27th June 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001

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

Symbol: UGROCAP

Sub: Credit Rating - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that India Ratings & Research Pvt. Ltd and CRISIL Ratings Limited, credit rating agencies, have issued a press release, dated 26th June 2025 in relation to the credit rating to the below mentioned instruments of the Company:

India Ratings & Research Pvt. Ltd:-

Instrument	Previous Amount (Rs. in million)	Previous rating	Current Amount (Rs. in million)	Current Rating
Non-Convertible Debentures	16,750	IND A+/Stable (Affirmed)	15,950	IND A+/Rating Watch with Positive Implications
Non-Convertible Debentures	-	-	2,500	IND A+/Rating Watch with Positive Implications (Assigned)
Bank Loans	31,000	IND A+/Stable (Affirmed)	31,000	IND A+/Rating Watch with Positive Implications
			10,000	IND A+/Rating Watch with Positive Implications (Assigned)
Subordinated Debt	500	IND A+/Stable (Affirmed)	2500	IND A+/Rating Watch with Positive Implications
	2000	IND A+/Stable (Assigned)		
Commercial Papers	3,000	IND A1+ (Affirmed)	3,000	IND A1+ (Affirmed)

CRISIL Ratings Limited:-

Instrument	Previous Amount (Rs. In crores)	Previous rating	Current Amount (Rs. In crores)	Current Rating
Non-Convertible Debentures	99.28	CRISIL A/ Stable (Reaffirmed)	99.28	CRISIL A/ Watch Developing

UGRO CAPITAL LIMITED
Registered Office Address: Equinox Business Park, Tower 3, 4th Floor, LBS Road, Kurla (West), Mumbai - 400070
CIN: L67120MH1993PLC070739
Telephone: +91 22 41821600 I **E-mail**: info@ugrocapital.com I **Website**: www.ugrocapital.com

Long term Principal Protected Market Linked Debentures	25	CRISIL PPMLD A/ Stable (Reaffirmed)	25	CRISIL PPMLD A/ Watch Developing
Long Term Bank Loan Facilities	1500	CRISIL A/ Stable (Reaffirmed)	700	CRISIL A/ Watch Developing

The press release issued by India Ratings & Research Pvt. Ltd and CRISIL Ratings Limited is enclosed herewith.

This is for your information and records.

Thanking you,
For UGRO Capital Limited

Satish Kumar Chelladurai
Digitally signed by Satish Kumar Chelladurai
Date: 2025.06.27 17:53:00 +05'30'

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

India Ratings Places UGRO Capital's NCDs, Sub-debt and Bank Loans on Rating Watch with Positive Implications; Affirms CP at 'IND A1+'; Rates Additional NCDs and Bank Loan

Jun 26, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on UGRO Capital Limited's (UGRO) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Commercial paper	-	-	7-365 days	INR3,000	IND A1+	Affirmed
Bank loan	-	-	-	INR31,000	IND A+/Rating Watch with Positive Implications	Placed on Rating Watch with Positive Implications
Non-convertible debenture#	-	-	-	INR15,950 (reduced from INR16,750)	IND A+/Rating Watch with Positive Implications	Placed on Rating Watch with Positive Implications
Subordinated debt#	-	-	-	INR2,500	IND A+/Rating Watch with Positive Implications	Placed on Rating Watch with Positive Implications
Bank loan	-	-	-	INR 10,000	IND A+/Rating Watch with Positive Implications	Assigned; Placed on Rating Watch with Positive Implications
Non-convertible debenture#	-	-	-	INR 2500	IND A+/Rating Watch with Positive Implications	Assigned; Placed on Rating Watch with Positive Implications

Details in annexure

Analytical Approach

Ind-Ra continues to take a standalone view of UGRO to arrive at the ratings.

Detailed Rationale of the Rating Action

Ind-Ra has placed the ratings on Rating Watch with Positive Implications following UGRO's announcement to acquire a 100% stake in Profectus Capital Pvt Ltd in June 2025. The completion of the transaction is subject to the receipt of requisite regulatory approvals, including the Reserve Bank of India. Additionally, UGRO announced a capital raise of approximately INR13 billion through the issuance of compulsorily convertible debentures (CCDs) amounting to INR9.1 billion and a rights issue of INR4.0 billion. The entire CCD amount will be used to fund the acquisition, while the remaining amount will be funded through internal accruals and operational inflows. Ind-Ra will resolve the Rating Watch with Positive Implications after the transaction completion.

Post the completion of acquisition, UGRO's asset under management (AUM) will increase to around INR150 billion on a consolidated basis and net worth to around INR34 billion. The management believes the franchisee would benefit from synergies derived from the transaction, anticipating cost savings, which are likely to be return on assets (ROA)-accretive over the medium term. The agency believes the integration and execution on the synergy levers will be a key monitorable and the full potential of the cost savings could take 12-18 months to become visible. UGRO is also likely to benefit from enhanced lender relationships, which may have a positive impact on its borrowing cost.

List of Key Rating Drivers

Strengths
- Strong growth in franchisee
- Adequate capital buffers
- Focused on funding MSMEs; geographically and sectorally diversified exposure across MSME value chain
- Recalibrating off-book AUM strategy post-acquisition
- Diversified funding mix and lender base

Weaknesses

- Limited track record; asset quality seasoning needs to be established
- Moderate profitability but improvement likely once operational leverage picks up

Detailed Description of Key Rating Drivers

Strong Growth in Franchise: UGRO's AUM grew multi-fold to INR120 billion at 4QFYE25 (FYE21: INR13.2 billion), largely driven by built-up of strong distribution capabilities coupled with its off-book AUM, which grew to INR50.9 billion from just INR0.11 billion over the same period. The on-book AUM also grew by a strong CAGR of nearly 54% during the same period. Following the completion of the transaction, UGRO's total AUM is likely to exceed INR150 billion, further strengthening its market position. UGRO has 16 co-lending and co-origination partnerships, of which six are public sector banks. It also has a partnership with fintech companies, which act as business correspondent partners for the company. The company also witnessed strong build-up in its capacity between FY21-4QFY25, with the branch count rising to 235 from 25. Of this, 23 are prime branches, while 211 are emerging market branches. The company plans to increase its branch count to 250 with emphasis on increasing emerging market branches.

Adequate Capital Buffers: UGRO has a demonstrated track record of capital raising. In 1QFY26, the company announced plans to raise approximately INR13 billion through a preferential issue of compulsory convertible debentures (CCDs) amounting to INR9.1 billion and a rights issue of INR4 billion. The company expects the entire capital to be raised by end-July 2025. The funds raised through the CCDs will be used to finance the acquisition of Profectus Capital, while the remaining is likely to be funded through internal accruals and operational inflows. This capital raise is in addition to INR12.7 billion raised in FY25, which included INR2.5 billion through CCDs and the remainder through the issuance of warrants. Of this, INR5 billion has already been received. The remaining INR7.5 billion from the warrant issuance was likely to be received within 18 months from the issuance.

UGRO has built adequate capital buffers with a capital base of INR20.5 billion at FYE25 (FYE24: INR14.4 billion; FYE23: INR9.8 billion; FY22: INR9.7 billion; FY21: INR9.5 billion) and a capital adequacy ratio of 19.4% (20.75%; 20.2%; 33.61%; 65.15%). Furthermore, the leverage (debt/equity) was 3.4x in FY25 (FY24: 3.2x; FY23: 3.2x). The management expects the leverage to reduce below 3.0x in FY26, post the completion of the transaction. The agency believes the current capital would be adequate to support growth over the next six-to-eight quarters. That said, UGRO targets to keep its leverage within 4.0x and cap its unsecured business loan exposure at 30% (excluding the exposure that is backed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)). The agency believes that this is required as the borrowing segment that it caters to is susceptible to economic slowdowns and has been associated with high credit costs in the past.

Focused on Funding MSMEs; Geographically and Sectorally Diversified Exposure across MSME Value Chain: UGRO is a non-banking financial company focused on providing funding across the micro, small and medium enterprise (MSME) segment – secured against property as collateral, funding for purchase of machinery, supply chain financing and unsecured business loans. The average ticket size of the products ranges between INR0.5 million and 9.5 million, with the upper cap being INR50 million for secured products and INR5 million for unsecured business loans. Since coming into existence in 2018, the entity has built an AUM of INR120 billion despite being impacted by the COVID-19 pandemic for a large part of this period. Furthermore, the entity operates out of 235 branches (23 prime and rest for emerging markets), which are present across 12 Indian states, while its customers are spread across 31 states and union territories with none of the state accounting for more than 15% of the AUM. Furthermore, the AUM is diversified across 10 key sectors with the largest end-segment constituting 23% of the AUM. The agency opines the product, geography and end-segment diversification bodes well for UGRO, given the volatility that the customer segment is known to face through economic cycles.

UGRO has re-calibrated its strategy and is focusing on growing its high-yielding secured products. It plans to expand its emerging market loan reach by adding branches. In supply chain financing, the company is focusing on running down the old book, which had exposure mainly to wholesaler distributor/dealers, and UGRO intends to target retailers henceforth. This has been done mainly to improve its margins. The company also want to grow the share of the unsecured business segment, but this exposure will be backed by CGTMSE; at 9MFYE25, 41% of the unsecured business segment was covered with CGTMSE, and UGRO intends to roll it out to the entire segment. Ind-Ra opines the focus on improving profitability is a step in the right direction for UGRO, but the asset quality trend of this new portfolio will be a key monitorable.

Recalibrating Off-Book AUM Strategy Post-acquisition: UGRO has been targeting strong growth in capital-light, off-balance sheet products by expanding its lending under co-lending, direct assignment, and co-origination segments. The combined share of these segments in AUM rose sharply to 42% in 4QFY25 from 16% in FY22, even as the overall AUM grew more than 3.0x to INR120 billion during the same period. In addition to being less demanding on capital buffers, the off-book growth has provided a steady source of income for UGRO. However, following the completion of the Profectus Capital transaction, UGRO's management expects the share of off-book AUM to decline further. The company has also recalibrated its strategy and is guiding for a reduced off-book share of 35%, down from the earlier guidance of 50%.

Diversified Funding Mix and Lender Base: UGRO has mobilised funds from 59 financiers, including some of the largest public and private sector banks. As of end-March 2025, term loans from banks, small finance banks, non-banking financial companies (NBFCs), and financial institutions (both domestic and global) accounted for 30.2%, 3.6%, 9.3%, and 11.2% of total borrowings, respectively. Working capital loans accounted for 4.4% of the borrowings, NCDs, commercial paper (CP), and market-linked debentures for 27.6% and external commercial borrowings (ECBs) for 13.7% during the same period.

Given the scale at which UGRO operates, the number of lending relationships is considered adequate, and the liability mix remains well diversified. UGRO's focus on co-lending with 16 partners also serves as an additional source of funding. Furthermore, to support its growing funding needs, UGRO consolidated its lender base to 59 by FYE25 (FY23: 66), helping deepen relationships with existing lenders. Additionally, post the transaction, UGRO is likely to benefit from enhanced lender relationships, which may have a positive impact on its borrowing cost.

Limited Track Record; Asset Quality Seasoning Needs to be Established: UGRO began operations in 2018 and it has built an AUM of INR120 billion since then. While UGRO's portfolio has been witnessing strong growth, the franchise size remains at a medium level. Also, the seasoning of the portfolio is low, as nearly 63% of AUM was generated in the 12 months ended March 2025.

UGRO's gross stage 3 stood at 2.3% in 4QFY25 (FY24: 2.0%; FY23: 1.6%)%) with credit costs of 2.9% (on on-book AUM). However, on a one-year lagged basis, the gross non-performing asset remained elevated at 5.2% in 4QFY25. Also, the gross stage 3 provisions coverage was 47% in 4QFY25 (FY24: 48%; FY23: 49%) with total provisions at 1.1% of the AUM. In terms of the restructured portfolio, the book also remains small with an outstanding restructured book accounting for 0.2% of the AUM at end-4QFY25, of which most is secured. However, given the limited seasoning of its business verticals, Ind-Ra believes control over softer bucket migration needs to be actively monitored with the rising scale; this will be a key monitorable for the agency.

Moderate Profitability but Improvement Likely Once Operational Leverage Picks up: UGRO has been profitable since its first year of operations, although its profitability during FY20-FY21 was aided by tax write-backs. The entity has been reporting profit before tax, although of modest levels, due to high operating costs. The cost-to-income ratio remained steady at 53.8% during FY25 (FY24: 53.81%) despite increased operating expenditure towards capacity building during the year (FY24: 53.8%; FY23: 63.3%; FY22: 71.8%). Although it has moderated from its long-term trend, it remains at an elevated level, thus exerting pressure on the profitability. It plans to focus on granular portfolio and increase its branch count, mostly emerging market branch, which will keep its operating expense at elevated levels over the next few quarters, but if executed well it will provide a big fillip to the ROA (FY25: 1.9%; FY24: 2.3%; FY23:1.1%; FY22: 0.6%). Additionally, cost saving from the perceived synergy benefit from the acquisition of Profectus Capital will also be ROA-accretive as per the management. Ind-Ra opines UGRO will only be fully able to capitalise on its investment if it can keep its credit costs in check across multiple cycles and product lines.

Liquidity

Adequate: At end-4QFY25, UGRO had a total liquidity of around INR9.4 billion, combining unencumbered cash, liquid investments, and unutilised bank lines, sufficient to meet its debt obligations for three months, without considering any inflows from collections. According to the behavioural asset-liability management statement at end-March 2025, the company was in a surplus position in all-time buckets with a cumulative surplus (excess of short-term assets over short-term liabilities in the up-to-one-year bucket) of 12% of the total assets. Furthermore, on a steady-state basis, UGRO aims to keep on-balance sheet liquidity sufficient for three months' debt repayment, considering nil collection. At end-March 2025, UGRO had an AUM of about INR120 billion, of which assets worth INR69.16billion were on-balance sheet assets. Furthermore, it can raise money through securitisation transaction. The company has co-lending partners to fund borrowers for its offerings. UGRO expects the institutional co-lending model to generate significant opportunities for off-balance sheet assets with regards to liquidity and funding requirements on an ongoing basis.

Rating Sensitivities

The Rating Watch with Positive Implications indicates that the ratings may either be upgraded or affirmed. The agency will continue to monitor the transaction and will resolve the Rating Watch with Positive Implications upon completion of the transaction and the receipt of all regulatory approvals.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on UGRO, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

UGRO (erstwhile Chokhani Securities Limited) was acquired in 2018 by Shachindra Nath (Vice Chairman and Managing Director). UGRO focuses on lending to MSMEs by offering them multiple products with varying tenors and ticket sizes. The company operates through 235 branches (23 prime and 201 micro), with a wide geographic presence. The AUM of the entity (own and managed) stood at INR120 billion at end-4QFY25, with the off-book volumes constituting 42% of the overall AUM (split almost evenly between co-lending & direct assignment and co-origination). UGRO is a publicly listed entity on both the National Stock Exchange of India Limited and BSE Limited.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	91.7	62.8
Total equity (INR billion)	20.5	14.4
Net profit (INR billion)	1.4	1.2
Return on average assets (%)	1.9	2.3
Equity/assets (%)	22.3	22.9
Capital adequacy ratio (%)	19.4	20.8
Gross stage 3 (%)	2.3	2.0
Source: Ind-Ra, UGRO		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook									
	Rating Type	Rated Limits (million)	Rating	10 March 2025	30 December2024	6 September 2024	30 July 2024	7 March 2024	8 January 2024	15 September 2023	24 July 2023	28 April 2023	24 February 2023
Bank loans	Long-term	INR41,000	IND A+/Rating Watch with Positive Implications	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable
Non-convertible debentures	Long-term	INR18,450	IND A+/Rating Watch with Positive Implications	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	-
Subordinated debt	Long-term	INR2,500	IND A+/Rating Watch with Positive Implications	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A+/Stable	IND A/Stable -	-	-	-	-	-
Commercial paper	Short-term	INR3,000	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A1	IND A1	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan	Low
Commercial paper	Low
Non-convertible debentures	Low
Subordinated debt	Moderate

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Private NCDs

ISIN	Date of Issue	Coupon (%)	Maturity Date	Rated Amount (million)	Rating/Outlook
INE583D07372	18 September 2023	8.56	18 March 2025	INR500	WD (paid in full)
INE583D07398	10 November 2023	1.0	10 May 2025	INR300	WD (paid full)
INE583D07406	12 December 2023	10.38	12 December 2027	INR2,496	IND A+/Rating Watch with Positive Implications
INE583D08040	24 January 2024	10.25	18 April 2026	INR500	IND A+/Rating Watch with Positive Implications

INE583D07497	11 July 2024	Variable-Other	11 January 2027	INR750	IND A+/Rating Watch with Positive Implications
INE583D07489	3 July 2024	9.3	5 January 2026	INR500	IND A+/Rating Watch with Positive Implications
INE583D07471	25 June 2024	10.25	25 June 2027	INR350	IND A+/Rating Watch with Positive Implications
INE583D07539	30 January 2025	10	30 January 2029	INR750	IND A+/Rating Watch with Positive Implications
INE583D07547	7 February 2025	10.02	7 August 2026	INR500	IND A+/Rating Watch with Positive Implications
INE583D07554	20 February 2025	10.28	20 February 2029	INR2,600	IND A+/Rating Watch with Positive Implications
INE583D07190	17 December 2021	11.3	17 December 2027	INR460	IND A+/Rating Watch with Positive Implications
INE583D07208	29 December 2021	11.3	29 December 2027	INR260	IND A+/Rating Watch with Positive Implications
INE583D07216	12 January 2022	11.3	12 January 2028	INR350	IND A+/Rating Watch with Positive Implications
			Limits utilised	**INR9,516**	
			Limit unutilised	INR2,934	
			Total	**INR12,450**	
Source: NSDL, UGRO					

Public NCDs

ISIN	Date of Issue	Coupon (%)	Maturity Date	Rated Amount (million)	Rating/Outlook
INE583D07414	27 February 2024	10.25	27 August 2025	INR271.2	IND A+/Rating Watch with Positive Implications
INE583D07430	27 February 2024	10.75	27 August 2025	INR664.6	IND A+/Rating Watch with Positive Implications
INE583D07448	27 February 2024	10.35	27 February 2026	INR258.5	IND A+/Rating Watch with Positive Implications
INE583D07455	27 February 2024	11.00	27 May 2026	INR464.2	IND A+/Rating Watch with Positive Implications
INE583D07463	27 February 2024	10.50	27 May 2026	INR341.5	IND A+/Rating Watch with Positive Implications
INE583D07505	24 October 2024	10.15	24 April 2026	INR965.24	IND A+/Rating Watch with Positive Implications
INE583D07521	24 October 2024	10.25	24 October 2026	INR690.82	IND A+/Rating Watch with Positive Implications
INE583D07513	24 October 2024	10.40	24 April 2027	INR343.94	IND A+/Rating Watch with Positive Implications
INE583D07562	24 April 2025	10	24 October 2026	INR 444.946	IND A+/Rating Watch with Positive Implications
INE583D07570	24 April 2025	10.39	24 October 2026	INR 279.866	IND A+/Rating Watch with Positive Implications
INE583D07588	24 April 2025	10.25	24 October 2027	INR331.654	IND A+/Rating Watch with Positive Implications
INE583D07596	24 April 2025	10.5	24 October 2028	INR549.365	IND A+/Rating Watch with Positive Implications
INE583D07604	24 April 2025	10.15	24 April 2027	INR394.169	IND A+/Rating Watch with Positive Implications
			Limit utilised	**INR6,000**	
			Limit unutilised	-	
			Total	**INR6,000**	
Source: NSDL, UGRO					

Subordinated debt

ISIN	Date of Issue	Coupon (%)	Maturity Date	Rated Amount (million)	Rating/Outlook
INE583D08057	15 March 2024	12.5	15 September 2029	INR350	IND A+/Rating Watch with Positive Implications
			Limit unutilised	INR2,150	
			Total	**INR2,500**	
Source: NSDL, UGRO					

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Policy for Placing Ratings on Rating Watch

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Rating Rationale

June 26, 2025 | Mumbai

Ugro Capital Limited

Rating placed on 'Watch Developing'

Rating Action

Total Bank Loan Facilities Rated	**Rs.700 Crore (Reduced from Rs.1500 Crore)**
Long Term Rating	**Crisil A/Watch Developing (Placed on 'Rating Watch with Developing Implications')**

Rs.25 Crore Long Term Principal Protected Market Linked Debentures	**Crisil PPMLD A/Watch Developing (Placed on 'Rating Watch with Developing Implications')**
Rs.99.28 Crore Non Convertible Debentures	**Crisil A/Watch Developing (Placed on 'Rating Watch with Developing Implications')**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has placed its ratings on the bank facilities and long-term debt instruments of Ugro Capital Limited ('UGRO') on **'Rating Watch with Developing Implications'**. Crisil Ratings has **withdrawn** its rating on Rs.800 crore of proposed bank loan facilities at the company's request. This is in line with Crisil Ratings' policy on withdrawal of bank loan ratings.

The rating action follows UGRO's exchange announcement dated June 17,2025, on the proposed acquisition of Profectus Capital Private Limited ('Profectus') by way of purchasing 100% of the shares of the said company for an aggregate purchase consideration of Rs 1398.6 crores payable in cash in a single tranche. In this regard, UGRO has executed the Share Purchase Agreement with Actis, who is currently the 100% shareholder of Profectus.

The scheme of arrangement has been approved by the board of directors of both the entities. The merger is subject to approvals from shareholders and the Reserve Bank of India. UGRO is raising Rs 911 crore via compulsory convertible debentures (CCD) in Q2FY26 for acquiring 100% shares of Profectus. Further, the company has also closed a rights issue of Rs 381 crore in Q1FY26 to fund this transaction.

The merger is expected to expand UGRO's existing presence in its key product segments which is prime loan against property (Prime LAP) and machinery finance. Further, this acquisition will also improve product diversification for UGRO with the addition of Profectus's school funding portfolio. The supply chain finance and non-bank financing portfolios will be on a run down. The merged entity will have an increased share of secured business alongside technological, revenue and cost synergies with combined assets under management (AUM) of over Rs 15,000 crore.

The merged entity will also benefit from Profectus's healthy asset quality across its products and a strong distribution network in Tier I and Tier II cities. The earnings trajectory of the combined entity will need to be seen in the context of the timeline of operational synergies derived from the merger. For fiscal 2025, return on managed assets (ROMA) stood at 1.2% for UGRO and at 0.7% for Profectus. Hence ability of the management to manage cost, post-acquisition of a lower yielding secured product will be a key monitorable.

The merger is expected to be completed within 6 months post receipt of RBI approval, and will be effective April 01, 2025.

The rating factors in the company's demonstrated ability to scale up its franchise business on the back of its wide operating network, as well as comfortable capitalisation levels and diversification in resource profile. These strengths are offset by its improving, yet modest, earnings profile and monitorable asset quality trajectory.

UGRO has scaled up its AUM to Rs 12,003 crore as on March 31, 2025 from Rs 9,047 crore as on March 31, 2024, supported by healthy traction in the micro, small and medium enterprise (MSME) financing segment with growing working capital and ecosystem financing needs and UGRO's widespread operating network to tap this. The growth has been driven by deepening presence in its existing network while also expanding selectively. Furthermore, UGRO also receives interest from banks for priority sector loans, for which it has entered co-lending/co-origination arrangements with large banks. These form part of UGRO's off-book portfolio, which comprise 43% of AUM as on March 31, 2025, against 40% as on March 31, 2023.

UGRO has comfortable capitalisation levels with reported networth of Rs 2,046 crore as on March 31, 2025 (Rs 1,438 crore as on March 31, 2024), supported by capital infusion of Rs 1,750 crore since inception which includes Rs 510 crore infused in the first quarter of fiscal 2025. Furthermore, the entity is raising ~Rs 1,296 crore in form of equity and CCD in H1FY26. UGRO has been able to improve its funding diversification with increased funding from public sector banks, development financial institutions and financial institutions. However, cost of funds remains relatively higher than its peers. Crisil Ratings believes comfortable capitalisation levels and diversified resource raising ability will support UGRO in meeting its growth objectives going forward.

UGRO's asset quality remains monitorable given the rapid scale-up in the loan book in recent years. The company's gross stage III (GS III) on own book decreased to 2.4% (Rs 189 crore) as on March 31, 2025, from 3.4% (Rs 170 crore) as on March 31, 2024. The 90+ days past due (dpd) as a % of AUM has remained nearly range bound between ~2.0%-2.3% during the same periods. Some of the improvement in the GS III ratio is a function of write offs of ~1.2% (Rs 74 crore) in fiscal 2025. Additionally, there is a restructured book of Rs 24 crore (~0.4% of own book) of which 0.1% is in gross stage III. Going forward, asset quality will remain monitorable.

UGRO's earnings profile has been modest as it is yet to reach steady-state levels due to high operating costs. Operating cost to average managed assets ratio stand at 3.6% for fiscal 2025, compared to 4.0% for fiscal 2024, but are expected to remain elevated over the medium term due to the company's expansion plans. The company's return on managed assets (ROMA) stood at 1.2% for fiscal 2025 against 1.4% in fiscal 2024 and 0.8% in fiscal 2023. Going forward, scale-led operating efficiencies and moderation in cost of funds will be key to UGRO's profitability.

Analytical Approach

Crisil Ratings has analysed the standalone business and financial risk profiles of UGRO.

Key Rating Drivers & Detailed Description

Strengths:

Comfortable capitalisation: Capitalisation metrics remain comfortable, supported by large initial capital infusion. Since inception, the company has raised total equity capital of ~Rs 1,750 crore from investors such as Newquest Asia Investments, Clearly Investment holdings (ADV Partners), Samena Capital, IFU and DBZ Cyprus (PAG), most of which was raised upfront, before the commencement of operations in 2019. This includes capital infusion of Rs 510 crore, in fiscal 2025.

As on March 31, 2025, the reported networth stood at Rs 2,046 crore on reported gearing of 3.4 times. Co-lending/co-origination (with UGRO as a sourcing partner) as a proportion of AUM has increased to 43% as on March 31, 2025, from 40% as on March 31, 2023. However the share of off book lending is expected to reduced post merger. While gearing is expected to increase from current levels, it is expected to remain below 5 times on steady-state basis.

UGRO has been able to improve its funding diversification with increased funding, particularly from public sector banks (28% as on March 31, 2025) and by way of External Commercial Borrowings (ECBs). Crisil Ratings believes comfortable capitalisation levels and improved resource raising ability will support UGRO in meeting its growth objectives going forward.

Diversified product offerings across the MSME segment with presence across multiple geographies: The company started its operations in January 2019 with secured loans against property and unsecured business loans for the MSME segment and has, over time, diversified into other product offerings catering to the overall MSME ecosystem such as machinery loans. UGRO's AUM grew 33% in fiscal 2025 to Rs 12,003 crore as on March 31, 2025, from Rs 9,047 crore as on March 31, 2024 (Rs 6,081 crore as on March 31, 2023). This is supported by healthy growth in MSME financing with growing working capital and ecosystem financing needs and UGRO's widespread operating network to tap this. The growth has been across product segments and by deepening presence in existing geographies and operating networks. Going forward, on merging with Profectus the company now plans to expand geographically by adding 3-4 new states and to increase the number of branches to 400 by March 2026.

The company operates through four sourcing channels including prime branch led for secured loans against property, unsecured business loans and prime machinery loans (53% of AUM as on March 31, 2025). Within this, secured was 29% and unsecured was 19%. These unsecured business loans are backed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)/ Credit Guarantee Fund for Micro Units (CGFMU). The second sourcing channel is emerging branch led for secured enterprises loans, rooftop solar and machinery (19% of AUM as on March 31, 2025) and remains UGRO's focus channel. The third sourcing channel is ecosystem led for supply chain financing and machinery financing (12%), out of which, the company is running down its supply chain financing book and the last is partnership and alliances which is for business loans backed by third party guarantee (14%), apart from usual customary security provided by ultimate borrowers.

UGRO has established a large operating network with 200+ branches across 12 states as on March 31, 2025. The secured and unsecured loans are primarily through this channel. Furthermore, the company has partnerships with 70+ original equipment manufacturers (OEMs) for its machinery financing product. The company has also partnered with new age technology companies for the sourcing of loans through a co-lending model, wherein it does not have a physical presence, which adds to UGRO's sourcing pool.

Weaknesses:

Modest profitability: UGRO's profitability has been modest primarily due to upfronted operating expenditure for branch infrastructure, human capital and technology infrastructure build-up. The company reported profit after tax (PAT) of Rs 144 crore for fiscal 2025 against Rs 119 crore in fiscal 2024 and Rs 40 crore in fiscal 2023.

The company's pre-provisioning operating profit to average managed assets (PPOP/AMA) have slightly declined to 3.1% in fiscal 2025, from 3.4% in previous fiscal, due to higher cost of funds and operating expenses. However, steady state operating expense will vary based on branch expansion plans. Credit costs remain range-bound at 1.3% in fiscal 2025 against 1.4% and 1.1% in fiscals 2024 and 2023, respectively.

UGRO's target segment is competitive and there is price sensitivity on the yield side, also its cost of funds is slightly on the higher side. Therefore, UGRO's ability to raise funds at competitive rates will also drive its profitability going forward.

As a result, for improvement from current level, Ugro's overall profitability trajectory is contingent on steady-state levels of net interest margins (NIMs), operating expenses and credit costs post acquisition of Profectus.

Asset quality monitorable with scale up of business and seasoning: Given the rapid scale-up in loan book in recent years and the limited track record, portfolio seasoning for its secured LAP portfolio remains critical. UGRO's gross stage III on own book decreased to 2.4% (Rs 189 crore) as on March 31, 2025, from 3.4% (Rs 170 crore) as on March 31, 2024. The 90+ days past due (dpd) as a % of AUM has remained nearly flattish at ~2.0%-2.3% during the same periods. Some of the reduction in GS III was a result of write offs of ~1.2% (Rs 74 crore) in fiscal 2025. Furthermore, ~0.4% (Rs 24 crore) of own book is also restructured of which 0.1% is in gross stage III. There is an inch up in early buckets and the ability to manage these will be monitorable.

The company has made significant investments in systems and processes for underwriting and risk management practices with a strong focus on technology enabled solutions. Additionally, the company has a well-diversified portfolio (with no state contributing more than 15% of the portfolio) and presence across multiple MSME segments.

As on date, the company has a strong in-house team of about 600 employees in its collections vertical. The ability of the company to manage collections and overall asset quality metrics as the portfolio scales up will remain a key monitorable.

Liquidity: Strong
Asset liability maturity profile as on March 31, 2025, had positive cumulative mismatches in all the buckets. As on May 31, 2025, the company had a liquidity of Rs 398 crore in the form of cash and bank balances and unutilized working capital limits. Against this they have a repayment of Rs 374 crore till June 2025.

Rating sensitivity factors
Upward factors

- Significant improvement in the market position, while improving asset quality
- Improvement in profitability, with return on assets of around 2% on a sustained basis

Downward factors

- Leverage going beyond 6 times on a sustained basis
- Significant and sustained weakening in asset quality leading to adverse impact on profitability

About the Company
UGRO is a non-banking finance company (NBFC) engaged in financing secured and unsecured loans to MSMEs. It was incorporated in 1993 as Chokhani Securities Ltd and was acquired and renamed as UGRO Capital Ltd in 2018 by Mr Shachindra Nath (Executive Chairman and Managing Director) who has over two decades of experience in the financial services industry.

The company has been publicly listed on the Bombay Stock Exchange since 1995 and got listed on the National Stock Exchange in August 2021. Mr Nath is supported by seasoned key management personnel each having expertise of over a decade in their respective functional domains.

The company commenced operations in January 2019 and had an AUM of Rs 12,003 crore as on March 31, 2025, of which 43% was off book.

Key Financial Indicators

As on/for the period ending	Unit	Mar 25 (FY25)	Mar 24 (FY24)	Mar 2023 (FY23)
Total assets	Rs crore	9168	6280	4306
Total assets under management *(including off balance sheet)*	Rs crore	12003	9047	6081
Total income	Rs crore	1443	1082	684
Profit before tax	Rs crore	203	179	84
Profit after tax	Rs crore	144	119	40
Gross Stage III assets	%	189	171	96
Reported gearing	Times	3.4	3.2	3.2
Return on managed assets	%	1.2	1.4	0.8

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level	Rating outstanding with outlook
INE583D07331	Long-term principal protected market linked debentures	19-Dec-22	6.10 GSec	15-Apr-26	25	Highly Complex	Crisil PPMLD A/Watch Developing
INE583D07315	Non-convertible debentures	26-Sep-22	10.50	26-Sep-25	49.28	Simple	Crisil A/Watch Developing
INE583D07356	Non-convertible debentures	08-Mar-23	10.50	08-Mar-26	50	Simple	Crisil A/Watch Developing

NA	Working capital demand loan	NA	NA	NA	30	NA	Crisil A/Watch Developing
NA	Overdraft facility*	NA	NA	NA	10	NA	Crisil A/Watch Developing
NA	Overdraft facility	NA	NA	NA	11	NA	Crisil A/Watch Developing
NA	Cash credit	NA	NA	NA	15	NA	Crisil A/Watch Developing
NA	Proposed long-term bank loan facility	NA	NA	NA	140.23	NA	Crisil A/Watch Developing
NA	Proposed long-term bank loan facility	NA	NA	NA	800	NA	Withdrawn
NA	Term Loan	30-Dec-21	NA	25-Mar-25	1.54	NA	Crisil A/Watch Developing
NA	Term Loan	03-Feb-20	NA	15-Jun-25	74.72	NA	Crisil A/Watch Developing
NA	Term Loan	03-Aug-21	NA	25-Jan-27		NA	Crisil A/Watch Developing
NA	Term Loan	28-Mar-22	NA	30-Mar-27		NA	Crisil A/Watch Developing
NA	Term Loan	16-Jan-23	NA	23-Mar-28		NA	Crisil A/Watch Developing
NA	Term Loan	17-Jan-23	NA	18-May-26	58.09	NA	Crisil A/Watch Developing
NA	Term Loan	22-Feb-22	NA	25-May-26		NA	Crisil A/Watch Developing
NA	Term Loan	09-Mar-22	NA	09-Mar-25	1.66	NA	Crisil A/Watch Developing
NA	Term Loan	14-Aug-23	NA	31-Aug-28	20.81	NA	Crisil A/Watch Developing
NA	Term Loan	19-Sep-22	NA	30-Sep-27	14.47	NA	Crisil A/Watch Developing
NA	Term Loan	22-Feb-22	NA	28-Feb-25	1.39	NA	Crisil A/Watch Developing
NA	Term Loan	20-Sep-22	NA	30-Sep-25	6.28	NA	Crisil A/Watch Developing
NA	Term Loan	16-Dec-22	NA	03-Jan-25	37.49	NA	Crisil A/Watch Developing
NA	Term Loan	21-Oct-22	NA	31-Oct-25	7.21	NA	Crisil A/Watch Developing
NA	Term Loan	10-Mar-22	NA	01-Mar-25	1.43	NA	Crisil A/Watch Developing
NA	Term Loan	18-Sep-21	NA	28-Jul-24	4	NA	Crisil A/Watch Developing
NA	Term Loan	11-Apr-22	NA	12-Nov-27	18	NA	Crisil A/Watch Developing
NA	Term Loan	24-Jun-22	NA	29-Jun-24	3.13	NA	Crisil A/Watch Developing
NA	Term Loan	17-Aug-21	NA	31-Aug-26	6.33	NA	Crisil A/Watch Developing
NA	Term Loan	27-Dec-21	NA	01-Dec-26	10.65	NA	Crisil A/Watch Developing
NA	Term Loan	21-Apr-22	NA	30-Apr-25	2.08	NA	Crisil A/Watch Developing
NA	Term Loan	30-May-22	NA	30-May-25	2.22	NA	Crisil A/Watch Developing
NA	Term Loan	21-Sep-22	NA	30-Mar-28	48.75	NA	Crisil A/Watch Developing
NA	Term Loan	27-Jul-22	NA	05-Aug-25	5.6	NA	Crisil A/Watch Developing
NA	Term Loan	22-Feb-22	NA	01-Mar-25	18.94	NA	Crisil A/Watch Developing
NA	Term Loan	23-Dec-22	NA	29-Dec-25		NA	Crisil A/Watch Developing
NA	Term Loan	22-Sep-22	NA	27-Mar-25	1.2	NA	Crisil A/Watch Developing
NA	Term Loan	28-Dec-20	NA	29-Dec-25	22.53	NA	Crisil A/Watch Developing
NA	Term Loan	06-Apr-22	NA	25-Apr-25		NA	Crisil A/Watch Developing
NA	Term Loan	06-Apr-22	NA	30-Apr-25		NA	Crisil A/Watch Developing
NA	Term Loan	21-Nov-22	NA	31-May-27	86.11	NA	Crisil A/Watch Developing
NA	Term Loan	20-Sep-23	NA	23-Sep-26		NA	Crisil A/Watch Developing
NA	Term Loan	28-Oct-21	NA	30-Oct-25	2.14	NA	Crisil A/Watch Developing
NA	Term Loan	24-Nov-22	NA	10-Nov-25	37	NA	Crisil A/Watch Developing

** Includes FX Limit of Rs.8 crore*

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	1500.0	Crisil A/Watch Developing	12-03-25	Crisil A/Stable	26-04-24	Crisil A/Stable	11-10-23	Crisil A-/Positive	20-12-22	Crisil A-/Stable	--
			--		--	15-03-24	Crisil A/Stable	21-08-23	Crisil A-/Positive	02-12-22	Crisil A-/Stable	--
			--		--	19-02-24	Crisil A-/Positive	17-03-23	Crisil A-/Positive	26-05-22	Crisil A-/Stable	--
			--		--		--	08-02-23	Crisil A-/Stable		--	--
			--		--		--	07-02-23	Crisil A-/Stable		--	--
Commercial Paper	ST		--		--	26-04-24	Crisil A1	11-10-23	Crisil A1	20-12-22	Crisil A1	--
			--		--	15-03-24	Crisil A1	21-08-23	Crisil A1	02-12-22	Crisil A1	--
			--		--	19-02-24	Crisil A1	17-03-23	Crisil A1	26-05-22	Crisil A1	--

			--		--		--	08-02-23	Crisil A1	04-05-22	Crisil A1	--
			--		--		--	07-02-23	Crisil A1		--	--
Non Convertible Debentures	LT	99.28	Crisil A/Watch Developing	12-03-25	Crisil A/Stable	26-04-24	Crisil A/Stable	11-10-23	Crisil A-/Positive	20-12-22	Crisil A-/Stable	--
			--		--	15-03-24	Crisil A/Stable	21-08-23	Crisil A-/Positive	02-12-22	Crisil A-/Stable	--
			--		--	19-02-24	Crisil A-/Positive	17-03-23	Crisil A-/Positive	26-05-22	Crisil A-/Stable	--
			--		--		--	08-02-23	Crisil A-/Stable		--	--
			--		--		--	07-02-23	Crisil A-/Stable		--	--
Tier II Bond	LT		--		--	15-03-24	Withdrawn	11-10-23	Crisil A-/Positive		--	--
			--		--	19-02-24	Crisil A-/Positive	21-08-23	Crisil A-/Positive		--	--
			--		--		--	17-03-23	Crisil A-/Positive		--	--
Long Term Principal Protected Market Linked Debentures	LT	25.0	Crisil PPMLD A/Watch Developing	12-03-25	Crisil PPMLD A/Stable	26-04-24	Crisil PPMLD A/Stable	11-10-23	Crisil PPMLD A-/Positive	20-12-22	Crisil PPMLD A-r /Stable	--
			--		--	15-03-24	Crisil PPMLD A/Stable	21-08-23	Crisil PPMLD A-/Positive	02-12-22	Crisil PPMLD A-r /Stable	--
			--		--	19-02-24	Crisil PPMLD A-/Positive	17-03-23	Crisil PPMLD A-/Positive	26-05-22	Crisil PPMLD A-r /Stable	--
			--		--		--	08-02-23	Crisil PPMLD A-/Stable		--	--
			--		--		--	07-02-23	Crisil PPMLD A-/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	10	Central Bank Of India	Crisil A/Watch Developing
Cash Credit	5	State Bank of India	Crisil A/Watch Developing
Overdraft Facility	1	Bandhan Bank Limited	Crisil A/Watch Developing
Overdraft Facility&	10	IDFC FIRST Bank Limited	Crisil A/Watch Developing
Overdraft Facility	10	Indian Bank	Crisil A/Watch Developing
Proposed Long Term Bank Loan Facility	140.23	Not Applicable	Crisil A/Watch Developing
Proposed Long Term Bank Loan Facility	800	Not Applicable	Withdrawn
Term Loan	37.49	Jana Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	1.66	ESAF Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	20.81	Maharashtra Gramin Bank	Crisil A/Watch Developing
Term Loan	22.53	State Bank of India	Crisil A/Watch Developing
Term Loan	10.65	IDBI Bank Limited	Crisil A/Watch Developing
Term Loan	2.08	DCB Bank Limited	Crisil A/Watch Developing
Term Loan	2.22	SBM Bank (India) Limited	Crisil A/Watch Developing
Term Loan	14.47	Union Bank of India	Crisil A/Watch Developing
Term Loan	1.39	Kotak Mahindra Bank Limited	Crisil A/Watch Developing
Term Loan	6.28	Indian Bank	Crisil A/Watch Developing
Term Loan	58.09	IDFC FIRST Bank Limited	Crisil A/Watch Developing
Term Loan	4	The Karnataka Bank Limited	Crisil A/Watch Developing
Term Loan	7.21	Ujjivan Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	18	Bank of Maharashtra	Crisil A/Watch Developing
Term Loan	48.75	Central Bank Of India	Crisil A/Watch Developing

Term Loan	1.2	Vivriti Capital Limited	Crisil A/Watch Developing
Term Loan	86.11	UCO Bank	Crisil A/Watch Developing
Term Loan	2.14	Dhanlaxmi Bank Limited	Crisil A/Watch Developing
Term Loan	37	Small Industries Development Bank of India	Crisil A/Watch Developing
Term Loan	1.43	Capital Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	1.54	Utkarsh Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	74.72	Canara Bank	Crisil A/Watch Developing
Term Loan	3.13	RBL Bank Limited	Crisil A/Watch Developing
Term Loan	6.33	The South Indian Bank Limited	Crisil A/Watch Developing
Term Loan	5.6	Suryoday Small Finance Bank Limited	Crisil A/Watch Developing
Term Loan	18.94	Bandhan Bank Limited	Crisil A/Watch Developing
Working Capital Demand Loan	15	Central Bank Of India	Crisil A/Watch Developing
Working Capital Demand Loan	15	Kotak Mahindra Bank Limited	Crisil A/Watch Developing

& - Includes FX Limit of Rs 8 crore

Criteria Details

Links to related criteria
[Basics of Ratings (including default recognition, assessing information adequacy)]
[Criteria for Finance and Securities companies (including approach for financial ratios)]

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