Profectus Capital Private Limited (Revised)

January 13, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,500.00	CARE A+; Stable	Upgraded from CARE A and removed from Rating Watch with Developing Implications; Stable outlook assigned
Non-convertible debentures	50.00	CARE A+; Stable	Upgraded from CARE A and removed from Rating Watch with Developing Implications; Stable outlook assigned
Non-convertible debentures	205.00	CARE A+; Stable	Upgraded from CARE A and removed from Rating Watch with Developing Implications; Stable outlook assigned
Non-convertible debentures	500.00	CARE A+; Stable	Upgraded from CARE A and removed from Rating Watch with Developing Implications; Stable outlook assigned
Commercial paper	300.00	CARE A1+	Upgraded from CARE A1 and removed from Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings of bank facilities and non-convertible debentures (NCDs) of Profectus Capital Private Limited (Profectus) have been upgraded to CARE A+ with a Stable outlook, while the commercial paper rating has been upgraded to CARE A1+. The Rating Watch has been resolved following UGRO Capital Limited's (UGRO) announcement on December 08, 2025, that Profectus has become a wholly owned subsidiary of UGRO on the same date, pursuant to UGRO's payment of consideration amounting to ₹1,400 crore. The merger process will now be initiated and will be subject to approval by the National Company Law Tribunal (NCLT), on receipt of which Profectus will cease to exist as a separate legal entity. Consequently, analytical approach of Standalone assessment has been changed to factor in linkages/support from UGRO.

Ratings of Profectus continue to derive strength from its comfortable capitalisation level, relatively well-diversified loan portfolio, and diversified resource profile in terms of lenders. Ratings remain constrained considering PCPL's moderately seasoned loan portfolio and modest profitability metrics. Going forward, the company's ability to increase its scale of operations while maintaining healthy capitalisation, asset quality, and improving profitability on a sustained basis will remain critical parameters for its ratings.

As of September 30, 2025, Profectus reported assets under management (AUM) of ₹3226.56 crore. The company's return on total assets (ROTA) moderated to 0.61% (annualised) in H1FY26 from 0.78% in FY25. Operating expenses as a proportion of total assets increased to 5.12% (annualised) of the average total assets. MFL continued to remain well capitalised, with a capital adequacy ratio (CAR) of 37.44% as of September 30, 2025. On the asset quality front, the gross non-performing asset (GNPA) ratio edged to 2.01% (FY25: 1.59%); however, adequate provisioning ensured that the net NPA (NNPA) remained contained at 1.24% (FY25: 1.07%).

Post-acquisition, the combined entity reflects an AUM of ~15452 crore, tangible net worth of ~₹2630 crore (net of investment in Profectus), an off-book share of ~36%, and leverage of ~3.82x. The successful integration of Profectus, particularly the alignment of underwriting frameworks, collections processes, and funding strategy will remain critical.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in credit profile of UGRO limited.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in credit profile of UGRO limited.
- Diminution in expected support from UGRO, because of significant decline in the shareholding in or in strategic importance of Profectus.

Analytical approach: Standalone

Standalone credit profile of PCPL has been analysed factoring financial and managerial linkages withs its parent UGRO.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Outlook: Stable
CARE Ratings Limited (CareEdge Ratings) expects PCPL will continue to benefit by its experienced management team, and maintain healthy capitalisation metrics, while improving its asset quality and profitability in the medium term. The stable outlook also reflects the expectation of continued support from the parent, Ugro Capital Limited.

Detailed description of key rating drivers:

Key strengths

Strategic importance to parent UGRO
On December 08, 2025, UGRO completed the acquisition of Profectus, making it a wholly owned subsidiary of UGRO on the same date, pursuant to the payment of consideration of ₹1,400 crore by UGRO. Merger process will now be initiated, which will require approval of NCLT post which, Profectus will cease to exist. The acquisition enhances UGRO's secured, mortgage-backed MSME portfolio and supports its strategic expansion into secured lending and school financing.

UGRO has scaled its AUM to ₹12,226 crore as of September 30, 2025, driven by secured loan against property (LAP), machinery loans, and digital/embedded finance, though H1FY26 growth was tempered by a cautious slowdown in unsecured loans amid sector stress. Its capital-light model, with 43% of AUM off-book through co-lending and direct assignment (DA) partnerships, supports scalability, while data-driven underwriting and a diversified funding base of 40+ lenders underpin operations. Asset quality is moderate, with gross stage-3/net stage-3 (GS3/NS3) at 2.99%/1.66% and improving early delinquencies, while credit costs are contained due to secured and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)-backed products. Profitability remains moderate (annualised ROTA of 1.57% in H1FY26), impacted by margin pressure and higher opex, though operating leverage, portfolio rebalancing, and scale in digital finance are expected to support medium-term improvement.

Changes in the UGRO's support to Profectus and/or reduction in shareholding will be a key rating monitorable.

Comfortable capitalisation level and diversified resource profile in terms of lenders
Capitalisation profile is comfortable with tangible net worth (TNW) of ₹1145.16 crore as on September 2025 (March 2025: ₹1,137.59 crore and March 2024: ₹1,111.59). As on September 30, 2025, the company's capital adequacy remained comfortable with capital adequacy ratio (CAR) at 37.44% (FY25: 35.28%, FY24: 39.54%) and Tier-1 CAR at 37.09% (FY25: 34.82%, FY24: 38.97%), which are well-above regulatory requirement of 15% (overall CAR) and 10% (Tier-1 CAR). On a leverage front, overall gearing (borrowings/TNW) was 1.98x as on March 31, 2025, (1.78x as on March 31, 2024) and moderated to 1.75x as on September 30, 2025. With increase in scale of operations, the gearing is expected to increase.

Profectus' resource profile comprises term loans, cash credit, working capital demand loan (WCDL), NCDs, and pass-through certificates (PTCs) from ~40 different lending institutions as on September 30, 2025, reflecting a broad and well-diversified funding base. The company was able to diversify its sources with funding from public and private banks, small finance banks, and non-banking financial company (NBFCs). There has been increase in cost of funds due to increase in marginal cost of funds-based lending rate (MCLR) rates from banks. However, for recent borrowing, the company has been able to raise funds at relatively lower cost. As on September 30 2025, share of private sector banks in the overall borrowings mix is 47.18% (FY25: 47.96%, FY24: 57.44%), followed by public sector banks at 17.31% (FY25: 10.64%, FY24:16.41%), NBFCs at 12.57% (FY25: 12.15%, FY24:11.58%), small finance banks (SFBs) at 7.82% (FY25: 13.59%, FY24: 10.52%) and other retail investors at 15.10% (FY25: 13.86%, FY24: 4.05%).

The company's ability to manage funding costs, while preserving a diversified and stable lender base will remain a key monitorable.

Well-diversified product mix
The company's AUM grew by 13%, rising from ₹3,070 crore in FY24 to ₹3,468 crore in FY25, while disbursements saw a modest increase from ₹1,817 crore to ₹1,965 crore in this period. In H1FY26, the AUM stood at ₹3,227 crore. The relatively slower growth was a result of deliberate strategic decisions by the management to recalibrate the business, considering segment-specific challenges. This included capping exposure to higher-ticket loans to enhance portfolio granularity and limiting disbursements to the trader segment to manage risk.

As on September 30, 2025, Profectus' AUM reflected a balanced product mix with enterprise mortgage loans (MSME LAP) contributing 38% of the portfolio (FY25: 37%; FY24: 36%; FY23: 37%), followed by school funding at 25% (FY25: 23%; FY24: 24%; FY23: 23%) and equipment funding at 18% (FY25: 17%; FY24: 17%; FY23: 17%). In addition, supply chain financing accounted for 11% of the portfolio (FY25: 12%; FY24: 12.92%; FY23: 12.55%), while the balance was deployed in microfinance and NBFC lending. Going forward, as indicated by the management, the company's product mix is expected to grow in this proportion with ~80% comprising enterprise mortgage loans, school funding and equipment funding and balance ~20% comprising NBFC funding and supply chain financing with deeper penetration.

In terms of geographical concentration, Maharashtra, Telangana, Tamil Nadu, Gujarat, and Karnataka consist of 59% of the portfolio outstanding as on September 30, 2025 (FY25: 61%; FY24: 64%). Exposure to top five states has considerably improved in the last four years from 84% in FY21, 72% in FY22, 65% in FY23, 64% in FY24 to 61% in FY25. As on September 30, 2025, the company operates 29 branches across 14 states.

CareEdge Ratings believes that promoters' background, experienced management and their connects in the market should help Profectus in scaling up of the portfolio, going forward.

Adequate profitability metrics expected to improve with scale

In FY25, the net interest margin (NIM; excluding DA income) declined to 5.38%, compared to 5.71% in FY24. Major growth was witnessed in Q4FY25, resulting in a comparatively lower interest income for the year. The company undertook fewer DA transactions in the year, leading to a decline in other operating income.

Operating expenses as a percentage of average total assets rose to 4.95% in FY25 from 4.55% in FY24, primarily due to higher employee benefit costs. The increase was driven by new hires made in anticipation of growth, which was slower-than-expected. Recruitment and replacement costs also added to the operating expense, with associated benefits expected to accrue in the subsequent year.

Credit costs remained well-managed, reported at 0.33% of average total assets in FY25 compared to 0.43% in FY24. As a result of lower NIM and higher operating expenses, ROTA declined from 1.54% in FY24 to 0.78% in FY25.

In H1FY26, the company reported a profit after taxation (PAT) of ₹10.46 crore. Annualised NIM for the quarter stood at 6.12%, with operating expenses at 5.12% and credit costs at 0.62% of average total assets resulting in annualised ROTA of 0.61% for the half year.

CareEdge Ratings believes the company's ability to scale up its portfolio amidst increasing competition, while keeping credit costs and operating expenses under control will remain critical to sustaining profitability and improving return ratios.

Key weaknesses

Moderate portfolio seasoning and asset quality monitorable with scale up of business and seasoning

Founded in June 2017, Profectus commenced disbursements from Q4FY18 and has gradually scaled up operations. Since inception, the company has disbursed ₹7,861 crore up to FY25, with an AUM of ₹3,468 crore as on March 31, 2025, and ₹3,227 crore as on September 30, 2025. Disbursements in H1FY26 stood at ₹528 crore. Operations remain in the moderate stage of seasoning, considering longer tenure of loans. As on March 31, 2025, only 20% of the AUM had a residual tenure of less than 12 months, while the balance 80% was long dated, with 40% of AUM maturing between 1-7 years and 39% between 7-10 years. Accordingly, asset quality performance across a full economic cycle remains to be established.

CareEdge Ratings takes comfort from the significant capital buffers maintained by Profectus and the management's conservative underwriting norms. As on March 31, 2025, GNPA stood at 1.59% (March 31, 2024: 1.41%) and NNPA stood at 1.07% (March 31, 2024: 0.98%). The increase was expected as the book gets more seasoned. In H1FY26, asset quality pressures were more visible, with the GNPA increasing to 2.01% and NNPA at 1.24%. However, considering largely secured book, it is expected to remain in range of 2.0%- 3.5% in the medium term.

Within the portfolio, delinquency (90+ days past due [dpd]) as on March 31, 2025, was led by the Enterprise Mortgage Loan (EML) book at 2.33% (PY: 3.16%), followed by Equipment Funding at 1.20% (PY: 2.03%) and the School Funding programme at 0.90% (PY: 1.26%) reflecting year-on-year (y-o-y) improvement across segments. In Q1FY26, overall 90+ dpd rose to 2.01%, largely considering the EML book at 3.64%, while the School Funding portfolio remained contained at 1.06% and Equipment Funding stood at 1.47%.

CareEdge Ratings believes that Profectus' asset quality shall continue to remain anchored on income profile of underlying borrowers, as majority are self-employed borrowers and their cash flows remain vulnerable to economic shocks. While strong capital buffers and conservative underwriting norms provide comfort, higher credit costs in weaker economic cycles could impact asset quality and profitability. Consequently, the ability to maintain asset quality performance as the portfolio seasons further will remain a key monitorable and rating sensitivity.

Liquidity: Adequate

The company's liquidity profile is comfortable with no negative cumulative mismatch in time bucket aided by available cash and liquid investments of ₹335 crore as on September 30, 2025. It has contractual inflows (excluding interest) of ₹930 crore, against this, the company has contracted repayments on borrowings (excluding interest) of ₹895 crore in the next one-year. It also has undrawn lines worth ₹11 crore. Per asset liability maturity (ALM) statement of September 30, 2025, there are no negative cumulative mismatches up to 5-year tenor bucket, even after stressing the structural liquidity statement to 90% collection efficiency.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Profectus was founded by KV Srinivasan on June 09, 2017, and received certificate of registration from RBI as NBFC ND SI in September 2017. Currently, the company is 100% held by Actis Capital Limited, private equity fund based in UK. Profectus provides loans to MSME, equipment funding, supply chain finance for dealers in segments, such as pharmaceuticals, consumer durables, and auto ancillaries, among others. The company is also engaged in providing school funding for upgrading and/or expanding infrastructure.

Standalone financials of PCPL

Brief Financials (₹ crore)	31-03-2024	31-03-2025	H1FY26
	A	A	UA
Total income	402.69	419.98	218.23
Profit after tax (PAT)	48.16	26.65	10.46
Asset Under Management	3,069.61	3,468.32	3,226.56
On-book gearing (x)	1.79	1.98	1.75
AUM / tangible net-worth (TNW) (x)	2.76	3.05	2.82
Gross non-performing assets (NPA) / gross stage 3 (%)	1.41	1.59	2.01
Return on managed assets (ROMA) (%)	1.48	0.70	0.54^
Capital adequacy ratio (CAR) (%)	39.54	35.28	37.44

A: Audited UA: Unaudited; Note: these are latest available financial results
^Annualised

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE389Z07054	18-Jul-2024	10.15%	16-Jul-2027	49.00	CARE A+; Stable
Debentures-Non Convertible Debentures	INE389Z07070	17-Oct-2025	9.75%	17-Oct-2027	125.00	CARE A+; Stable
Debentures-Non Convertible Debentures	INE389Z07088	31-Oct-2025	9.75%	30-Apr-2028	50.00	CARE A+; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	326.00	CARE A+; Stable
Debentures-Non Convertible Debentures	INE389Z07062	19-Sep-2024	9.55%	17-Sep-2027	205.00	CARE A+; Stable
Fund-based-Long Term	-	-	-	October - 2028	448.54	CARE A+; Stable
Fund-based-Long Term	Proposed	-	-	-	1,051.46	CARE A+; Stable
Commercial Paper-Commercial Paper (Standalone)	Proposed	-	-	-	300.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	1500.00	CARE A+; Stable	1)CARE A (RWD) (28-Oct-25) 2)CARE A (RWD) (29-Sep-25) 3)CARE A (RWD) (24-Sep-25) 4)CARE A (RWD) (27-Jun-25)	1)CARE A; Stable (25-Sep-24) 2)CARE A; Stable (20-Aug-24) 3)CARE A; Stable (12-Jul-24)	1)CARE A; Stable (28-Dec-23) 2)CARE A; Stable (05-Oct-23)	1)CARE A-; Stable (28-Oct-22)
2	Debentures-Non-Convertible Debentures	LT	-	-	1)Withdrawn (24-Sep-25) 2)CARE A (RWD) (27-Jun-25)	1)CARE A; Stable (25-Sep-24) 2)CARE A; Stable (20-Aug-24) 3)CARE A; Stable (12-Jul-24)	1)CARE A; Stable (28-Dec-23) 2)CARE A; Stable (05-Oct-23)	1)CARE A-; Stable (28-Oct-22) 2)CARE A-; Stable (01-Jun-22)
3	Debentures-Non-Convertible Debentures	LT	50.00	CARE A+; Stable	1)CARE A (RWD) (28-Oct-25) 2)CARE A (RWD) (29-Sep-25) 3)CARE A (RWD) (24-Sep-25) 4)CARE A (RWD) (27-Jun-25)	1)CARE A; Stable (25-Sep-24) 2)CARE A; Stable (20-Aug-24) 3)CARE A; Stable (12-Jul-24)	-	-

4	Debentures-Non-Convertible Debentures	LT	205.00	CARE A+; Stable	1)CARE A (RWD) (28-Oct-25) 2)CARE A (RWD) (29-Sep-25) 3)CARE A (RWD) (24-Sep-25) 4)CARE A (RWD) (27-Jun-25)	1)CARE A; Stable (25-Sep-24) 2)CARE A; Stable (20-Aug-24)	-	-
5	Debentures-Non-Convertible Debentures	LT	500.00	CARE A+; Stable	1)CARE A (RWD) (28-Oct-25) 2)CARE A (RWD) (29-Sep-25)	-	-	-
6	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1+	1)CARE A1 (RWD) (28-Oct-25)	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-Convertible Debentures	Simple
3	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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