

June 10, 2025<sup>(Revised)</sup>

## Progfin Private Limited: Long term rating of [ICRA]BBB+ (Stable) assigned and short term rating of [ICRA]A2 reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short- term fund-based bank facilities	-	100.00	[ICRA] BBB+ (Stable)/[ICRA]A2; reaffirmed/ assigned
Short term bank facilities	50.00	-	-
<b>Total</b>	<b>50.00</b>	<b>100.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

To arrive at the ratings, 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.

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. Achieving operating efficiency will remain critical for material improvement in the earnings profile.

The 90+ days past due (dpd) stood at 3.4% as on March 31, 2025<sup>1</sup>. Owing to the relatively short-term nature of the portfolio, a single customer revolves a limit multiple times on average, thereby having better seasoning in terms of cyclicity of the book. Nonetheless, asset quality profile is expected to remain volatile, given the underlying borrower profile and 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

<sup>1</sup> reported gross stage 3% (net of write-off) of 1.5% and 1.1% for FY2024 and FY2025 respectively.

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 Progin. 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 Progin 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 while optimising its cost of funds.

## Credit challenges

**Limited track record of lending operations** – Progin 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). Post digital lending guidelines in 2022, 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. Owing to the relatively short-term nature of the portfolio, a single customer revolves a limit multiple times on average, thereby having better seasoning in terms of cyclicity of the book. Nonetheless, since supply chain segment in which it operates consists of fragmented structures, comprising numerous distributors and retailers, hence the portfolio remains susceptible to macro-economic shocks. There is an inherent vulnerability associated with the portfolio, given the unsecured nature of the loans, which is partially mitigated through in-built risk mitigants like margin retention, risk sharing agreements, stop supply, stock liquidation and First loss default guarantees, etc. In this regard, the company's continued ability to manage losses through these key credit mitigants will be a key monitorable.

**Evolving profitability metrics<sup>2</sup>** – 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.

<sup>2</sup> Provisional financials for FY2025

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. Achieving operating efficiency will remain critical for material improvement in the earnings profile and will be a key monitorable.

### Liquidity position: Adequate

Progfin'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 ratings.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Credit Rating Methodology for Non-Banking Finance Companies (NBFCs)</a>
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 Progfin Private Limited, and commenced lending operations in October 2022, sourcing borrowers through the Progcap platform. Progfin 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, Progfin 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	Provisional
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%	37.3%
Return on average managed assets	-3.4%	-2.5%	-0.4%
GNPA/Gross stage 3*#	0.0%	1.9%	3.4%

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; # reported gross stage 3% (net of write-off) of 1.5% and 1.1% for FY2024 and FY2025 respectively.

Progfin Private Limited (standalone)	FY2023	FY2024	FY2025
	Actual	Actual	Provisional
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%	37.3%
Return on average managed assets	1.6%	0.4%	0.4%
GNPA/Gross stage 3#	0.0%	1.9%	3.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; # reported gross stage 3% (net of write-off) of 1.5% and 1.1% for FY2024 and FY2025 respectively.

**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)	June 10, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based bank facilities	Long term/Short term	100.0	[ICRA] BBB+ (Stable)/[ICRA]A2	-	-	-	-	-	-	-	-
Short-term fund based – Unallocated	Short term	-	-	May 15, 2025	[ICRA]A2	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short- term fund-based bank facilities	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	Long-term/Short-term fund-based bank facilities	NA	NA	NA	15.00	[ICRA] BBB+ (Stable)/[ICRA]A2
NA	Long-term/Short-term fund-based bank facilities	NA	NA	NA	25.00	[ICRA] BBB+ (Stable)/[ICRA]A2
NA	Long-term/Short-term fund-based bank facilities	NA	NA	NA	60.00	[ICRA] BBB+ (Stable)/[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

#### Corrigendum:

Added footnote for clarification on gross stage 3 assets % (net of write-offs) as on March 31, 2024 and March, 31, 2025.

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