November 05, 2026

Ugro Capital Limited: Provisional [ICRA]AA-(SO) assigned to PTC Series A1 and Provisional [ICRA]A-(SO) assigned to Equity Tranche PTC issued by Triton 10 2026, backed by a pool of embedded finance loans

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action	Financial sector regulator#
Triton 10 2026	PTC Series A1	51.11	Provisional [ICRA]AA-(SO); Assigned	RBI
	Equity Tranche PTC	2.97	Provisional [ICRA]A-(SO); Assigned	RBI

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful

Rationale

The Pass-through certificates (PTCs) are backed by a pool embedded finance loans (unsecured QR code-based merchant loans) receivables originated by Ugro Capital Limited {Ugro/Originator} with an aggregate principal outstanding of Rs. 59.43 crore (pool receivables of Rs. 70.64 crore). Ugro would be acting as the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts along with the eligibility criteria for follow-on pools, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be for 9 months from the transaction settlement date. During this period, all principal collections from the pool, following the payment of the PTC Series A1 interest, shall be used by the trust to purchase additional receivables from the Originator as per the replenishment period waterfall for the pool. These additional receivables shall meet the same eligibility criteria as applicable for the receivables that were a part of the underlying pool at the initiation of the transaction.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs any time during the replenishment period, then the tenure of the PTCs shall be reduced and will be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

After the replenishment period, the residual pool collections will be utilised to repay Series A1 PTC. The monthly cash flow schedule will comprise the promised interest payout for Series A1 PTC. The principal for Series A1 PTC is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal ill they are live and then to Equity Tranche PTC. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to Series A1 PTC investors till they are live and then to Equity Tranche PTC. The Equity tranche PTCs are subordinated to PTC Series A1 and do not carry yield. The principal is promised to the investors for both series of PTCs on the final maturity date of transaction i.e. May 10, 2029.

The credit enhancement available in the structure is in the form of (i) a CC of 4.00% of the initial pool principal, amounting to Rs. 2.38 crore, to be provided by the Originator, (ii) principal subordination of 14.00% of the initial pool principal for PTC Series A1 and 9.00% of the initial pool principal for Equity Tranche PTC, and (iii) the entire EIS in the structure.

Key eligibility criteria for the receivables

The eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

The following key eligibility criteria will have to be met:

- Each Facility comprising the Pool should not have been classified as greater than 5 days-past-due since origination of the loan;
- No facility should have sanction amount greater than 10 Lac and less than 1 lac
- No Facility with original tenure more than 24 months.
- No Facility with borrower age less than 21 years as of the Cut-off date and more than 65 years as of the maturity of the loan.
- No Facility should have been "restructured" or "rescheduled" in the books of the Seller (in accordance with the criteria prescribed by the RBI), other than any moratorium provided pursuant to the Moratorium Directions (COVID-19);
- No Facility should have been classified as a "non-performing asset" in the books of the Seller (in accordance with the criteria prescribed by the RBI); and
- Latest Bureau score for each of borrowers in the underlying should be equal to or greater than 730.
- No Facility should have been originated from the North-Eastern state of India which includes Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura, Himachal Pradesh, Daman and Deu, Dadra Nagar Haveli.

Trigger events for early amortisation

The following key early amortisation triggers which will lead to end of amortisation period:

- if the rating of the Series A1 PTC falls 1 notches below its respective rating as on the date hereof;
- more than 5.0% (Five point zero Percent) of the Loans forming part of the Identified Receivables have a days past due (DPD) of more than 90 (Ninety) days;
- the Current Collection Efficiency in respect of the Pool is less than 90.00% for any 2consecutive payouts;
- Utilization of Cash Collateral to service Series A1 interest
- The capital adequacy ratio of the Seller falls below 16% (Sixteen Percent);
- Pool cover falling below 0.85x (i.e. During the Replenishment Period the Follow-On pool purchased on each Purchase Date should not be less than 85% of the Principal + Prepayment collections received for that collection period). Any unused amounts will be used for making payments to A1 PTC holder.

Key rating drivers

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular with no contract exceeding 0.2% of the pool principal and the follow-on pools are also expected to be granular. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Adequate servicing capability of the originator – While the company has a lower track record in the embedded finance asset class it has a longer track record of over seven years of operations in the lending business, a wide geographical presence and adequate processes for servicing of the loan accounts in the securitised pool.

Credit challenges

Moderate pool selection criteria – A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criteria the follow-on pools may have a lower seasoning, lower interest rate contracts, contracts from weaker geographies and higher share of lower bureau score contracts. A higher presence of lower interest rates contracts would impact the excess interest spread adversely, which acts as a credit enhancement in the structure.

Risks associated with lending business – The performance of both the initial and the follow-on pools would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. Both the initial and the follow-on pools are exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow on pools, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.50% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position:

Strong for PTC Series A1

The liquidity for the PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~4 times the estimated loss in the pool.

Strong for Equity Tranche PTC

The liquidity for the Equity Tranche PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~3 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on the crystallisation of the final pool, the ratings are unlikely to be upgraded till the final pool is crystallised. The ratings could be upgraded basis the healthy collections observed in the final crystallised pool, leading to the build-up of the credit enhancement cover over the rated PTCs.

Negative factors – The ratings could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that the delinquencies during the amortisation period are higher than expected. Weakening in the credit profile of the servicer (Ugro) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of Ugro's embedded finance portfolio till June 2026, the key characteristics and composition of the current pool, the eligibility criteria for follow-on pools, the performance expected over the balance tenure of the pools, and the credit enhancement cover available in the transaction.

Analytical Approach	
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust Deed
2. Assignment Agreement
3. Power of Attorney
4. Legal Opinion
5. Trustee Letter
6. Other key or important documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Ugro Capital Limited (Ugro) is a specialised small business lending platform registered as a systemically important non-deposit taking non-banking financial company. It was incorporated in 1993 as Chokhani Securities Ltd. and was renamed Ugro Capital Limited pursuant to a change in the management in 2018. The company commenced disbursements in January 2019. It provides financing to the MSME sector and had assets under management (AUM) of more than Rs. 15,000 crores as of June 2026. Ugro has been listed on the BSE since 1995. Embedded Merchant Finance observed material growth with AUM increasing from Rs. 743 crore in March 2024 to Rs. 3,003 crore in June 2026.

Key financial indicators

	FY2025	FY2026	Q1FY2027
	Audited	Audited	Audited
Total Income	1,442	2,011	532
Profit after tax	144	175	68
Total managed assets	14,254	19,849	NA
Gross NPA (%)	2.3%	2.5%	2.6%
Capital to risk weighted assets ratio (%)	19.41%	21.17%	NA

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

Trust Name	Current Rating (FY2027)			Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024
			November 05, 2026	-	-	-
Triton 10 2026	PTC Series A1	51.11	**Provisional [ICRA]AA-(SO)**	-	-	-
	Equity Tranche PTC	2.97	**Provisional [ICRA]A-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Highly Complex
Equity Tranche PTC	Highly Complex

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

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating	Financial sector regulator#
Triton 10 2026	PTC Series A1	October 29, 2026	-	May 10, 2029	51.11	Provisional [ICRA]AA-(SO)	RBI
	Equity Tranche PTC	October 29, 2026	-	May 10, 2029	2.97	Provisional [ICRA]A-(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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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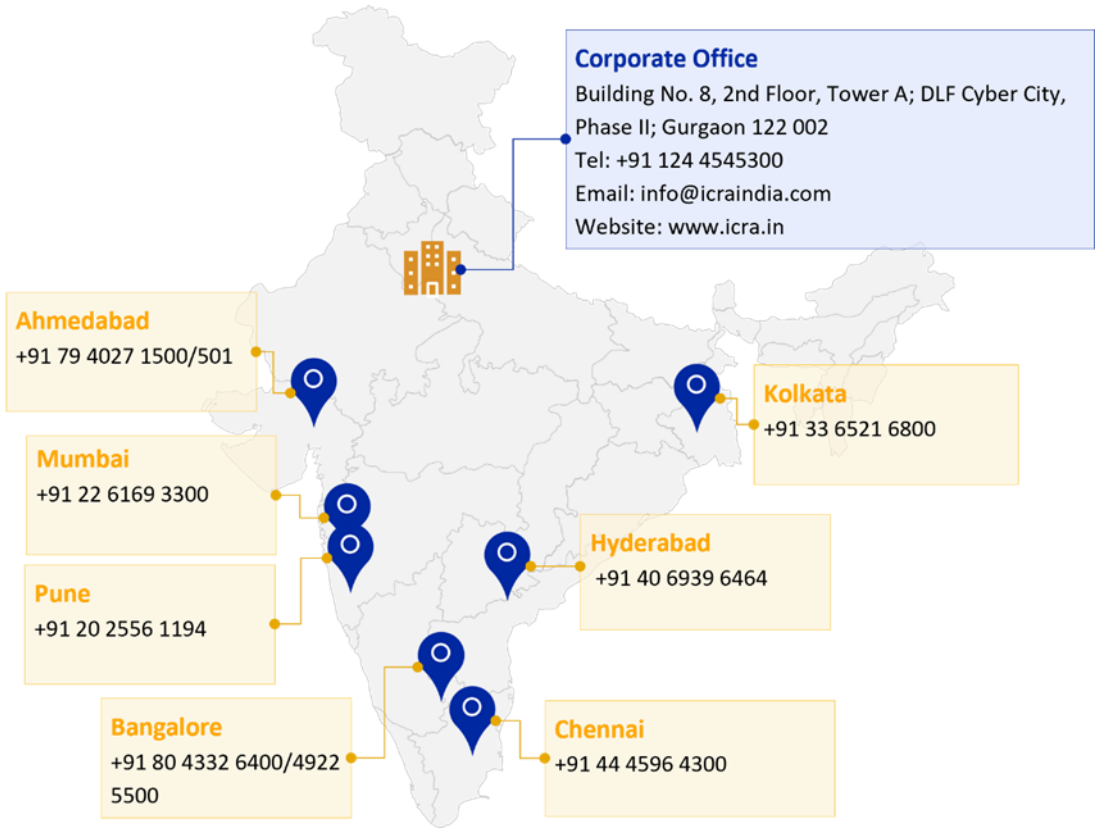

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