

November 17, 2025

## NeoGrowth Credit Private Limited: Ratings downgraded to [ICRA]BBB(Negative) and [ICRA]A3+

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
NCD	905.20	905.20	[ICRA]BBB(Negative); downgraded from [ICRA]BBB+(Negative)
Long-term fund-based bank lines	379.77	379.77	[ICRA]BBB(Negative); downgraded from [ICRA]BBB+(Negative)
Commercial paper programme	100.00	100.00	[ICRA]A3+; downgraded from [ICRA]A2
<b>Total</b>	<b>1,384.97</b>	<b>1,384.97</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action factors in the continued asset quality pressures for NeoGrowth Credit Private Limited (NeoGrowth) and the consequent deterioration in its earnings profile. The company's loan loss charges increased to 13.0% (annualised) of assets under management (AUM) in H1 FY2026 from 10.3% in FY2025 and 6.5% in FY2024, amid stress in the unsecured small and medium-sized enterprise (SME) segment. The reported gross stage 3 assets, including annualised write-offs, stood at 18.9% as of September 2025 (14.7% as of March 2025 and 7.6% as of March 2024). Further, decline in AUM due to various credit actions taken and cautious approach followed by the company which led to a reduction in income, which, in turn, resulted in moderation in pre-provision operating profits. Altogether, the earnings profile was adversely impacted, with a net loss of Rs. 44 crore in H1 FY2026 compared to a profit after tax (PAT) of Rs. 9 crore in FY2025. The earnings profile is expected to remain under pressure in the near term, as asset quality improvements are likely to be gradual and the AUM remains scaled down.

The deterioration in asset quality is primarily due to slippages on account of various factors, including, but not limited to, a slowdown in consumption due to restrictions on personal loans, borrower overleveraging, and the overall credit squeeze in the market. The company adheres to a write-off policy, wherein unsecured loans are written off after remaining delinquent for more than 240 days. However, it has historically recovered around 20% of the amounts written off. In view of the deterioration in asset quality and profitability, the company was in continued breach of various financial covenants (in respect of borrowings amounting to 52% of overall borrowings) as on September 30, 2025 (55% as on June 30, 2025). While it has received waivers and additional loans from some lenders and its liquidity profile remains adequate at present, it could face pressure if it is unable to obtain the requisite waivers in the future.

While the company has taken various corrective measures to address asset quality concerns, given the elevated net stage 2 + net stage 3 assets of 6.3% (as a percentage of net advances) as on September 30, 2025 (6.8% as on June 30, 2025 and 4.5% as on March 31, 2024), the pressure on profitability is expected to continue in the near term. However, the company continues to maintain an adequate capitalisation profile, with a reported Tier I capital ratio of 28.8% as of September 2025, and it intends to raise equity from its existing shareholders. Additionally, given the expectation of muted AUM growth, the company is expected to maintain a managed gearing of below 4.0 times.

ICRA notes NeoGrowth's relatively diverse lender base, which includes overseas lenders, development finance institutions, alternative investment funds, and multilateral agencies, in addition to loans from non-banking financial companies (NBFCs) and banks. ICRA also takes comfort from the management's established experience in the retail and SME lending business.

Nevertheless, given the company's focus on largely untapped small and medium-sized retailer segments, it remains exposed to the inherent risks associated with unsecured lending and a moderate borrower profile.

The Negative outlook on the rating reflects ICRA's expectation of near-term pressure on the company's asset quality and profitability.

## Key rating drivers and their description

### Credit strengths

**Adequate capitalisation supported by equity raise** – The company's capitalisation remains adequate, with a net worth of Rs. 632 crore and a managed gearing of 2.9 times as on September 30, 2025. This was supported by capital raising of Rs. 276.25 crore since FY2022. NeoGrowth had issued compulsory convertible debentures (CCDs) of Rs. 66.25 crore in September 2021 and Rs. 50.0 crore in June 2022 [fully converted into compulsory convertible preference shares (CCPS) in FY2024]. It also raised equity of Rs. 160.0 crore in December 2022 from FMO, the Dutch entrepreneurial development bank. The company continues to maintain an adequate capitalisation profile, with a reported Tier I capital ratio of 28.8% as of September 2025. Given the expectation of muted AUM growth and plans to raise equity capital, the company is likely to maintain a prudent capitalisation profile, with a managed gearing of 4.0 times, while navigating the ongoing deterioration in asset quality and profitability.

**Diverse funding base and experienced management** – NeoGrowth has a relatively diversified lender base comprising a mix of domestic and international sources. These include overseas lenders, development finance institutions, alternative investment funds, and multilateral agencies, along with borrowings from NBFCs and banks. Additionally, a significant portion of the incremental borrowings in FY2025 and H1 FY2026 was availed from existing lenders, indicating continued support from established funding relationships. ICRA also considers the management's long-standing experience in the retail and SME lending segment.

### Credit challenges

**Deterioration in asset quality impacting earnings profile** – NeoGrowth's asset quality deteriorated, with gross and net stage 3 assets of 6.8% and 2.9%, respectively, as on September 30, 2025 (7.3% and 3.3%, respectively, as on June 30, 2025; 3.7% and 1.5%, respectively, as on March 31, 2024). Collections were impacted, especially in the lower ticket-size retail loan segment, leading to higher write-offs. Including annualised write-offs in H1 FY2026, the gross stage 3 stood at 18.9% as on September 30, 2025 (14.7% as on March 31, 2025 and 7.6% as on March 31, 2024).

Given the deterioration in asset quality and decline in revenue due to lower AUM, profitability was adversely impacted. The company reported a PAT of Rs. 9 crore in FY2025 (0.3% of ATA) compared to Rs. 71 crore (2.9% of ATA) in FY2024. The decline was primarily driven by the increase in credit costs to 10.3% of AUM in FY2025 from 6.5% in FY2024 (4.1% in FY2023). Further, the moderation in AUM led to lower income, which resulted in subdued pre-provision operating profits. Profitability remained under pressure in H1 FY2026, with the company reporting a net loss of Rs. 44 crore. ICRA notes the corrective measures being implemented by NeoGrowth, including close internal tracking of portfolio parameters that exhibited stress in the past and, based on this, tightening customer selection criteria, strengthening the collections team and focusing on recoveries. While ICRA notes the decline in stage 2 and stage 3 assets in Q2 FY2026, the ability to further improve asset quality and contain credit costs would remain critical for a sustained improvement in profitability.

**Moderate borrower profile** – The company provides unsecured business loans (working capital financing) with an average ticket size of ~Rs. 14 lakh to small and medium-sized retailers. Repayments are largely linked to daily sales collections (accounting for ~55% of the loan book as on September 30, 2025). The balance portfolio comprises supply chain financing to micro, small, and medium enterprises (MSMEs) with an average ticket size of Rs. 23 lakh. ICRA notes the inherent risk in the

portfolio, given the moderate credit profile of the borrowers, who are highly vulnerable to downturns in economic cycles. Further, a large part of the AUM (96%) represents unsecured lending, impeding recoveries from the harder delinquency buckets.

### Liquidity position: Adequate

NeoGrowth has repayment obligations of Rs. 748 crore (principal + interest) for the six-month period till March 2026. As on September 30, 2025, it had Rs. 151 crore of cash and liquid investments, along with unutilised bank lines of Rs. 18 crore. Liquidity is supported by monthly inflows of Rs. 190-200 crore from the loan book, and the company did not have any cumulative mismatches in any of the time buckets, including the less-than-one-year tenor, in the structural liquidity statement (SLS) as on September 30, 2025.

NeoGrowth faces prepayment risks, given the possibility of debt acceleration upon breach of covenants, including financial, operational, and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to obtain waivers from lenders/investors or if they do not provide adequate time to arrange alternative funding to pay off the accelerated loans, the ratings would face pressure. ICRA notes that NeoGrowth was in breach of certain financial covenants with its lenders (52% of overall borrowings as on September 30, 2025 and 55% as on June 30, 2025) and has received temporary relaxations/waivers/amendments from some lenders (22% of the borrowings under breach as on September 30, 2025) and noting from other lenders. Additionally, some lenders (7% of the borrowings under breach) have extended fresh sanctions to the company with more favourable covenants. Further, ICRA notes that there has been no acceleration of debt by any lender/investor as on date, and NeoGrowth continues to raise funds from existing lenders.

### Rating sensitivities

**Positive factors** – ICRA could revise the outlook to Stable on a sustained improvement in the company’s asset quality and profitability indicators.

**Negative factors** – Further deterioration in the asset quality or sustained weakening in the profitability could negatively impact the ratings. A continued increase in the managed gearing to more than 4 times could also exert pressure on the ratings.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating methodology for non-banking finance companies</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

### About the company

NeoGrowth Credit Private Limited, which commenced operations in FY2013, is a non-deposit taking systemically important non-banking financial company (NBFC) providing loans to SMEs. It was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include ON Mauritius, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), Trinity Inclusion Ltd. (Leapfrog), Mr. Arun Nayyar {Managing Director (MD) & Chief Executive Officer (CEO)}, 360 ONE Seed Ventures Fund, Plentitude Ventures Ltd and FMO (the Dutch entrepreneurial development bank). Before setting up NeoGrowth, the founders had established and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and with whom merchants have point of sales terminals.

### Key financial indicators

NeoGrowth Credit Private Limited	FY2024	FY2025	H1 FY2026
	Audited	Audited	Provisional
Total income	601	750	317
PAT	71	9	(44)
Total managed assets	3,112	3,112	2,689
Return on managed assets	2.7%	0.3%	-3.0%
Reported gearing (times)	3.3	3.2	2.9
Managed gearing (times)	3.4	3.3	2.9
Gross stage 3	3.7%	6.8%	6.8%
CRAR	28.5%	29.1%	29.4%

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

### 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					
	Type	Amount rated (Rs. crore)	Nov 17, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	100.00	[ICRA]A3+	Sep 02, 2025	[ICRA]A2	Dec-30-2024	[ICRA]A2	Feb-15-2024	[ICRA]A2	-	-
						May-08-2024	[ICRA]A2	Aug-09-2024	[ICRA]A2		
NCD programme	Long term	905.20	[ICRA]BBB (Negative)	Sep 02, 2025	[ICRA]BBB+ (Negative)	Dec-30-2024	[ICRA]BBB+ (Stable)	Jun-21-2023	[ICRA]BBB (Stable)	Apr-11-2022	[ICRA]BBB (Negative)
						May-08-2024	[ICRA]BBB+ (Stable)	Mar-09-2023	[ICRA]BBB (Stable)	Jul-04-2022	[ICRA]BBB (Negative)
						Aug-09-2024	[ICRA]BBB+ (Stable)	Mar-15-2023	[ICRA]BBB (Stable)	Mar-09-2023	[ICRA]BBB (Stable)
								Mar-15-2023	[ICRA]BBB (Stable)		
Long-term others – Fund based	Long term	379.77	[ICRA]BBB (Negative)	Sep 02, 2025	[ICRA]BBB+ (Negative)	Dec-30-2024	[ICRA]BBB+ (Stable)	Jun-21-2023	[ICRA]BBB (Stable)	Jul-04-2022	[ICRA]BBB (Negative)
						May-08-2024	[ICRA]BBB+ (Stable)	Mar-09-2023	[ICRA]BBB (Stable)	Mar-09-2023	[ICRA]BBB (Stable)
						Aug-09-2024	[ICRA]BBB+ (Stable)	Mar-15-2023	[ICRA]BBB (Stable)	Mar-15-2023	[ICRA]BBB (Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	Very Simple
Commercial paper programme	Very Simple
Long-term fund-based bank lines	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
INE814O07360	NCD	Jul-19-2022	12.90%	Jul-19-2026	80.00	[ICRA]BBB (Negative)
INE814O07394		Feb-28-2023	13.80%	Feb-28-2026	25.00	[ICRA]BBB (Negative)
INE814O07436		Jun-28-2023	12.00%	Jun-07-2026	15.00	[ICRA]BBB (Negative)
INE814O07493		Feb-27-2024	11.75%	Feb-27-2026	65.00	[ICRA]BBB (Negative)
INE814O07519		May-24-2024	12.00%	May-23-2026	24.90	[ICRA]BBB (Negative)
INE814O07527		Jun-07-2024	11.75%	Mar-07-2026	24.00	[ICRA]BBB (Negative)
INE814O07535		Jun-27-2024	12.15%	Jun-27-2029	93.76	[ICRA]BBB (Negative)
INE814O07543		Aug-21-2024	11.70%	Aug-21-2027	100.00	[ICRA]BBB (Negative)
INE814O07550		Nov-29-2024	11.70%	Nov-29-2026	42.00	[ICRA]BBB (Negative)
INE814O07568		Jun-06-2025	11.50%	Jul-07-2026	60.00	[ICRA]BBB (Negative)
INE814O07576		Sep-30-2025	11.75%	Mar-13-2027	35.00	[ICRA]BBB (Negative)
Not yet placed		-	-	-	340.54	[ICRA]BBB (Negative)
INE814O14127		Commercial paper programme	Oct-31-2025	11.64%	Feb-03-2026	10.00
INE814O14119	Sep-26-2025		11.65%	Jan-06-2026	40.00	[ICRA]A3+
Not yet placed	-		-	7-365 days	50.00	[ICRA]A3+
NA	Long-term fund-based bank lines	-	-	-	379.77	[ICRA]BBB (Negative)

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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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.

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## ICRA Limited



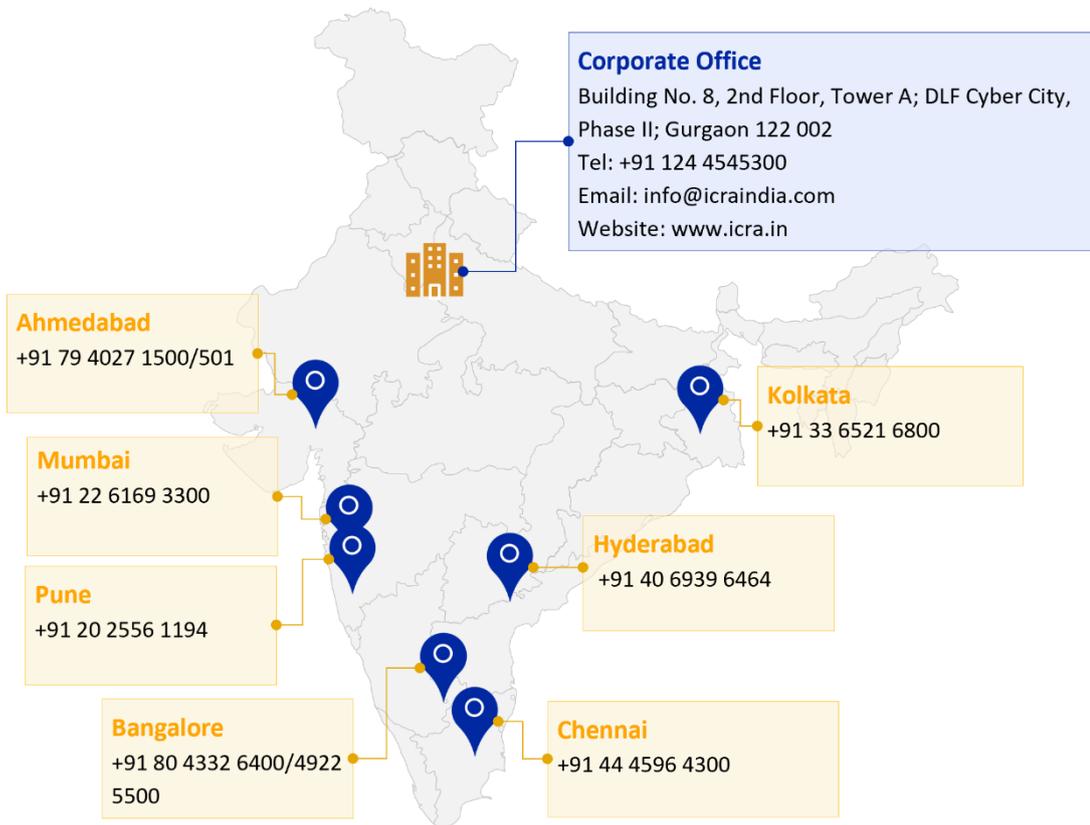
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### Branches



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