LAP businesses and their ROAs. Their ROAs is also a function of a very high equity base. If you combine the leverage here to ours, our ROA would be in line with them.

Piyush Bothra: Okay. So one final question. You said that the future growth will be happening from the internal accruals. And so previously, the off-book portion was roughly 45%, which I think post this merger, it has come down to 35%-ish. So do you also like foresee to go back to those levels because that would be more capital conserving sort of a growth strategy?

Shachindra Nath: Actually not, direct assignment and co-lending both, especially the co-lending, while you onboard assets and you earn on an income which comes from derecognition, but actually, it is not very capital accretive in the shorter run. The reason is that from an RBI regulation perspective, all of the gain, which comes through co-lending and direct assignment, that gain till the time it gets fully realized is not added for capital adequacy net worth.

So that's why in last 3 years, we had to raise capital at a very, very short interval because the gain which is sitting on our balance sheet, which will get realized over a period of next 3 to 4 years was not getting utilized for purpose of capital adequacy and that's why we needed more capital. Now going ahead, we have taken out INR220 crores of cost and our incremental build is happening on balance sheet predominantly, all of our profitability is coming from realized gain, which is the interest income minus expense, interest cost minus opex. And that's why it is adding to capital adequacy net worth, and that is fueling the growth, not the fresh capital raise.

Moderator: The next question is from the line of Ashish Gupta, an individual investor.

Shachindra Nath: You can go on next question, I don't think he's there.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Shachindra Nath: Thank you, everyone, for attending the call and listening to us patiently. We genuinely believe that the actions we have undertaken are difficult, but actually puts UGRO in a very strong balance sheet-led growth phase. Most of our growth is coming from our internal accruals. We will be able to shift the yields on the portfolio, maintaining the credit quality, and we are very excited as a management team to go on this path going forward. Thank you for your patience, and thanks for all the support.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.