

27th December 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra - Kurla Complex,
Bandra (E), Mumbai - 400 051

Scrip code: 511742

Symbol: UGROCAP

Sub: Credit Rating - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that India Ratings & Research Pvt. Ltd, credit rating agency, has issued a press release, dated 27th December 2024 in relation to the credit rating assigned/upgraded to the below mentioned instruments of the Company:

Instrument	Previous Amount (Rs. in million)	Previous rating	Current Amount (Rs. in million)	Current Rating
Series A1 pass-through certificates	-	-	350.97	IND AA-(SO)/Stable (Assigned)

The press release issued by India Ratings & Research is enclosed herewith.

This is for your information and records.

Thanking you,
For UGRO Capital Limited

Satish Kumar
Company Secretary and Compliance Officer
Encl: a/a

UGRO CAPITAL LIMITED

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India Ratings Assigns Ramesses I Final Rating (Originated by Ugro Capital Ltd.)

Dec 27, 2024 | Securitisation

India Ratings and Research (Ind-Ra) has assigned Ramesses I (an asset-backed securitisation transaction) a final rating as follows:

Details of Instruments

Instrument Type [^]	Date of Issuance	Coupon Rate*	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Series A1 pass-through certificates	30 September 2024	10.75	17 February 2027	INR350.97	IND AA-(SO)/Stable	Assigned

*per annum payable monthly

[^]The final rating has been assigned following the receipt of the final executed transaction documentation, conforming to the information already received by Ind-Ra.

Analytical Approach

As part of its analysis, the agency has considered historical data of the originator's portfolio to determine the base values of key variables that would influence the level of expected losses in this transaction. Ind-Ra has also studied the performance of market peers operating in similar segments. The base values of the default rate, recovery rate, time to recovery, collection efficiency, prepayment rate and pool yield were stressed to assess whether the level of credit enhancement (CE) was sufficient for the current rating levels.

Ind-Ra stressed the above variables for the rating level as per its [Asset-Backed Securitisations](#) Rating Criteria. Based on the rating level, the agency also has made an adjustment for the borrowers carrying the highest interest rate loans, assuming they will either prepay or default. Based on the above assumptions, Ind-Ra has built a pool cash flow model also considering the transaction structure.

Detailed Rationale of the Rating Action

The unsecured business loans pool assigned to the trust has been originated by Ugro Capital Ltd (Ugro; originator or seller or servicer; [IND A+/Stable](#)). The loan pool forms a part of the unsecured business loan portfolio which is fully held by Ugro and it is sourced via business correspondence partners. The rating factors in the originator's underwriting and servicing capabilities, the transaction structure, and the availability of CE.

Transaction Structure: The proposed transaction has a par structure, where the loan pool has been assigned to the trust for a purchase consideration equal to 93.00% of the principal outstanding (POS) of the pool, such that Series A1 pass-through certificates (PTCs) has been issued against 87% of the pool principal. The transaction also benefits from an equity tranche of 6% and over-collateralisation of 7% of the initial pool POS.

The final rating of Series A1 PTCs addresses the timely payment of interest and ultimate payment of principal to Series A1 PTC investors by the final maturity date of 17 February 2027, in accordance with the transaction documentation. The equity tranche PTC payouts are completely subordinated to Series A1 PTCs and will only start after Series A1 PTCs are completely redeemed.

The transaction also has a conditional turbo amortisation feature, wherein, the available excess interest spread (EIS) in the transaction would be utilised to start repaying Series A1 PTCs until they are fully redeemed, in case:

1. the rating of Series A1 PTCs is downgraded below IND AA-(SO) or
2. the rating of the servicer is downgraded below 'IND A+'

Key Pool Characteristics: According to the details provided by the originator to Ind-Ra, the collateral pool assigned to the trust at par had an aggregate outstanding principal balance of INR403.42 million, as on the pool cut-off date of 31 August 2024. As on the pool cut-off date, the pool consisting of 3,860 loans had a weighted average (WA) seasoning of 9.44 months and the pool had been amortised by 24.0%, implying a reasonable repayment track record of underlying borrowers. Also, no loans were delinquent as on the pool cut-off date, and all are current since issuance. The average current loan amount is INR104,512.60.

List of Key Rating Drivers

Strengths

- Acceptable servicing and underwriting capabilities for the portfolio
- Availability of credit support
- Reasonable repayment track records of the borrowers in the pool

Weaknesses

- Geographical concentration; unsecured nature of underlying assets

Detailed Description of Key Rating Drivers

Acceptable Servicing and Underwriting Capabilities for Portfolio: The provisional rating is based on the acceptable servicing, underwriting and collection and recovery capabilities for the portfolio, the legal and financial structure of the transaction, and the CE provided in the transaction. The agency is of the opinion that the underwriting, servicing and recovery processes for the portfolio are of acceptable standards.

Ugro underwrites the loan in two parts. Firstly, it does an appraisal of the partner themselves on the basis of vintage, ability and stability as well as market reputation of the partner. The company has a separate credit vertical for partner underwriting. Additionally, the underwriting criteria for the loans is also set by Ugro and a loan only can only be disbursed once all data and documentation is available to Ugro and they approve the loan. The partners also provide a first-loss default guarantee (FLDG) which can be utilised to cure the loss on defaulted loss up to the extent of the FLDG.

Availability of Credit Support: The transaction benefits from the available internal and external CE. The internal CE for the Series A1 PTCs is in the form of subordination from the equity tranche, an overcollateralisation, and the EIS of 6.0%, 7.0% and 7.58%, respectively, of the initial POS.

The total available external CE in the transaction is 5.00% of the initial POS, which is proposed to be provided in the form of fixed deposits, to be held with a bank rated at least 'AA-', in the name of Ugro with a lien marked in the name of the trust.

The external CE is available for utilisation in case of a shortfall in the collections to meet the Series A1 interest payments on each payout date and the Series A1 principal payments on the final maturity date.

Reasonable Repayment Track Records of Borrowers in Pool: The pool has a WA seasoning of 9.44 months along with a WA amortisation of 24.0%, implying reasonable track records of the repayment of the borrowers in the pool. Also, all the loans were current as of the cut-off date.

Geographical Concentration; Unsecured Nature of Underlying Assets: The top state contributes around 73.74% to the total pool. Also, the underlying loans are unsecured in nature. The asset quality in this segment is more vulnerable to economic downturns.

Key Assumptions

Ind-Ra has derived a base case gross default rate of 6.5%-7.5%. The agency has analysed the characteristics of the pool and established its base-case assumptions through the four key performance variables that collectively affect the credit risk in a transaction: default rate, recovery rate, recovery timeline and prepayment rate. The pool cash flow has been further adjusted for prepayments of underlying loans, assuming a base case monthly prepayment rate of 0.25%-0.50%.

Ind-Ra has made recovery rate assumptions basis established FLDG arrangement with sourcing partner and past recovery track record and assumed a base case recovery rate of 60%-65%, with a base case recovery time of 3-4 months. Ind-Ra stressed the above variables for the rating level as per Rating Criteria for Indian Asset-Backed Securitizations. Based on the rating level, the agency also has made an adjustment for the borrowers carrying the highest interest rate loans, assuming they will either prepay or default.

As represented by the originator, Ind-Ra understands that the pool assigned is based on the selection criteria applicable to the transaction.

Liquidity

Superior: For the current transaction, the external and internal CEs add liquidity comfort. Assuming a base case default scenario, there is a liquidity cover of more than 3.0x of the scheduled monthly obligations for the series A1 PTCs.

Rating Sensitivities

Positive

An improvement in the CE coverage driven by robust transaction performance, along with an improvement in the servicer credit profile, would collectively lead to a positive rating action for the Series A1 PTCs.

Negative

Ind-Ra conducted rating sensitivity tests. If the assumption of base case default rate was worsened by 20%, the model-implied rating sensitivity suggests that the rating of Series A1 PTCs will be downgraded by two notches.

The CE is in the name of originator and lien marked in favour of the trustee. In case the long-term rating of the originator falls below 'IND A-', the CE is to be transferred in the name of the trust. In case this does not happen, the rating of Series A1 PTCs would be partially linked to the rating of the CE provider.

In case the long-term rating of the servicer falls below 'IND A-', and if the servicer is not replaced with an eligible servicer with a rating of at least 'IND A-' or above, the rating of Series A1 PTCs would be partially linked to the rating of the servicer.

In case the long-term rating of the fixed deposit or account bank falls below 'IND AA-' by any SEBI registered credit rating agency, within a reasonable period, the bank has to be substituted with another bank having a long-term rating of at least 'IND AA-'. If the bank is not replaced in a timely manner, the rating of Series A1 PTCs would be partially linked to the rating of the bank.

About the Company

UGRO (erstwhile Chokhani Securities Limited) was acquired in 2018 by Shachindra Nath (Vice Chairman and Managing Director). UGRO focuses on lending to MSMEs by offering them multiple products with varying tenors and ticket sizes. The company operates through 164 branches (23 prime and 141 micro), with a wide geographic presence. The AUM of the

entity (own and managed) stood at INR101.6 billion at end-2QFY25, with the off-book volumes constituting 45% of the overall AUM (split almost evenly between co-lending & direct assignment and co-origination). UGRO is a publicly listed entity on both the National Stock Exchange of India Limited and BSE Limited.

Key Financial Indicators

Particulars	1HFY25	FY24	FY23
Total assets (INR billion)	75.1	62.8	43.1
Total equity (INR billion)	19.6	14.38	9.8
Net profit (INR billion)	0.66	1.2	0.4
Return on average assets (%)	2.0	2.3	1.4
Equity/assets (%)	26.1	22.9	22.9
Capital adequacy ratio (%)	24.5	20.8	20.2
Gross Stage 3 (%)	2.1	2.0	1.6
Source: Ind-Ra, UGRO			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	1 October 2024
Series A1 pass-through certificates	Long-term	INR350.97	IND AA-(SO)/Stable	Provisional IND AA-(SO)/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Series A1 pass-through certificates	High

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Policy on Provisional Ratings

The Rating Process

Structured Finance Rating Criteria

Rating Criteria for Indian Asset-Backed Securitisations

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