

September 02, 2025

NeoGrowth Credit Private Limited: Ratings reaffirmed and outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
NCD	905.20	905.20	[ICRA]BBB+ (Negative); reaffirmed and outlook revised to Negative from Stable
NCD	75.80	0.00	[ICRA]BBB+ (Negative) reaffirmed and withdrawn; outlook revised to Negative from Stable
Long-term fund-based bank lines	379.77	379.77	[ICRA]BBB+ (Negative); reaffirmed and outlook revised to Negative from Stable
Commercial paper programme	100.00	100.00	[ICRA]A2; reaffirmed
Total	1,460.77	1,384.97	

*Instrument details are provided in Annexure I

Rationale

The revision in the outlook to Negative considers the weakening in NeoGrowth Credit Private Limited's (NeoGrowth) asset quality and the consequent deterioration in its earnings profile in FY2025 and Q1 FY2026, which is expected to continue in the near term. The company's loan loss provision rose to 10.3% of the assets under management (AUM) in FY2025 from 6.5% in FY2024 (4.1% in FY2023) amid the stress in the unsecured small and medium-sized enterprise (SME) segments. The reported gross stage 3 assets, including write-offs during the year, increased to 14.7% as of March 2025 from 7.6% as of March 2024 (17.8% as of June 2025, including annualised write-offs). Consequently, the earnings profile was adversely impacted and the overall profitability was muted with NeoGrowth reporting a profit after tax (PAT) of Rs. 9 crore in FY2025 and a net loss of Rs. 20 crore in Q1 FY2026.

The deterioration in the asset quality was primarily due to slippages in the unsecured business loan portfolio on account of various factors including, but not limited to, slowdown in consumption because of restrictions in personal loans, borrower overleveraging and the overall credit squeeze in the market. While ICRA takes note of the corrective measures being taken by NeoGrowth, the near-term performance shall remain monitorable. Further, given the deterioration in the asset quality and profitability, the company was in continued breach of various financial covenants (in respect of borrowings amounting to 55% of overall borrowings) as on June 30, 2025. While it has received waivers from some lenders and the liquidity profile is adequate at present, it could face pressure if it is unable to obtain the requisite waivers in the future.

Given the deterioration in the asset quality, NeoGrowth's credit profile has weakened with net stage 3 assets/net worth of 11.2% as on March 31, 2025 vis-à-vis 5.8% as on March 31, 2024. However, the company continues to maintain an adequate capitalisation profile with the reported Tier I capital ratio of 27.9% as of June 2025 and it is looking at an equity raise from its existing shareholders. Additionally, given the expectation of muted AUM growth, the company is expected to maintain a managed gearing of 4.0 times.

ICRA takes note of NeoGrowth's relatively diverse set of lenders, including overseas lenders, development finance institutions, alternative investment funds and multilateral agencies in addition to loans from non-banking financial companies (NBFCs) and banks. ICRA also takes comfort from the management's long-standing experience in the retail/SME lending business.

Nevertheless, given the company's focus on largely untapped small and medium-sized retailer segments, it will remain exposed to the inherent risk associated with the unsecured lending and moderate borrower profile.

ICRA has simultaneously reaffirmed, revised the outlook to Negative from Stable and withdrawn the long-term rating outstanding on the Rs. 75.80-crore non-convertible debentures (NCDs) as the instruments have been fully repaid. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Adequate capitalisation supported by equity raise – The company's capitalisation remains adequate with a net worth of Rs. 671 crore and a managed gearing of 3.3 times as on March 31, 2025. This was supported by the capital raising of Rs. 276.25 crore since FY2022. NeoGrowth had issued compulsory convertible debentures (CCDs) of Rs. 66.25 crore in September 2021 and Rs. 50.0 crore in June 2022 (fully converted to compulsory convertible preference shares (CCPS) in FY2024). It raised equity of Rs. 160.0 crore in December 2022 from FMO, the Dutch entrepreneurial development bank. The company continues to maintain an adequate capitalisation profile with the reported Tier I capital ratio at 27.9% as of June 2025. Given the expectation of muted AUM growth and plans to raise equity capital, the company is likely to maintain prudent capitalisation profile with a managed gearing of 4.0 times while providing for the deterioration in the asset quality.

Diverse funding base and experienced management – NeoGrowth has a relatively diversified lender base, which comprises a mix of domestic and international sources. These include overseas lenders, development finance institutions, alternative investment funds, and multilateral agencies, along with borrowings from NBFCs and banks. Additionally, a significant portion of the incremental borrowings in FY2025 was secured from existing lenders, indicating continued support from established funding relationships. ICRA also considers the management's long-standing experience in the retail and SME lending segment.

Credit challenges

Deterioration in asset quality impacting earnings profile; pressure likely to continue in near term – NeoGrowth's asset quality deteriorated with gross and net stage 3 assets of 7.3% and 3.2%, respectively, as on June 30, 2025 (3.7% and 1.5%, respectively, as on March 31, 2024). Collections were impacted, especially in the lower ticket size retail loan segment, leading to higher write-offs. The company adheres to a write-off policy under which unsecured loans are written off after remaining delinquent for more than 240 days. However, the company has historically recovered around 20% of the amounts written off. Including annualised write-offs in Q1 FY2026, the gross stage 3 stood at 17.8% as on June 30, 2025 (14.7% as on March 31, 2025 and 7.6% as on March 31, 2024).

Given the deterioration in the asset quality, the profitability was impacted. The company reported a PAT of Rs. 9 crore in FY2025 (0.3% of ATA) compared to Rs. 71 crore (2.9% of ATA) in FY2024. The decline was primarily due to the increase in credit costs to 10.3% of AUM in FY2025 from 6.5% in FY2024 (4.1% in FY2023). Further, the moderation in AUM led to lower income, which resulted in subdued pre-provision operating profits. The profitability remained under pressure in Q1 FY2026 with the company reporting a net loss of Rs. 20 crore. ICRA takes note of the corrective measures being taken by NeoGrowth, including close internal tracking of the portfolio parameters that exhibited stress in the past and basis this, the tightening of customer selection criteria, strengthening of collections team, focus on recoveries, etc. Nonetheless, the ability to improve the asset quality and contain credit costs would remain critical for a sustained improvement in the profitability.

Moderate borrower profile – The company provides unsecured business loans (working capital financing) with an average ticket size of ~Rs. 14 lakh to small and medium-sized retailers. Repayments are largely linked to the daily sales collections (accounting for ~58% of the loan book as on June 30, 2025). The balance portfolio comprises supply chain financing to micro, small, and medium enterprises (MSMEs) with an average ticket size of Rs. 23 lakh. ICRA notes the inherent risk in the portfolio

due to the moderate credit profile of the borrowers, who are highly vulnerable to downturns in economic cycles. Further, a large part of the AUM (96%) represents unsecured lending, impeding recoveries from the harder delinquency buckets.

Liquidity position: Adequate

NeoGrowth has repayment obligations of Rs. 710 crore (principal + interest) for the 6-month period till January 2026. As on July 31, 2025, it had Rs. 192 crore of cash and liquid investments and unutilised bank lines of Rs. 15 crore. Liquidity is supported by inflows from the loan book and the company did not have any cumulative mismatches in any of the time buckets, including less-than-1-year tenor, in the structural liquidity statement (SLS) as on June 30, 2025.

NeoGrowth faces prepayment risks, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or they do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the ratings would face pressure. ICRA notes that NeoGrowth was in breach of some financial covenants with its lenders (55% of overall borrowings as on June 30, 2025) and has received temporary relaxation/waivers/amendments from some of the lenders (18% of the borrowings under breach as on June 30, 2025). Additionally, some of the lenders (12% of the borrowings under breach) have extended fresh sanctions to the company, with favourable covenants. Further, ICRA notes that there has not been any acceleration of debt by any lender/investor as on date and NeoGrowth continues to raise funds from existing lenders.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Stable on a sustained improvement in the company's asset quality and profitability indicators.

Negative factors – Further deterioration in the asset quality or sustained weakening in the profitability could negatively impact the ratings. A continued increase in the managed gearing to more than 4 times could also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

NeoGrowth Credit Private Limited, which commenced operations in FY2013, is a non-deposit taking systemically important non-banking financial company (NBFC) providing loans to SMEs. It was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include ON Mauritius, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), Trinity Inclusion Ltd. (Leapfrog), Mr. Arun Nayyar {Managing Director (MD) & Chief Executive Officer (CEO)}, 360 ONE Seed Ventures Fund and FMO (the Dutch entrepreneurial development bank). Before setting up NeoGrowth, the founders had established and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and with whom merchants have point of sales terminals.

Key financial indicators

NeoGrowth Credit Private Limited	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Total income	601	750	166
PAT	71	9	(20)
Total managed assets	3,112	3,112	2,943
Return on managed assets	2.7%	0.3%	-2.6%
Reported gearing (times)	3.3	3.2	3.0
Managed gearing (times)	3.4	3.3	3.1
Gross stage 3	3.7%	6.8%	7.3%
CRAR	28.5%	29.1%	28.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 02, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	100.00	[ICRA]A2	Dec-30-2024	[ICRA]A2	Feb-15-2024	[ICRA]A2	-	-
				May-08-2024	[ICRA]A2	-	-	-	-
				Aug-09-2024	[ICRA]A2				
NCD programme	Long term	905.20	[ICRA]BBB+ (Negative)	Dec-30-2024	[ICRA]BBB+ (Stable)	Jun-21-2023	[ICRA]BBB (Stable)	Apr-11-2022	[ICRA]BBB (Negative)
				May-08-2024	[ICRA]BBB+ (Stable)	Feb-15-2024	[ICRA]BBB+ (Stable)	Jul-04-2022	[ICRA]BBB (Negative)
				Aug-09-2024	[ICRA]BBB+ (Stable)			Mar-09-2023	[ICRA]BBB (Stable)
								Mar-15-2023	[ICRA]BBB (Stable)
Long-term others – Fund based	Long term	379.77	[ICRA]BBB+ (Negative)	Dec-30-2024	[ICRA]BBB+ (Stable)	Jun-21-2023	[ICRA]BBB (Stable)	Jul-04-2022	[ICRA]BBB (Negative)
				May-08-2024	[ICRA]BBB+ (Stable)	Feb-15-2024	[ICRA]BBB+ (Stable)	Mar-09-2023	[ICRA]BBB (Stable)
				Aug-09-2024	[ICRA]BBB+ (Stable)			Mar-15-2023	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	Very Simple
Commercial paper programme	Very Simple
Long-term fund-based bank lines	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE814O07360	NCD	Jul-19-2022	12.90%	Jul-19-2026	80.00	[ICRA]BBB+ (Negative)
INE814O07394		Feb-28-2023	13.80%	Feb-28-2026	25.00	[ICRA]BBB+ (Negative)
INE814O07436		Jun-28-2023	12.00%	Jun-07-2026	15.00	[ICRA]BBB+ (Negative)
INE814O07493		Feb-27-2024	11.75%	Feb-27-2026	65.00	[ICRA]BBB+ (Negative)
INE814O07519		May-24-2024	12.00%	May-23-2026	24.90	[ICRA]BBB+ (Negative)
INE814O07527		Jun-07-2024	11.75%	Mar-07-2026	24.00	[ICRA]BBB+ (Negative)
INE814O07535		Jun-27-2024	12.15%	Jun-27-2029	93.76	[ICRA]BBB+ (Negative)
INE814O07543		Aug-21-2024	11.70%	Aug-21-2027	100.00	[ICRA]BBB+ (Negative)
INE814O07550		Nov-29-2024	11.70%	Nov-29-2026	42.00	[ICRA]BBB+ (Negative)
INE814O07568		Jun-06-2025	11.50%	Jul-07-2026	60.00	[ICRA]BBB+ (Negative)
INE814O07378		Aug-27-2022	12.25%	Aug-26-2027	30.80	[ICRA]BBB+ (Negative); withdrawn
INE814O07501		May-17-2024	11.60%	Aug-17-2025	25.00	[ICRA]BBB+ (Negative); withdrawn
INE814O07485		Dec-26-2023	12.55%	Aug-26-2025	20.00	[ICRA]BBB+ (Negative); withdrawn
Not yet placed		-	-	-	375.54	[ICRA]BBB+ (Negative)
Not yet placed	Commercial paper programme	-	-	7-365 days	100.00	[ICRA]A2
NA	Long-term fund-based bank lines	-	-	-	379.77	[ICRA]BBB+ (Negative)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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