April 02, 2025

UC Inclusive Credit Pvt Ltd: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Bank facilities – Long term (fund based – Others)	344.00	344.00	[ICRA]BBB+ (Negative); reaffirmed and outlook revised to Negative from Stable
Bank facilities – Short term (fund based – Others)	6.00	6.00	[ICRA]A2; reaffirmed
CP programme	30.00	30.00	[ICRA]A2; reaffirmed
Total	**380.00**	**380.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook to Negative factors in UC Inclusive Credit Pvt Ltd's (UCIC) weakening asset quality in 9M FY2025 and the consequent increase in the credit costs. The company's focus has been on institutional lending, especially to financial and non-financial sector entities with modest credit profiles. As such, it has faced higher delinquency rates in the current fiscal, especially among the non-financial sector exposures on account of cash flow issues faced by these entities. As a result, the company's 90+ days past due (dpd) increased to 4.2% as of December 2024 (0.6% as on March 31, 2024) from nil as on March 31, 2023. Further, its 0+ dpd was 8.1% as of December 2024 vis-à-vis 3.2% as of March 2024 (nil as of March 2023). The 0+ stood at Rs. 66.9 crore as of December 2024 and was Rs. 63.4 crore as of February 2025. The company had increased its provision coverage on its non-performing assets (NPAs) to 47%, leading to higher credit costs of 1.8% (as a percentage of average managed assets; AMA) in 9M FY2025 compared to 0.3% in FY2024 as well as FY2023. Thus, UCIC's profitability metrics are expected to witness some stress in the near term. Going forward, the company's ability to accelerate the resolution of the delinquent assets while restricting loan losses and preventing incremental slippages would be a key monitorable.

The ratings factor in UCIC's track record of operations, notwithstanding the moderate scale. Its loan portfolio[1] stood at Rs. 845.4 crore as of December 2024 vis-à-vis Rs. 782.8 crore as of March 2024.

UCIC's managed gearing remained under control at 3.1 times as of December 2024 as well as March 2024. ICRA notes that the company is in the initial stages of the next round of capital raise. If the same is done in the near term, it would strengthen UCIC's capital buffers further, especially given the asset quality pressure it is facing.

Key rating drivers and their description

Credit strengths

Track record in institutional financing – UCIC received its non-banking financial company (NBFC) licence from the Reserve Bank of India (RBI) in August 2017 and commenced lending operations in February 2018. The company focuses on institutional lending, especially for impact sectors. It has built up its portfolio steadily over the last six years, supported by prudent underwriting and risk filters. UCIC's senior management team has adequate experience in the banking and financial services sector and has established relationships with various stakeholders. ICRA notes that the company has a five-member board of

[1] *Loan portfolio includes assigned portfolio of Rs. 9.0 crore as of December 2024 and Rs. 5.1 crore as of March 2024*

directors. UCIC was incubated by Unitus Capital Founders (UCF; also UCAP's holding company) and it leverages the Group's relationships for its business growth.

Adequate earnings profile; incremental near-term credit costs would be monitorable – UCIC's net profitability (profit after tax (PAT)/AMA) stood at 2.7% in FY2024 vis-à-vis 1.8% in FY2023 and 1.2% in FY2022. However, it moderated to 2.3% in 9M FY2025. This decline was primarily due to the increase in credit provisioning, which rose to 1.8% (provisional, annualised) in 9M FY2025 from 0.3% in FY2024 as well as FY2023. The company has been witnessing asset quality pressure in the current fiscal, in line with the stress seen in borrower cash flows. While the earnings is adequate at present, the timely resolution of the overdue exposures while keeping credit costs under control would be a key monitorable.

Adequate capitalisation profile – UCIC has maintained adequate capitalisation metrics. Its last capital raise was in November 2023, totalling Rs. 70.0 crore. As of December 2024, the company reported a CRAR of 27.0% (25.6% in March 2024). Given the limited loan portfolio growth experienced by the company in the current fiscal, the managed gearing remained under control at 3.1 times as of December 2024, unchanged from March 2024. ICRA notes that UCIC is in the initial stages of the next round of capital raise. If the same materialises in the near term, it would strengthen the capital buffers further, especially given the current asset quality pressure. Maintaining a managed gearing below 4.5 times over the medium term would remain a key monitorable.

Credit challenges

Moderate scale of operations – UCIC's scale of operations remains moderate, with an outstanding loan portfolio of Rs. 845.4 crore as of December 2024, up from Rs. 782.8 crore in March 2024 (Rs. 510.2 crore in March 2023). Given the lower base and healthy disbursements, it had recorded a robust portfolio growth at a compound annual growth rate (CAGR) of 60.6% during FY2022-FY2024. The growth has slowed down significantly in the current fiscal (annualised growth of 11% in 9M FY2025), given the asset quality pressure. In response to the recent increase in delinquencies, UCIC is actively working on strengthening its internal controls, overall risk management and loan underwriting practices.

Concentrated exposure to entities with modest risk profiles; increase in delinquencies in 9M FY2025 – UCIC is exposed to borrowers with modest credit profiles as it predominantly lends to small and mid-sized NBFCs, microfinance institutions (MFIs) and corporates. Considering the wholesale nature of the company's exposure to NBFCs and corporates, the portfolio is concentrated with the top 20 entities accounting for 12.8% of the portfolio as of December 2024. The company is facing significant asset quality stress in the current fiscal, especially among the non-financial sector exposures. Its 0+ and 90+ dpd increased to 8.1% and 4.2%, respectively, as of December 2024 from 3.2% and 0.6%, respectively, as of March 2024. NPAs (on 150 dpd basis) stood at 2.1% in December 2024 (nil as of March 2024). This increase was due to borrower-level cash flow stress on account of factors such as delays in raising equity, short-term working capital-related issues, etc. Consequently, the company increased its credit provisioning in 9M FY2025 to Rs. 12.0 crore. Going forward, UCIC's ability to accelerate the resolution of the delinquent assets while restricting loan losses and prevent incremental slippages would be a key monitorable.

Liquidity position: Adequate

As per the asset-liability maturity profile as on December 31, 2024, UCIC has positive cumulative mismatches across all buckets. As on February 28, 2025, it had a cash balance of Rs. 29.2 crore. Its total debt obligations between March 2025 and May 2025 (including interest) is Rs. 150.9 crore. The liquidity profile is adequate, considering the on-balance sheet liquidity and monthly collections.

UCIC's borrowing profile comprises a mix of loans from banks, development financial institutions and NBFCs. Borrowings from banks stood at 32.6% as of December 2024 compared to 65.4% as of March 2021. The share of borrowings from development financial institutions and NBFCs was 48.0% of the total outstanding borrowings as of December 2024, followed by non-convertible debentures (NCDs; 7.1%), external commercial borrowings (ECBs; 6.2%), commercial paper (CP; 4.5%), and direct assignment (1.4%).

Rating sensitivities

Positive factors – A steady scale-up in the business, while sustaining an adequate earnings profile and keeping the delinquencies under control, could lead to a rating upgrade.

Negative factors – Pressure on UCIC's ratings could arise if there is a material deterioration in the asset quality with gross NPAs (GNPAs) of more than 2.5% or if the managed gearing is above 4.5 times on a sustained basis. Weakening in the liquidity and earnings profile could also negatively impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials

About the company

UC Inclusive Credit Pvt Ltd (UCIC), incorporated in June 2016, is a non-deposit taking non-banking financial company registered with the RBI. The company lends to entities in impact-focused sectors such as agriculture, education, financial inclusion, healthcare, renewable energy, water, sanitation and women empowerment. It has a team of 42 personnel led by Mr. Abhijit Ray (Managing Director), who has almost three decades of experience in development finance, commercial banking, microfinance and investment banking. Mr. Ray has been associated with Unitus Capital Private Limited (UCAP) for over a decade. UCIC offers term loans and lines of credit with ticket sizes up to Rs. 10.0 crore. The company's portfolio stood at Rs. 845.4 crore as on December 31, 2024, and Rs. 782.8 crore as on March 31, 2024. UCIC was incubated by Unitus Capital Founders (UCF). UCF also has 99.99% equity in UCAP, which is an investment banking entity focused on operating in the Indian equity and debt markets.

Key financial indicators (audited)

UCIC	FY2023	FY2024	9M FY2025*
Total income	55.3	95.5	99.6
Profit after tax	8.0	18.6	15.1
Total managed assets	553.3	835.5	911.3
Return on managed assets	1.8%	2.7%	2.3%
Managed gearing (times)	4.2	3.1	3.1
Gross NPA (150-days past due)	0.0%	0.0%	4.0%
CRAR	22.47%	25.59%	27.0%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 02, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-others-fund based	Long term	344.00	[ICRA]BBB+ (Negative)	Jul-02-2024	[ICRA]BBB+ (Stable)	Feb-20-2024	[ICRA]BBB+ (Stable)	Mar-27-2023	[ICRA]BBB (Stable)
				-	-	Mar-28-2024	[ICRA]BBB+ (Stable)	-	-
Short term-others-fund based	Short term	6.00	[ICRA]A2	Jul-02-2024	[ICRA]A2	Feb-20-2024	[ICRA]A2	Mar-27-2023	[ICRA]A3+
				-	-	Mar-28-2024	[ICRA]A2	-	-
Commercial paper	Short term	30.00	[ICRA]A2	Jul-02-2024	[ICRA]A2	Mar-28-2024	[ICRA]A2	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Bank facilities – Long term (fund based – others)	Simple
Bank facilities – Short term (fund based – others)	Simple
CP programme – Unallocated	Very 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
NA	**Bank facilities – Long term (fund based – others)**	Sep 2022 to Mar 25	11.10% - 11.50%	Aug 2025 to Mar 2028	344.00	[ICRA]BBB+ (Negative)
NA	**Bank facilities – short term (fund based – others)**	July 2024 to Feb 25	11% to 13%	July 2025 to Feb 2026	6.00	[ICRA]A2
INE0BSV14043	**CP programme**	Jan-02-25	11.15%	Apr-03-25	30.00	[ICRA]A2

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

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

R Srinivasan
+91 44 4596 4315
r.srinivasan@icraindia.com

Ajay Bathija
+91 22 6114 3448
ajay.bathija@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches