

September 23, 2025

Progfin Private Limited: [ICRA]BBB+ (Stable) assigned to non-convertible debentures; earlier ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	0.00	250.00	[ICRA]BBB+ (Stable); assigned
Non-convertible debentures	100.00	100.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term/Short-term fund-based bank facilities	350.00	350.00	[ICRA]BBB+ (Stable)/[ICRA]A2; reaffirmed
Commercial paper	25.00	25.00	[ICRA]A2; reaffirmed
Total	475.00	725.00	

*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 is backed by investors like Peak XV (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. 743 crore and a managed gearing of 1.5 times as on June 30, 2025, 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 expand 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 ~64% of the portfolio towards accounts with a ticket size of less than Rs. 50 lakh as on June 30, 2025. The Group commenced lending operations through Progfin in October 2022 and had assets under management (AUM) of Rs. 1,640 crore as on June 30, 2025 (Rs. 1,892¹ crore as on March 31, 2025). The Group was previously operating as a loan service provider (LSP) to various private sector banks, small finance banks (SFBs) and non-banking financial companies (NBFCs) through DIV. While 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 need to continue augmenting its lender relationships.

Since the NBFC lending operation commenced in 2022, the Group has been scaling up its business volumes significantly over the past three years. It has invested significantly towards building the systems and processes and for setting up teams, leading to high operating expenses. Achieving operating efficiency while increasing the scale of operations will remain critical for an improvement in the earnings profile.

The 90+ days past due (dpd) stood at 1.9% as on June 30, 2025. Nonetheless, the asset quality profile is expected to remain volatile, given the underlying borrower profile and 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.

¹ Post write-off AUM stood at Rs. 1,854 crore as on March 31, 2025

The Stable outlook reflects ICRA's expectation that the Group would maintain adequate capital buffers in view of the unsecured loan book and evolving earnings profile.

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. 743 crore as on June 30, 2025. This was supported by the capital raise of ~Rs. 800 crore since inception from investors, notably Peak XV (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 expand as per business plans, given its high growth target. 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 (~89% of the portfolio consisted of accounts with a ticket size of less than Rs. 2 crore as on June 30, 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 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 11 banks (including four SFBs), besides more than 17 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, it would have to continue augmenting relationships with lenders 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 an LSP to banks, SFBs and NBFCs through DIV (holding company and technology platform entity) by leveraging its anchor partner network (more than 120 partners as on June 30, 2025). Following the implementation of digital lending guidelines in 2022, the Group started lending operations in October 2022 and its AUM stood at Rs. 1,640 crore as on June 30, 2025 (Rs. 1,892² crore as on March 31, 2025), comprising unsecured and working capital term loans. The 90+ dpd stood at 1.9% as on June 30, 2025.

As the supply chain targeted by the company has borrowers with average credit profiles comprising numerous distributors and retailers, the portfolio remains susceptible to macroeconomic shocks. Inherent vulnerability is associated with the portfolio due to the unsecured nature of the loans. This is partially mitigated by its nature of being backed by receivables (invoice-based financing nature of the portfolio; accounted for 74% of the overall AUM as of March 2025) as well as 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 monitorable.

² Post write-off AUM stood at Rs. 1,854 crore as on March 31, 2025

Evolving profitability metrics³ – 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. While operating costs, as a proportion of average managed assets (AMA), remained elevated, the same declined steadily to 8.1% in FY2025 and further to 7.2% in Q1 FY2026 (provisional) from 9.1% in FY2024. This was driven by the lower impact of ESOP expenses on the earnings profile, which is estimated to have been less than Rs. 11 crore (Rs. 22 crore in FY2025 and Rs. 33 crore in FY2024), and the improvement in the scale of operations. The combined net interest margin and net interest income (NIM + NII) rose to 9.0% in FY2025 and further to 9.5% in Q1 FY2026 from 7.1% in FY2024. Notwithstanding the increase in credit costs, as a proportion of AMA, to 1.2% in FY2025 and further to 1.6% in Q1 FY2026 from 0.8% in FY2024, the Group reported a profit of ~Rs. 3 crore (provisional) on a consolidated basis in Q1 FY2026 vis-à-vis a loss of ~Rs. 6 crore and Rs. 46 crore, respectively, in FY2025 and FY2024.

Nonetheless, given the nascent stage of operations (lending operations started in October 2022), significant investment has been made in building the systems and processes and for setting up teams, leading to high operating expenses. A sustained improvement in the operating efficiency and keeping credit costs under control would be key from an earnings perspective.

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 June 30, 2025. For the 12-month period ending June 30, 2026, the company has debt obligations of ~Rs. 886 crore against inflows from advances of ~Rs. 1,534 crore. Further, the liquidity is supported by unencumbered cash and cash equivalents and liquid investments of ~Rs. 190 crore as on June 30, 2025. It is additionally aided by the unutilised limits of Rs. 90 crore as on June 30, 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	ICRA's Credit Rating Methodology for Non-Banking Finance Companies (NBFCs)
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.

³ Provisional financials for FY2025 and Q1 FY2026

On a standalone basis, Progfin reported a profit after tax (PAT) of Rs. 12 crore on total income of Rs. 258 crore in FY2025 compared to Rs. 3 crore and Rs. 109 crore, respectively, in FY2024. The PAT for the quarter ended June 30, 2025 stood at Rs. 5 crore on total income of Rs. 80 crore. The AUM stood at Rs. 1,640 crore as on June 30, 2025, comprising dealer financing (70%) and working capital term loans (30%).

On a consolidated basis, Progcap reported a loss of Rs. 5 crore on total income of Rs. 278 crore in FY2025 compared to a loss of Rs. 46 crore on total income of Rs. 159 crore in FY2024. The PAT for the quarter ended June 30, 2025 stood at Rs. 3 crore on total income of Rs. 83 crore. The consolidated net worth was Rs. 743 crore as on June 30, 2025.

Key financial indicators

DIV (consolidated)	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Prov.
Total managed assets	1,826	2,203	1,997
Total income	159	278	83
Profit after tax	-46	-6	3
Managed gearing (times)	1.4	1.9	1.5
CRAR*	45.2%	40.3%	41.5%
Return on average managed assets	-2.5%	-0.3%	0.6%
GNPA/Gross stage 3*	1.5%	1.1%	1.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * CRAR and asset quality indicators pertain to Progfin; Managed gearing = (Borrowings + Off-balance sheet advances)/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + Off-balance sheet advances

Progfin Private Limited (standalone)	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Prov.
Total income	109	258	80
Profit after tax	3	12	5
Total managed assets	1,215	2,133	1,920
Managed gearing (times)	1.2	2.5	2.1
CRAR*	45.2%	40.3%	41.5%
Return on average managed assets	0.4%	0.7%	1.0%
GNPA/Gross stage 3*	1.5%	1.1%	1.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * CRAR and asset quality indicators pertain to Progfin; Managed gearing = (Borrowings + Off-balance sheet advances)/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + Off-balance sheet advances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Sep 23, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based-Others	Long Tem/Short Term	350.00	[ICRA]BBB + (Stable)/[ICRA]A2	Jun 10, 2025	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-	-	-
				Jul 09, 2025	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-	-	-
				Aug 06, 2025	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-	-	-
				Aug 28, 2025	[ICRA]BBB+ (Stable)/[ICRA]A2	-	-	-	-	-	-
Commercial Paper	Short Term	25.00	[ICRA]A2	Aug 06, 2025	[ICRA]A2	-	-	-	-	-	-
				Aug 28, 2025	[ICRA]A2	-	-	-	-	-	-
NCD	Long Term	100.00	[ICRA]BBB + (Stable)	Aug 28, 2025	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
NCD	Long Term	250.00	[ICRA]BBB + (Stable)	-	-	-	-	-	-	-	-
Unallocated-Unallocated	Short Term			May 15, 2025	[ICRA]A2	-	-	-	-	-	-
				Jun 10, 2025	[ICRA]A2	-	-	-	-	-	-

LT: Long term; ST: Short term

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term fund-based bank facilities	Very Simple
Commercial paper	Very Simple
Non-convertible debenture	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	FY2027	241.04	[ICRA]BBB+ (Stable)/[ICRA]A2
NA	Long-term/Short-term fund-based bank facilities	NA	NA	NA	108.96	[ICRA]BBB+ (Stable)/[ICRA]A2
Yet to be placed	Commercial paper	NA	NA	7-365 days	25.00	[ICRA]A2
Yet to be placed	Non-convertible debenture	NA	NA	NA	350.00	[ICRA]BBB+ (Stable)

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
Proffin Private Limited	Rated entity	Full consolidation
Desiderata Impact Ventures Pvt. Ltd	Parent company	Full consolidation

ANALYST CONTACTS

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

Sandeep Sharma
+91 22 6114 3419
sandeep.sharma@icraindia.com

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

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

Atharva Pednekar
+91 22 6114 3438
atharva.pednekar@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

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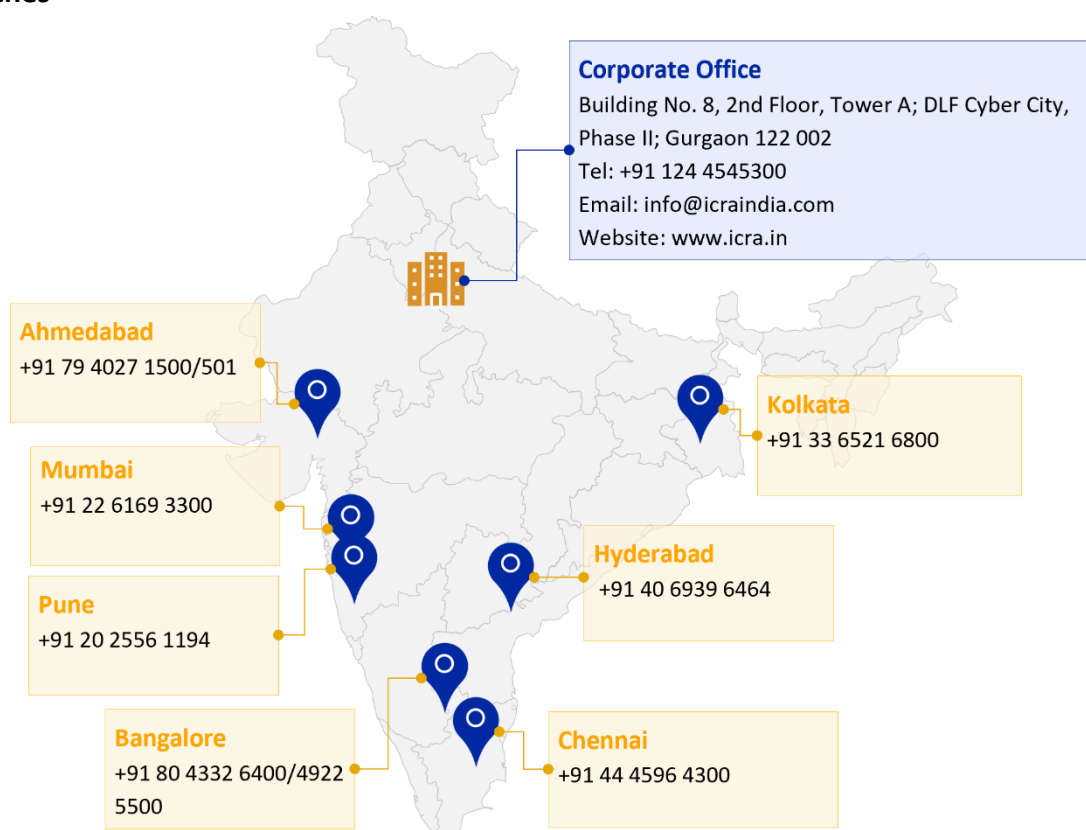
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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