India Ratings Affirms UGRO Capital's NCDs, Sub-debt and Bank Loans at 'IND A+'/Positive; Off Rating Watch with Positive Implications; CP Affirmed at 'IND A1+'

Dec 17, 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	-		1-365 days	INR8,000	IND A1+	Affirmed
Bank loan facilities	-		-	INR68000	IND A+/Positive	Affirmed; off Rating Watch
Non-convertible debenture#	-		-	INR30014.2	IND A+/Positive	Affirmed; off Ratings Watch
Subordinated debt#	-		-	INR6,500	IND A+/Positive	Affirmed; off Rating Watch

details in the annexure

Analytical Approach

Ind-Ra has fully consolidated the financial and credit profiles of UGRO and Profectus Capital Private Limited (PCPL) to arrive at the ratings, against the previous standalone view, in view of UGRO's acquisition of 100% stake in PCPL.

Detailed Rationale of the Rating Action

The affirmation and Positive Outlook reflect the growth in the franchisee post the acquisition of PCPL in FY26 and strengthening of UGRO's presence in its core product segments—prime loan against property (prime LAP) and machinery finance. The acquisition has enhanced UGRO's product diversification through the addition of the school financing portfolio. The consolidated entity would have a higher proportion of secured lending and on-book portfolio, with consolidated assets under management (AUM) estimated to be around INR150 billion. UGRO is also set to benefit from the diversification of the lender base due to this acquisition.

Ind-Ra has resolved the the Rating Watch with Positive Implications in view of the completion of PCPL's acquisition and the receipt of greater clarity on the strategic, and operational linkages between UGRO and PCPL.

The ratings remain constrained by the modest profitability due to elevated opex metrics and marginally higher cost of funds. Ind-Ra will monitor the synergistic benefits of this acquisition. The agency believes the focus on higher-yielding segments can boost profitability for the consolidated entity, provided the credit cost is kept under control.

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
- Significant off-book proportion supports profitability
- 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 and synergy benefits accrue

Detailed Description of Key Rating Drivers

Strong Growth in Franchise: UGRO's AUM grew strongly to INR122 billion at 1HFYE26 (FYE25: INR120 billion; FYE24: INR90.5 billion), largely driven by the build-up of strong distribution capabilities coupled with its off-book AUM, which increased to INR52.7 billion (INR50.1 billion; INR40.1 billion). The acquisition of PCPL would further enhance UGRO's market position, and fortify its position as a micro, small medium enterprise (MSME) lender, taking its AUM to over INR150 billion. Additionally, post the acquisition, the composition of the book would change on a consolidated basis, with the off-book share declining to 35% from 43% in 1HFY26, and the share of secured assets rising to nearly 85% from 78% at 1HFYE26. The acquisition would help diversify UGRO's portfolio, with the addition of PCPL's school financing business, which was worth INR8.2 billion at 1HFYE26.The supply chain financing (SCF) portfolio and on-lending portfolio, which was part of PCPL's book, will be phased out.

Furthermore, UGRO witnessed a significant expansion in capacity over FY21–2QFY26, with the branch count increasing to 325 from 25. Of these, 23 are prime branches, while 302 are emerging market (EM) branches. The company has aggressively opened branches in the EM segment in the last four quarters, adding 215 branches since 2QFY25. The branches have low vintage, and most of them would require 12–18 months to deliver a steady state performance.

Adequate Capital Buffers: UGRO has a demonstrated track record of capital raising. In 2QFY26, the company announced a capital raise of around INR9.1 billion through a preferential issue of compulsory convertible debentures (CCDs) worth INR5.3 billion, against an initial plan of INR9.1 billion, and a rights issue of INR3.8 billion. The funds raised through the CCDs have been used to finance the acquisition of PCPL. This capital raise was 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 been received. However, the balance was not realised, as the share price was below the warrant exercise price.

UGRO has built adequate capital buffers, with a capital base of INR24.6 billion at 2QFYE26 (FYE25: INR 20.5 billion; FYE24: INR 14.4 billion) and a capital adequacy ratio of 25.4% (19.4%; 20.75%; 20.2%). Furthermore, the leverage (debt/equity) stood at 3.3x in 2QFY26 (FY25: 3.4x; FY24: 3.2x). The management expects the leverage to fall below 4.0x on a steady state basis. Ind-Ra expects UGRO to maintain a significant buffer in Tier I capital over the regulatory minimum requirement due to the significant proportion of off-book volumes in the AUM mix. Consequently, to maintain an adequate capital buffer, UGRO intends to raise sizeable equity capital in FY27. PCPL's capital buffers are strong, with a Tier I ratio of 37% and a leverage ratio of 1.45x at 1QFYE26.

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 MSME segment – secured against property as collateral, funding for the purchase of machinery, supply chain financing and unsecured business loans. The average ticket size of the products ranges between INR0.5 million and INR9.5 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 INR120.8 billion despite being impacted by the COVID-19 pandemic for a large part of this period. Furthermore, the entity operates out of 325 branches (23 prime and rest for micro enterprises), present across 12 Indian states. In addition, the AUM is diversified across 10 key sectors, with the largest end-segment constituting 36% 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 focused on growing high yielding, secured products. It plans to expand its emerging market loan reach by adding more micro 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. The entity has undertaken this shift mainly to improve its margins and improve its return on assets to the desired level of 4%. It also wants to maintain the share of the unsecured business segment, but it is capped at 30%. With the acquisition of PCPL, the share of unsecured would come down further. Additionally, the acquisition has enhanced UGRO's portfolio, as PCPL's borrower segment is comparable to UGRO's prime segment.

Significant Off-Book Proportion Supports Profitability: UGRO has been targeting strong growth in capital-light, off-balance sheet products by expanding its lending under co-lending, which accounts for 49% of the off-book, direct assignment (28%), and co-origination segments (23%). The strategy to target the off-book segment was built into its mode and has been consistent. The combined share of these segments in the AUM rose sharply to 44% in 2QFY26 from 16% in FY22, even as the overall AUM grew more than 3x to INR120 billion during the same period. In addition to being less demanding on capital buffers, off-book growth has provided a steady source of income for UGRO. However, following the acquisition of PCPL, the share of off-book AUM would decline to nearly 35% as PCPL has a lower share of off-book at around 10%, mainly through direct assignment transactions. UGRO has also recalibrated its strategy and now plans to maintain off-book share of around 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. At end-September 2025, term loans from banks, small finance banks, non-banking financial companies and financial institutions accounted for 35.5%, 3.2%, 10.2%, and 7.8%, respectively, of the total borrowings. Working capital loans constituted an additional 4.3% of the total borrowings in 1HFY26, non-convertible debentures, commercial paper, and market-linked debentures made up 26.5%, and external commercial borrowings (ECBs) accounted for 13.7% .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 1HFYE26 (FYE25: 59; FYE24: 57), helping deepen relationships with its existing lenders.

With the acquisition of PCPL, UGRO would benefit from the addition of certain private banks that were previously not part of its lender base. PCPL has lending relationships with 35 lenders, and its borrowings mix is well diversified, with 47% of its borrowings being from private banks, followed by non-banking finance companies (13%), public sector banks (17%) and small finance banks (8%). Furthermore, NCDs constituted 15.1% of its total borrowings. The agency opines that, on a consolidated basis, the blended cost of funding is likely to see a marginal improvement.

Limited Track Record: Asset Quality Seasoning Needs to be Established: UGRO began operations in 2018 and 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 in the portfolio is low, as nearly 67% of the AUM was generated in the 12 months ended June 2025.

The gross stage 3 assets for UGRO stood at 2.4% in 2QFY26 (FY25:2.3%; FY24: 2.0%; FY23: 1.6%), with credit costs of 1.9% (on average AUM). Also, the stage 3 provisions coverage was 47% in 2QFY26 (FY25: 47%; FY24:48%; FY23: 49%), with total provisions at 1.1% of the AUM. In terms of the restructured portfolio, the book remains small, with an outstanding restructured book accounting for 0.2% of the AUM at 2QFYE26, of which most is secured. In recent quarters, disbursement growth has been primarily driven by relatively new segments such as embedded finance and the EM segment, which contributed 38% and 23%, respectively, to net disbursements in 1HFY26. Seasonality in these portfolios is low, and given the limited seasoning of these business verticals, Ind-Ra believes that controlling softer bucket migration needs to be actively monitored as the scale rises; this will remain a key monitorable for the agency.That said, the acquisition of PCPL would increase the share of secured products, particularly prime LAP and machinery financing, which have historically shown steady asset quality trends with subdued credit costs. Additionally, UGRO has capped its unsecured exposure at 30% and this exposure will be backed by credit guarantee fund trust for micro and small enterprises (CGTMSE); at 2QFY26, nearly 60% of the unsecured business segment was covered with CGTMSE, and UGRO intends to roll it out to majority of the segment.

PCPL's GNPA stood at 2.0% in 2QFY26 (FY25:1.6%; FY24: 1.4%), with credit costs of 0.71% (on on-book AUM). Also, the stage 3 provision stood at 39% in 2QFY26 (FY25: 33.3%; FY24: 30.8%), with total provisions at 0.9% of the total AUM.

Moderate Profitability, But Improvement Likely Once Operational Leverage and Synergy Benefits Accrue: UGRO has been reporting a profit before tax, although it has been at modest levels due to the high operating costs. The opex to AUM inched up to 4.9% during 2QFY26 (FY25: 4.2%; FY24: 4.5%), led by increased opex towards capacity building during the year. Although it has moderated from its long-term trend, with an average of 6.1% between FY21-FY23, it remains at an elevated level, thus putting pressure on the profitability. The company plans to focus on its granular portfolio, and has consequently increased its branch count, setting up mostly micro-branches, which will keep its opex at elevated levels over the next few quarters; however, if the expansion is executed well, it will provide a big fillip to the return on AUM (2QFY26: 1.5%; FY25: 1.4%; FY24: 1.6%). 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.

With the acquisition of PCPL, the management expects to benefit from operating leverage by rationalising costs at PCPL, where opex remained elevated at 5.6% at 1HFYE26 (FY25: 5.2%; FY24: 5.1%). The management expects to realise synergies of around INR1.2 billion through cost rationalisation at PCPL. If achieved, this could provide a significant boost to profitability.

Liquidity

UGRO

Adequate: At 2QFYE26, UGRO had a total liquidity of around INR22 billion, comprising unencumbered cash, liquid investments, and unutilised bank lines, which are sufficient to meet its three months of debt obligations of INR10.4 billion, without considering any inflows from collections. According to the behavioural asset-liability management statement at end-September 2025, the company maintains a cumulative surplus in all-time buckets. Furthermore, on a steady-state basis, UGRO aims to keep on-balance sheet liquidity sufficient for three months' debt re-payment, considering nil collection. At end-September 2025, UGRO had an AUM of about INR122 billion, of which assets worth INR69.55 billion 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.

PCPL

Adequate: The company's liquidity profile is supported by its low leverage. The contractual asset-liability statement at 2QFYE26 displayed a cumulative surplus of 9.2% in the up-to-one-year time bucket. On applying stress on the inflows to account for any potential volatility in the collection scenario, the asset liability statement continues to reflect a cumulative surplus in the up-to-one-year time bucket. In the past, the management has maintained on-balance sheet liquidity to meet two months of maturing debt obligations. As on 30 September 2025, the company had cash and liquid investment of INR3.0 billion, which is adequate to cover maturing debt obligations of INR1.4 billion for the next two months, assuming nil collections and disbursements. Additionally, it has a cash credit line of INR110 million.

Rating Sensitivities

Positive: The following developments could collectively result in a positive rating action:

- Expanding franchise footprint generating steady profitability with ROAUM of 2.5–3% on a consistent basis
- Control on credit cost
- Reduction in cost of funds
- Maintaining adequate liquidity

Negative: The following developments, individually or collectively, could lead to a negative rating action:

- Challenges in raising funds and dilution of the liquidity buffers
- Deterioration in the asset quality eroding operating buffers on a sustained basis

- Leverage exceeding 4.5x on a sustained basis
- Tier 1 capital below 14% on a consistent basis

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 325 branches (23 prime and 302 micro), with a wide geographic presence. The AUM of the entity (own and managed) stood at INR122 billion at end-2QFY26, with the off-book volumes constituting 44% 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.

PCPL was founded in June 2017 by K V Srinivasan, who has about 35 years of experience in financial services. The company provides secured loans to MSMEs and focusses on enterprises that have limited access to formal channels of financing. The company is registered with the Reserve Bank of India as a systemically important, non-deposit-taking NBFC. The company's AUM stood at INR 32.3 billion at 1HFYE26, and it had a presence in 14 Indian states/Union Territories.

Key Financial Indicators

UGRO

Particulars	1HFY26	FY25	FY24
Total assets (INR billion)	107.8	91.7	62.8
Total equity (INR billion)	24.6	20.5	14.4
Net profit (INR billion)	0.8	1.4	1.2
Return on AUM (%)	1.5	1.4	1.6
Equity/assets (%)	22.9	22.3	22.9
Capital adequacy ratio (%)	25.4	19.4	20.8
Gross Stage 3 (%)	2.4	2.3	2.0
Source: Ind-Ra, UGRO			

PCPL

Particulars	1HFY26	FY25	FY24
Total assets (INR billion)	33.2	35.8	32.6
Total equity (INR billion)	11.5	11.4	11.1
Net profit (INR million)	10.5	241	482
Return on AUM (%)	0.5	0.7	0.7
Equity/assets (%)	34.6	31.9	34.2
Capital adequacy ratio (%)	37	35.3	39.5
Gross Stage 3 (%)	2.0	1.8	1.6
Source: Ind-Ra, PCPL			

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	3 December 2025	16 October 2025	22 August 2025	26 June 2025	10 March 2025	30 December 2024	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 loan facilities	Long-term	INR68,000	IND A+/Positive	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	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	INR 30,014.2	IND A+/Positive	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	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	INR6,500	IND A+/Positive	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	IND A+/Rating Watch with Positive Implications	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	INR8,000	IND A1+	IND A1+	IND A1+	IND A1+	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 facilities	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 Non-convertible debentures

ISIN	Date of Issue	Coupon (%)	Maturity Date	Rated Amount (million)	Rating/Outlook
INE583D07406	12 December 2023	10.38	12 December 2027	INR2,496	IND A+/Positive
INE583D08040	24 January 2024	10.25	18 April 2026	INR500	IND A+/Positive
INE583D07497	11 July 2024	Variable-Other	11 January 2027	INR750	IND A+/Positive
INE583D07489	3 July 2024	9.3	5 January 2026	INR500	IND A+/Positive
INE583D07471	25 June 2024	10.25	25 June 2027	INR350	IND A+/Positive
INE583D07539	30 January 2025	10	30 January 2029	INR750	IND A+/Positive
INE583D07547	7 February 2025	10.02	7 August 2026	INR500	IND A+/Positive
INE583D07554	20 February 2025	10.28	20 February 2029	INR2,600	IND A+/Positive
INE583D07190	17 December 2021	11.3	17 December 2027	INR460	IND A+/Positive
INE583D07208	29 December 2021	11.3	29 December 2027	INR260	IND A+/Positive
INE583D07216	12 January 2022	11.3	12 January 2028	INR350	IND A+/Positive
INE583D07612	17 October 2025	9.75	16 October 2027	INR1,500	IND A+/Positive
INE583D07620	27 November 2025	9.5	27 February 2027	INR1,500	IND A+/Positive
			Limits utilised	**INR12,516**	
			Limit unutilised	INR9,434	
			Total	**INR21,950**	
Source: NSDL, UGRO					

Public NCD

ISIN	Date of Issue	Coupon (%)	Maturity Date	Rated Amount (million)	Rating/Outlook
INE583D07448	27 February 2024	10.35	27 February 2026	INR258.5	IND A+/Positive
INE583D07455	27 February 2024	11.00	27 May 2026	INR464.2	IND A+/Positive
INE583D07463	27 February 2024	10.50	27 May 2026	INR341.5	IND A+/Positive
INE583D07505	24 October 2024	10.15	24 April 2026	INR965.24	IND A+/Positive
INE583D07521	24 October 2024	10.25	24 October 2026	INR690.82	IND A+/Positive
INE583D07513	24 October 2024	10.40	24 April 2027	INR343.94	IND A+/Positive
INE583D07562	24 April 2025	10	24 October 2026	INR444.95	IND A+/Positive
INE583D07570	24 April 2025	10.39	24 October 2026	INR279.87	IND A+/Positive
INE583D07588	24 April 2025	10.25	24 October 2027	INR331.65	IND A+/Positive
INE583D07596	24 April 2025	10.5	24 October 2028	INR549.37	IND A+/Positive
INE583D07604	24 April 2025	10.15	24 April 2027	INR394.17	IND A+/Positive
			Limit utilised	**INR5,064.2**	
			Limit unutilised	INR3,000	
			Total*	**INR8,064.2**	

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+/Positive
INE583D08099	25 September 2025	11.65	25 March 2031	INR500	IND A+/Positive
INE583D08081	15 September 2025	11.65	15 March 2031	INR2,000	IND A+/Positive
INE583D08115	6 November 2025	11.65	6 May 2031	INR1,000	IND A+/Positive
INE583D08131	17 November 2025	11.65	17May 2031	INR500	IND A+/Positive
			Limit unutilised	INR2,150	
			Total	INR6,500	
Source: NSDL, UGRO					

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Policy for Placing Ratings on Rating Watch

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process