

May 19, 2025

UC Inclusive Credit Pvt Ltd: [ICRA]BBB+ (Negative) assigned to Rs. 40-crore NCD programme; ratings reaffirmed

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 |
| Bank facilities – Short term (fund based – Others) | 6.00 | 6.00 | [ICRA]A2; reaffirmed |
| Non-convertible debentures | 0.00 | 40.00 | [ICRA]BBB+ (Negative); assigned |
| CP programme | 30.00 | 30.00 | [ICRA]A2; reaffirmed |
| Total | 380.00 | 420.00 | |

*Instrument details are provided in Annexure I

Rationale

The rating action factors in UC Inclusive Credit Pvt Ltd's (UCIC) weak asset quality performance in 9M FY2025 and the consequent increase in its credit costs. The company's focus has been on institutional lending, especially to financial and non-financial sector entities with modest credit profiles. Consequently, it faced higher delinquency rates in FY2025, 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 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 delinquent assets while restricting loan losses and preventing incremental slippages would be a key monitorable.

The ratings consider UCIC's track record of operations, notwithstanding the moderate scale. Its loan portfolio¹ 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.

The Negative outlook takes into consideration ICRA's expectation that UCIC's asset quality and earnings profile would remain under pressure in the near term.

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

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 directors. UCIC was incubated by Unitus Capital Founders (UCF; also Unitus Capital Private Limited's (UCAP) 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 FY2025, 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 FY2025, 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 FY2025 (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 FY2025, 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 the 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 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 obligation 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 | | | | | | | |
|--|----------------------|--------------------------|-----------------------|---|-----------------------|-------------|----------------------|-------------|----------------------|-------------|------------------------------|
| | | | | FY2026 | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | May 19, 2025 | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Long term-others-fund based | Long term | 344.00 | [ICRA]BBB+ (Negative) | Apr-02-2025 | [ICRA]BBB+ (Negative) | Jul-02-2024 | [ICRA]BB B+ (Stable) | Feb-20-2024 | [ICRA]BB B+ (Stable) | Mar-27-2023 | [ICRA]BBB (Stable) |
| | | | | | | - | - | Mar-28-2024 | [ICRA]BB B+ (Stable) | - | - |
| Short term-others-fund based | Short term | 6.00 | [ICRA]A2 | Apr-02-2025 | [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 | Apr-02-2025 | [ICRA]A2 | Jul-02-2024 | [ICRA]A2 | Mar-28-2024 | [ICRA]A2 | - | - |
| Non-convertible debenture | Long term | 40.00 | [ICRA]BBB+ (Negative) | - | - | - | - | - | - | - | - |
| Long term/Short term-others-fund based | Long term/Short term | - | - | - | - | - | - | - | - | Oct-14-2022 | [ICRA]BBB (Stable)/[ICRA]A3+ |

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 |
| Non-convertible debenture programme | Very Simple |
| CP programme | 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) | Jul 2024 to Feb 25 | 11-13% | Jul 2025 to Feb 2026 | 6.00 | [ICRA]A2 |
| INE0BSV07047 | NCD | Mar-24-25 | 12.50% | Sep-24-26 | 10.00 | [ICRA]BBB+ (Negative) |
| Proposed | NCD | NA | NA | NA | 30.00 | [ICRA]BBB+ (Negative) |
| INE0BSV14050 | CP programme | Apr-02-25 | 12.00% | Jul-02-25 | 15.00 | [ICRA]A2 |
| Proposed | CP programme | NA | NA | NA | 15.00 | [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

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