

May 15, 2025

Progfin Private Limited: [ICRA]A2 assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Short-term bank facilities	50.00	[ICRA]A2; assigned
Total	50.00	

*Instrument details are provided in Annexure I

Rationale

To arrive at the rating, ICRA has taken a consolidated view of the credit profiles of Progfin Private Limited (Progfin) and its holding company, Desiderata Impact Ventures Pvt. Ltd (DIV), given their business linkages and common management. Progfin and DIV, collectively referred herein as the Progcap Group, offer supply chain finance and working capital term loans to micro, small and medium enterprises (MSMEs) under the Progcap brand. Progfin is fully held by DIV, which, in turn, is backed by investors like Sequoia, Tiger Global, GrowX, Creation Investments and Google.

The assigned rating takes into consideration the Group's healthy capitalisation profile with a net worth of Rs. 739 crore and a managed gearing of 1.9 times, supported by the capital raise of ~Rs. 800 crore since inception. Nonetheless, it would need to raise capital in the near to medium term to grow as per business plans, given its robust growth target and modest internal capital generation. The rating also considers the Group's exposure to small businesses, with ~90% of the portfolio towards accounts with a ticket size of less than Rs. 2 crore as on March 31, 2025. The Group commenced lending operations in October 2022 and had assets under management (AUM) of Rs. 1,892 crore as on March 31, 2025 (Rs. 1,160 crore as on March 31, 2024). ICRA takes note of the diverse set of lenders for the Group's current scale of operations. However, given its growth plans, the Group would have to continue augmenting its lender relationships.

The rating considers the Group's limited track record in the lending business, its small scale and subdued earnings profile. Given the nascent stage of operations (lending operations started in October 2022), there has been significant investment towards building the systems and processes and for setting up of teams, leading to high operating expenses. It would take some time for operating efficiency to materialise. Till then, the company's profitability is expected to remain under pressure.

The 90+ days past due (dpd) stood at 3.7% as on March 31, 2025. ICRA, however, notes that the loan book seasoning is low at present and the asset quality profile shall remain vulnerable and volatile, given the unsecured nature of these loans. Going forward, the company's ability to profitably scale up the business while keeping asset quality risks under control would be a key monitorable.

Key rating drivers and their description

Credit strengths

Healthy capitalisation profile; nonetheless, capital requirement remains high – The Group has maintained healthy capitalisation levels in relation to its current scale of operations with a net worth of Rs. 739 crore as on March 31, 2025. This was supported by the capital raise of ~Rs. 800 crore since inception from investors, notably Sequoia Investment, Tiger Global (through Internet Fund VII Pte. Ltd), GrowX Venture Fund, and Creation Investments Social Ventures Fund V. ICRA also notes the regular capital infusions by the holding company in Progfin. Nonetheless, the Group would need to raise capital over the near to medium term to grow as per business plans, given its high growth target and modest internal capital generation. The Group's managed gearing is expected to be about 4 times on a steady-state basis.

Healthy growth prospects and adequate liability profile for current scale of operations – The Group targets MSME retailers in Tier 2 cities and small towns, by leveraging the Progcap network with more than 35,000 active borrowers through anchored supply chain financing and working capital term loans across multiple industries, including two-wheelers, agri inputs, white goods, fast-moving consumer goods (FMCGs) and emerging brands. The target segment comprises small businesses (90% of the portfolio consisted of accounts with a ticket size of less than Rs. 2 crore as on March 31, 2025), wherein the end use is controlled through disbursements to distributor/anchor accounts, with a tenure of less than 90 days for a major part of the portfolio. Prepayment rates are usually high (~60% average monthly prepayments in FY2025), especially in the supply chain financing business, which leads to a faster churn within the portfolio. The segment, which has typically been underserved, offers good growth prospects for scaling up the business over the medium to long term.

The Group has been expanding the lender base and has developed relationships with eleven banks (including four small finance banks), besides more than seventeen non-banking financial companies (NBFCs) and other lending institutions. It has also diversified its borrowing mix to include market instruments like non-convertible debentures (NCDs) in addition to term loans and working capital demand loans. ICRA takes note of the diverse set of lenders for the Group's current scale of operations. However, given its target growth plans, the Group would have to continue augmenting relationships with lenders willing to lend at larger ticket sizes while optimising its cost of funds.

Credit challenges

Limited track record of lending operations – Progcap was founded by Ms. Pallavi Shrivastava and Mr. Himanshu Chandra under DIV as a digital lending platform for engagement between retailers/distributors and financiers. Commencing operations in 2017, it was initially a loan service provider (LSP) to banks and NBFCs through DIV (holding company and technology platform entity) by leveraging its anchor partner network (more than 120 partners as on March 31, 2025). The Group started lending operations in October 2022 and its AUM stood at Rs. 1,892 crore as on March 31, 2025 (Rs. 1,160 crore as on March 31, 2024), comprising unsecured and working capital term loans. As the company's track record has been limited, the asset quality indicators are yet to be tested across economic cycles as the business scales up (90+ dpd of 3.5% as on March 31, 2025). The supply chain in which it operates consists of fragmented structures, comprising numerous distributors and retailers. Hence, the inherent vulnerability associated with the portfolio, given the unsecured nature of the loans, could result in volatility in the asset quality profile. In this regard, the ability to manage losses through key credit mitigants such as stop supply, stock liquidation assistance, and first loss default guarantees (FLDGs) will be a key monitorable.

Evolving profitability metrics¹ – The Group has been scaling up its business volumes significantly over the past three years. This has resulted in high operational expenses, mainly due to the larger share of employee expenses and share-based employee stock ownership plan (ESOP) expenses, and it continued reporting losses till FY2025. Despite the increase in credit costs/average managed assets (AMA) to 1.4% in FY2025 from 0.8% in FY2024, the reduction in operating expenses/AMA to 8.0% from 9.1% and the improvement in the net interest margin (NIM)/AMA to 7.1% from 5.2% during this period led to a lower loss in FY2025. The loss decreased to Rs. 8 crore in FY2025 (provisional) from Rs. 46 crore in FY2024, translating to a return on managed assets (RoMA) of -0.4% in FY2025 vis-à-vis -2.5% in FY2024.

Going forward, the impact of ESOP expenses on the earnings profile is expected to be limited to less than Rs. 12 crore (Rs. 22 crore in FY2025 and Rs. 33 crore in FY2024). Nonetheless, given the nascent stages of operations (lending operations started in October 2022), significant investment has been made in building the systems and processes and setting up teams, leading to high operating expenses. It would take some time for operating efficiency to materialise. Till then, the company's profitability is expected to remain under pressure.

¹ Provisional financials for FY2025

Liquidity position: Adequate

Proffin's liquidity position is adequate with positive cumulative mismatches across all buckets, as per the asset-liability maturity (ALM) profile as on March 31, 2025. For the 12-month period ending March 31, 2026, the company has debt obligations of Rs. 853 crore against inflows from advances of Rs. 1,501 crore. Further, the liquidity is supported by unencumbered cash and cash equivalents and investments of ~Rs. 143 crore as on March 31, 2025. It is additionally aided by the unutilised limits of Rs. 195 crore as on March 31, 2025.

Rating sensitivities

Positive factors – A significant improvement in the earnings profile, while increasing the scale of operations and maintaining a healthy asset quality profile on a sustained basis, would be a credit positive.

Negative factors – Weakening in the asset quality profile, inability to improve the earnings performance or a sustained increase in the managed gearing above 4 times could exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated (details in Annexure II)

About the company

Progcap was founded by Ms. Pallavi Shrivastava and Mr. Himanshu Chandra under Desiderata Impact Ventures Pvt. Ltd (DIV) in FY2017 as a digital lending platform for engagement between retailers/distributors and financiers. In September 2022, DIV acquired Hytone Holdings Pvt Ltd, renaming it Proffin Private Limited, and commenced lending operations in October 2022, sourcing borrowers through the Progcap platform. Proffin is a wholly-owned subsidiary of DIV. It provides anchor-led supply chain financing and working capital term loans across multiple industries, including two-wheelers, agri inputs, white goods, FMCGs and emerging brands.

On a standalone basis, Proffin reported a profit after tax (PAT) of Rs. 7 crore on total income of Rs. 259 crore in FY2025 compared to Rs. 3.1 crore and Rs. 109 crore, respectively, in FY2024. Its AUM stood at Rs. 1,892 crore as on March 31, 2025, comprising dealer financing (69%) and working capital term loans (31%) crore.

On a consolidated basis, Progcap reported a loss of Rs. 8 crore on total income of Rs. 279 crore in FY2025 compared to a loss of Rs. 46 crore on total income of Rs. 159 crore in FY2024. The consolidated net worth stood at Rs. 739 crore as on March 31, 2025.

Key financial indicators

DIV consolidated	FY2023	FY2024	FY2025
	Actual	Actual	Prov.
Total income	102	159	279
Profit after tax	-49	-46	-8
Total managed assets	1,776	1,826	2,234
Managed gearing (times)	1.3	1.4	1.9
CRAR*	86.4%	45.2%	NA
Return on average managed assets	-3.4%	-2.5%	-0.4%
GNPA/Gross stage 3*	0.0%	1.9%	3.7%

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

* CRAR and asset quality indicators pertain to the NBFC – Progfin

Progfin Private Limited (standalone)	FY2023	FY2024	FY2025
	Actual	Actual	Prov.
Total income	10	109	259
Profit after tax	4	3	7
Total managed assets	426	1,215	2,088
Managed gearing (times)	0.3	1.2	2.5
CRAR*	86.4%	45.2%	NA
Return on average managed assets	1.6%	0.4%	0.4%
GNPA/Gross stage 3*	0.0%	1.9%	3.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * CRAR and asset quality indicators pertain to Progfin

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					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	May 15, 2025	Date	Rating	Date	Rating	Date	Rating
Short-term fund based – Unallocated	Short term	50.00	[ICRA]A2	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term bank loan facilities	NA

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
Unlisted	Short-term bank loan facilities	NA	NA	NA	50.00	[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

Company name	Ownership	Consolidation approach
Profin Private Limited	Rated entity	Full consolidation
Desiderata Impact Ventures Pvt. Ltd	Parent company	Full consolidation

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