

28<sup>th</sup> May 2026

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

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

**Sub: Clarification in Response to Media Report: 'UGRO Promoter Pay Raises Governance Concerns' - Economic Times, 28 May 2026**

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, UGRO Capital Limited ('UGRO' or the 'Company') places the following clarifications on record in response to the above-referenced media article. Before addressing each point, the Company states two facts that answer the article's central premise:

- 1) **The proposed compensation for Mr. Shachindra Nath is at or below market median, as independently confirmed by Aon - one of the world's foremost compensation advisory firms - commissioned by the Company's 100% independent Nomination and Remuneration Committee in April 2026.**
- 2) **These proxy advisory firms have routinely advised 'AGAINST' the appointment of Managing Directors of comparable NBFCs - including Five-Star Business Finance, SBFC Finance, and MAS Financial Services. In each case the compensation was similar or higher, shareholders rejected the advisory recommendation, and the respective individuals continue in their roles today.**

A critical context the media report has not addressed: Mr. Shachindra Nath is a professional entrepreneur classified as Promoter by operation of law, given that he established UGRO by acquiring a listed company. He founded UGRO Capital in 2018, built it from a dormant listed shell into India's first listed MSME-focused DataTech lending NBFC, and enabled more than Rs. 2,500 Crores of equity capital raises over eight years. His own shareholding was diluted to below 3% as a direct consequence - dilution-to-build, not disengagement. This Promoter classification permanently excludes him from ESOPs, SARs, and every equity-linked long-term incentive that every comparable professional MD in India receives in addition to cash. Any benchmark that compares only the cash component of his remuneration against peers' cash pay - while ignoring the equity component those peers receive and he cannot - is structurally incomplete.

### **1. The Proxy Advisory Report: Its Purpose, Its Limits, and the Precedent at Comparable Companies**

Proxy advisory reports are confidential, subscriber-only tools issued exclusively to institutional investor clients. The SES report is marked 'FOR Limited Circulation Only' and is expressly stated to be 'not for public distribution.' Its publication in a media article ahead of the AGM without giving full context, creates public uncertainty, especially for the shareholders who do not have access to the full report, company's responses.

More fundamentally, AGAINST recommendations on promoter and professional MD remuneration at MSME-focused NBFCs are routine, policy-driven output - not a finding of company-specific governance failure. The following precedents are drawn from the proxy advisors' own publicly available reports:

#### **UGRO CAPITAL LIMITED**

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**CIN:** L67120MH1993PLC070739

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- Mr. D. Lakshmiopathy, Chairman and Managing Director of Five-Star Business Finance - a direct peer of UGRO Capital - received AGAINST recommendations from both IiAS and SES. Shareholders approved his re-appointment and remuneration at the September 2024 AGM. Mr. Lakshmiopathy continues as Chairman and Managing Director.
- Mr. Aseem Dhru, Managing Director and CEO of SBFC Finance, received an AGAINST recommendation from IiAS on remuneration of Rs. 16.76 Crores - more than double the compensation proposed for Mr. Nath. Shareholders approved his appointment and remuneration. Mr. Dhru continues as Managing Director and CEO.
- Mr. Kamlesh Gandhi, Founder Chairman and Managing Director of MAS Financial Services, received an AGAINST recommendation from IiAS on remuneration of Rs. 7.61 Crores - nearly identical to Mr. Nath's current compensation of Rs. 7.59 Crores. Shareholders approved his appointment. Mr. Gandhi continues as Chairman and Managing Director.

These precedents reflect a well-established pattern: institutional investors - the actual audience for proxy advisory reports - assess the merits of a company and its leadership independently and vote accordingly. The Company requests all shareholders to exercise the same independent judgment.

## **2. The Proposed Compensation: Independent Benchmarking Confirms it is at or Below Market Median**

The detailed context below was provided in full to both proxy advisory firms as part of the Company's formal responses under Clause 1(e) of SEBI Circular dated 3 August 2020. The media article has not referenced those responses fully.

The Nomination and Remuneration Committee commissioned an independent benchmarking exercise from Aon in April 2026. Aon compared Mr. Nath's proposed compensation against three peer groups: promoter MDs, founder MDs, and MDs of NBFCs with AUM above Rs. 15,000 Crores. Across all three groups, the conclusion was the same: the proposed compensation is below or at the market median. In plain terms, the majority of comparable MDs in India earn more than Mr. Nath is proposed to be paid.

The proxy advisory comparison to peers is cash-only and therefore structurally misleading. Every comparator MD receives cash plus equity-linked compensation - ESOPs, SARs, or restricted stock units.

Mr. Nath cannot receive any equity-linked compensation by virtue of his Promoter classification. On a total economic value basis, the proposed Rs. 10 Crores is below the market median. The Total Fixed Cost of Rs. 7 Crores is unchanged from the current year; the Deferred Fixed Compensation of Rs. 3 Crores replaces prior variable components. The characterization of this package as excessive is not supported by independent evidence.

## **3. Variable Pay: An Enabling Resolution Only - Share Price Appreciation is One Proposed Criterion, Designed to Align the Founder's Interests with All Shareholders**

The variable pay resolution is an enabling authority only. Once the shareholder approves the resolution it gives the Nomination and Remuneration Committee (NRC) authority to design the complete framework, including all performance metrics, measurement period, absolute cap, malus/clawback, and deferral provisions. Nothing is pre-determined or open-ended.

Share price appreciation is one of the proposed criteria - not the sole criterion. Where a professional founder is permanently excluded by regulation from equity-linked compensation, a cash incentive referred to share price appreciation aligns his interests directly with those of every shareholder. A rising share price benefits all shareholders equally. This is not a mechanism for enrichment - it is a mechanism for alignment.

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The UGRO's NRC consists of only independent directors whose members consist of industry expert drawn from various regulatory bodies and large institutions and who would continue to exercise their independent judgement keeping in mind the interest of all stakeholders.

Any such variable pay would then be approved by Board of Directors which also consist of UGRO's largest Shareholders representing approximately 25% of the equity of the company who have direct representation on Board, as the per governance framework such approval would require 2/3<sup>rd</sup> majority of the Board to approve such proposal. The governance structure of UGRO ensures that there would never be a case where any excessive compensation can be paid to any individual including Managing Director.

On the legal question, Mr. Sumit Agrawal, Senior Partner at Regstreet Law Advisors and a former SEBI officer, has stated publicly in the same ET article: 'Merely using share price as a reference metric for determining variable pay does not, by itself, bring the arrangement within the ambit of the SEBI SBEB regulation.' This position is recorded in the contemporaneous minutes of the Company's Nomination and Remuneration Committee.

#### **4. Change of Control Severance: Protection Against Continuing Liability**

Mr. Nath has extended personal guarantees of approximately Rs. 1,830 Crores in favour of the Company's institutional lenders, without any commission or fee. These obligations are contractual commitments to third-party lenders that do not cease when employment ceases and does not reduce on a Change of Control. By operation of law, they continue regardless of whether Mr. Nath remains as Managing Director.

The change of control severance provision - identical to the provision approved by shareholders by special resolution on 11 May 2023 - addresses a straightforward principle: a professional who has voluntarily borne extraordinary personal financial liability on behalf of an institution and would not longer be employable by virtue of these liabilities deserves protection commensurate in a scenario when is no longer in employment of the company due to an external event. The provision is contingent and event-triggered; it becomes payable only if a Change of Control occurs - a scenario that has not occurred and is not anticipated.

#### **5. Statement by the Chairman of the Board**

*"UGRO Capital's Board has deliberated on this decision with the rigour it deserves. The Nomination and Remuneration Committee – entirely independent, supported by external benchmarking and independent legal counsel – has evaluated every element of the proposed remuneration.*

*On behalf of the Board, I give shareholders one assurance: should the variable pay resolution be approved, any compensation determined will be benchmarked independently against comparable companies, with the sole objective of aligning the Founder's interests with those of all shareholders. It will be fair, market-referenced, and never excessive – only alignment, never enrichment.*

*One fact deserves recognition: Mr. Nath has voluntarily guaranteed Rs. 1,830 Crores of the Company's borrowings – without a single rupee of commission or fee – while building an institution that employs 2,500 professionals and serves 2,50,000 MSMEs across India. This level of personal commitment is rare in Indian corporate life. The Board unanimously believes it deserves fair recognition. Satyananda Mishra, IAS (Retd.) Independent Chairman, Board of Directors.*

Thanking you,

Yours faithfully,  
**For UGRO Capital Limited**

**Satish Kumar**  
Company Secretary and Compliance Officer

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