

Ugro Capital Limited

Transforming from expansion led model to productivity & profitability driven phase

In Q2FY26, Ugro Capital Limited (Ugro) reported a ~35%/9% growth in its Total Income on a YoY/QoQ basis, amounting to ~Rs 4,612Mn. The AUM in Q2FY26 stood at Rs. 122 Bn showing a growth of 20% on a YoY basis, however net disbursals degrew by 9% on a YoY basis due to headwinds in MSME sector. Calibrated growth will bring down the total liability required for next 18-24 months and eventually the cost of liability in order to drive the profitability. Interest Expenses grew by ~53%/6% on a YoY/QoQ basis, however cost of borrowing stands at 10% showing an improvement of 38 Bps on a YoY basis as a result of underlying benefit of diversification and high quality lender base. The Company's PPOP reached ~Rs 1,054 Mn, showcasing a growth of ~12%/10% on a YoY/QoQ basis. The credit cost to average AUM improved by 30 Bps from ~1.8% to ~1.5% on a YoY basis. The current Off-Book AUM of a Company contributes 43% to total AUM, nonetheless the acquisition of Profectus will change AUM mix as it will add more than Rs. 30 Bn in AUM inorganically.

Emerging Market segment anchors growth with store level productivity

UGRO's Emerging Market segment that provides small-ticket Loans Against Property (LAP) for micro enterprises, continues to be a major growth engine. The business now operates 303 branches, with an AUM of Rs 29,970 Mn, showing a growth of ~82% on a YoY basis and accounting for 25% of the Company's total AUM. Out of 303 branches, 29 branches have already achieved over Rs 10 Mn in monthly productivity and 75% of total branches are profitable. Additionally, 86 branches are expected to reach that level in next 12 out of which 50% branches are already profitable. The remaining 188 branches to reach productivity level of Rs 10 Mn within 18 months. With the physical branch network fully established, UGRO's strategic focus has shifted from expansion to driving branch-level productivity, strengthening risk calibration, and enhancing profitability, setting the stage for sustainable operating leverage and long-term growth.

Embedded Finance is driving expansion into underserved retail segments

MyShubhLife (MSL), the Embedded Finance platform continues to demonstrate robust growth momentum. Within just four quarters, the platform's AUM has reached Rs 12,700 Mn in Q2FY26 from Rs 3,020 Mn Q3FY25, serving over 1.5 lakh small retailers. During Q2FY26, disbursements stood at Rs 7,130 Mn, maintaining a strong monthly run rate of Rs 2,000 Mn. By enabling seamless access to credit, MyShubhLife (MSL) effectively addresses a \$20+ Bn credit gap in the small retail and micro-merchant ecosystem, positioning UGRO as a key player in this underserved segment.

View & valuation

We expect Ugro Capital to sustain its strong growth momentum. However, given the lower than expected ROA, we have revised our valuation estimates while maintaining a BUY rating with a target price of Rs. 204 (1x FY27E BV).

21st November 2025

BUY

CMP Rs. 175

TARGET Rs. 204 (17%)

Company Data

Bloomberg Code	UGRO IN
MCAP (Rs. Mn)	20,780
O/S Shares (Mn)	114.35
52w High/Low	252/ 144
Face Value (Rs.)	10
Liquidity (3M) (Rs. Mn)	36

Shareholding Pattern %

	Oct 25	Sept 25	Jun 25
Promoters	1.8	2.2	2.2
FII	25.0	28.9	29.3
DI	1.3	1.5	1.6
Non-Institutional	71.7	67.1	66.8

Ugro Capital vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY23	FY24	FY25
NII	3.9	6.4	8.1
PPOP	1.4	3.0	3.8
Net Profit	0.4	1.2	1.4
Total Assets	43.1	62.8	91.7
ROA (%)	1.1%	2.3%	1.9%

Source: Company, Keynote Capitals Ltd. estimates

Manish Choraghe, Research Analyst
manish.c@keynotecapitals.net

Q2 FY26 Result Update

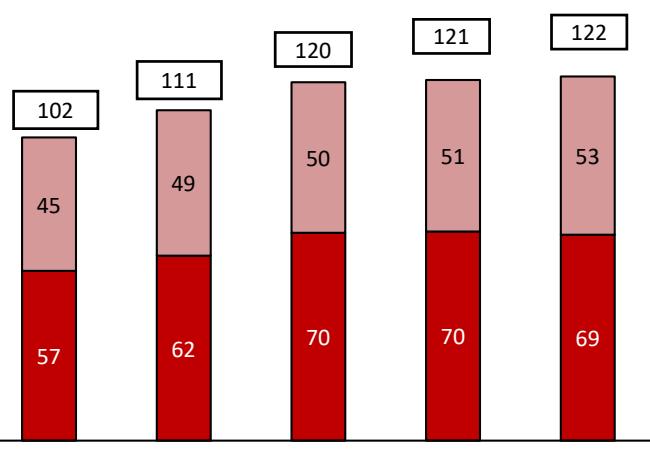
Result Highlight (Rs. Mn)

Particulars	Q2 FY26	Q2 FY25	Change % (Y-o-Y)	Q1 FY25	Change % (Q-o-Q)	H1 FY26	H1 FY25	Change % (Y-o-Y)	FY25
Interest Income	3,224	2,080	55%	3,042	6%	6,266	4,399	42%	9,588
Income on Co-Lending / Direct Assignment	1,006	1,095	-8%	908	11%	1,914	1,600	20%	3,829
Other Income	382	253	51%	268	42%	651	445	46%	1,001
Total Income	4,612	3,429	35%	4,218	9%	8,831	6,444	37%	14,418
Interest Expenses	2,185	1,431	53%	2,054	6%	4,239	2,792	52%	6,278
Net Total Income	2,426	1,998	21%	2,165	12%	4,592	3,652	26%	8,141
Employee Benefit Expense	673	616	9%	609	11%	1,282	1,162	10%	2,356
Other Expenses	699	437	60%	597	17%	1,296	786	65%	2,023
PPOP	1,054	945	12%	959	10%	2,014	1,704	18%	3,762
Credit Cost	443	443	0%	477	-7%	920	775	19%	1,731
PBT	611	501	22%	482	27%	1,093	929	18%	2,031
Tax	178	146	22%	140	27%	318	271	17%	592
PAT	433	355	22%	341	27%	774	659	17%	1,439
EPS	3.79	3.61	5%	3.57	11%	7.41	7.12	4%	14.71

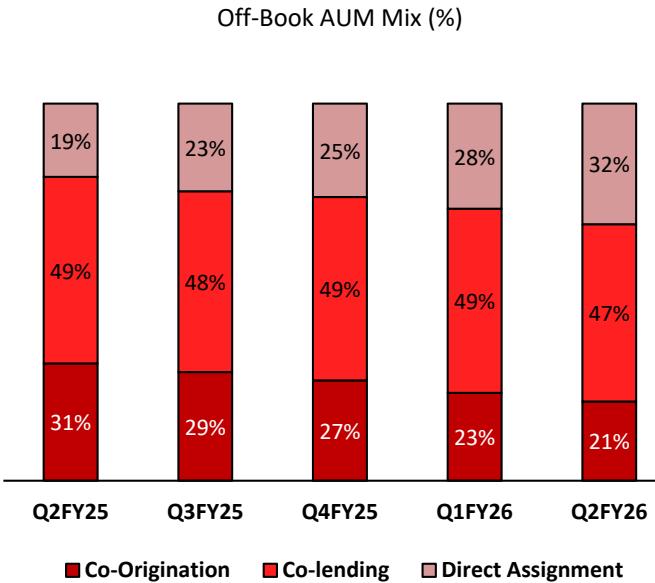
Source: Company, Keynote Capitals Ltd.

Quarterly Business Progression

AUM (Rs in Bn)



Off-Book AUM Mix (%)



Source: Company, Keynote Capitals Ltd.

Portfolio Yield (%)

16.7% 16.9% 17.3% 17.5% 17.6%

Q2FY25 Q3FY25 Q4FY25 Q1FY26 Q2FY26

Cost to Income (%)

53.3% 56.7% 51.8% 55.7% 56.6%

Q2FY25 Q3FY25 Q4FY25 Q1FY26 Q2FY26

Cost of Borrowing (%)

10.8% 10.7% 10.6% 10.6% 10.3%

Q2FY25 Q3FY25 Q4FY25 Q1FY26 Q2FY26

Net Loan Origination (Rs in Bn)

20 21 24 16 18

Q2FY25 Q3FY25 Q4FY25 Q1FY26 Q2FY26

NPAs (%)

2.10% 2.10% 2.30% 2.50% 2.40%
1.30% 1.50% 1.60% 1.70% 1.50%

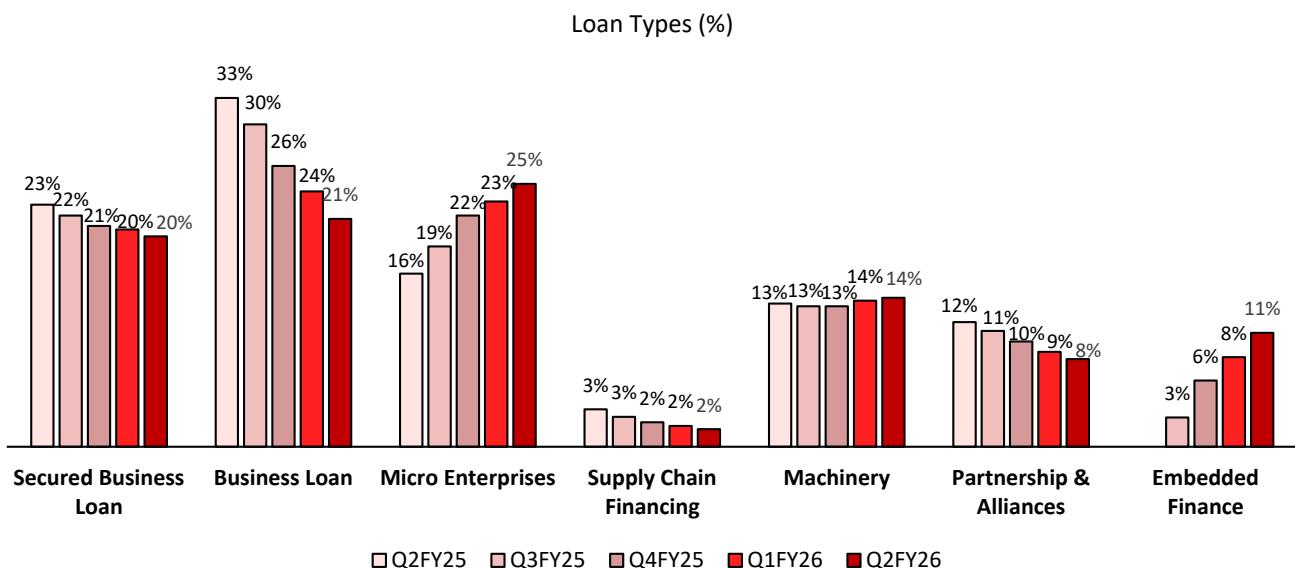
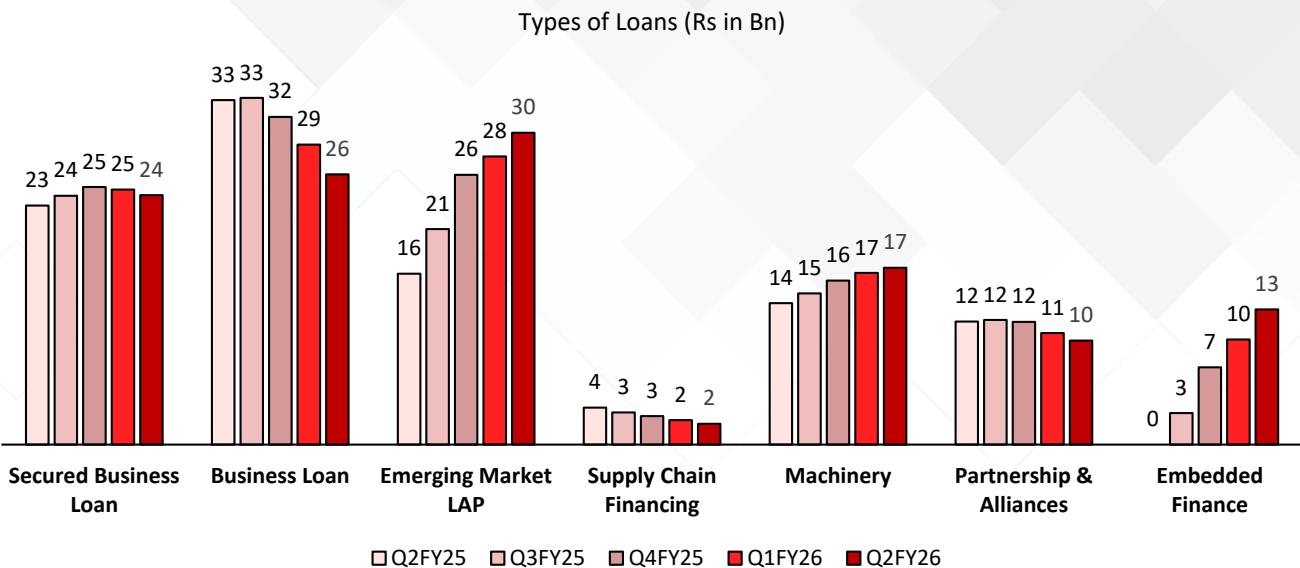
Q2FY25 Q3FY25 Q4FY25 Q1FY26 Q2FY26

■ GNPA ■ NNPA

Provision Coverage Ratio (%)

47% 47% 47% 47%

Q3FY25 Q4FY25 Q1FY26 Q2FY26



Source: Company, Keynote Capitals Ltd.

Q2 FY26 Conference Call Takeaways**General highlights**

- Embedded finance business crossed AUM of Rs 12,700 Mn as of Sep-25 with good traction for partner volumes. The current monthly disbursement standing at Rs 2,000 Mn.
- Number of Emerging Market branches reached to 303 with addition of 17 branches in Q2FY26. The AUM in this segments stands at Rs 29,970 Mn with disbursements of Rs 4,100 Mn in Q2 FY26.
- The Company is holding cash in the balance sheet of Rs 15,990 Mn for acquisition of Profectus.
- The combined Off-Book portfolio to be 35% of total portfolio with acquisition of Profectus which is an entirely On-Book business. Currently the Off-Book AUM constitutes 43%.
- Cost of borrowing improved by 38 Bps on a YoY basis from 10.8% in Q2FY25 to 10.3% in Q2FY26 because of underscoring benefit of diversification and high-quality lender base.
- Over last three quarters, the Company has stopped giving loans for less than Rs 0.75 Mn, which improves the ticket size for a business. Currently to loan book with less than Rs 0.75 Mn account for just 5% of the total portfolio.
- Investment in DataTech underwriting architecture strengthening Company's position as diversified and data-driven MSME lender.

Update on strategic change in business model

- The Company has completed the branch expansion in Emerging Market segment and are now focusing on branch level productivity and profitability.
- The AUM mix of Emerging Market is planned to increase to ~32-35% in near term.
- Focus is on reducing input cost in the business to enhance profitability.

Management guidance

- Management guides that business is expected to deliver 18% yield in next 18 months.
- The GNPA is expected to be 4% and credit cost of 1.5% will contribute 40-50 Bps in improving ROA in next six quarters.
- With the acquisition on Profectus, AUM to grow by Rs 30,000 Mn inorganically in FY26. Further AUM growth of ~20-25% can be seen in coming years.
- Company is confident to deliver ROA of 4% and ROE of 16-18% in next two years.
- There is no requirement for further capital for 18-24 months on current run-rate of disbursements.
- Book value of a Company is expected to be Rs. 190 post Profectus acquisition.

Emerging markets

- The emerging market business expanded to 286 operational branches by June 2025, with further expansion planned by September 2025. Out of 286 branches, 150 are more than 18 months old, and 136 are less than 18 months old.
- AUM per branch for vintage (>18 months) branches is Rs. 154 Mn, significantly higher than newer branches (<18 months) at Rs. 34 Mn.
- Average ticket size in emerging market is Rs. 2Mn with an average yield of 17.8%-18%.
- 121 branches have already breakeven levels, with others expected to achieve in the next 12-15 months.
- Only secured lending is done in the emerging market channel. Geographically, AUM is well-diversified : 48% South, 25% North, 27% West.
- With increasing maturity of branches, the Company expects to reach an exit run rate of Rs. 4Bn per month from emerging markets.

Financial Statement Analysis

Income Statement

Particulars (Rs in Mn)	FY23	FY24	FY25
Interest Income	4,829	7,079	9,588
Income from Co-Lending/DA	1,541	3,075	3,829
Other Income	468	663	1,002
Total Income	6,838	10,817	14,419
Finance cost	2,933	4,429	6,278
Net Total Income	3,905	6,388	8,141
Employee benefits expense	1,407	1,829	2,356
Depreciation, amortisation and impairment	176	353	464
Other expenses	916	1,256	1,559
PPOP	1,406	2,950	3,762
Impairment on financial instruments	568	1,162	1,731
PBT	838	1,788	2,031
Tax expense	440	595	592
PAT	398	1,193	1,439

Balance Sheet

Particulars	FY23	FY24	FY25
Cash and Bank balances	2,118	4,549	5,444
Loans	38,064	54,322	79,191
Fixed Assets	992	1,298	1,623
Investments	601	592	1,034
Other assets	1,281	2,039	4,391
Total Assets	43,056	62,800	91,683
Equity share capital	693	916	919
Other equity	9,147	13,468	19,544
Incremental Equity			
Net worth	9,840	14,384	20,464
Borrowings	31,489	46,180	68,704
Other liabilities	1,727	2,236	2,515
Total Liabilities and Equity	43,056	62,800	91,683

Source: Company, Keynote Capitals Ltd.

*Note: We will be publishing forecasted numbers post Projectus Capital's books get merged with Ugro Capital.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
17 th February 2023	BUY	154	28%
17 th May 2023	NEUTRAL	189	8%
3 rd August 2023	BUY	269	15%
27 th October 2023	BUY	304	14%
25 th January 2024	BUY	280	15%
6 th May 2024	BUY	269	19%
27 th August 2024	BUY	243	15%
24 th October 2024	BUY	240	16%
28 th January 2025	BUY	199	15%
29 th April 2025	BUY	183	24%
29 th August 2025	BUY	170	27%
21 st November 2025	BUY	175	17%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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