

64% OF MSMEs RESUME POST-PANDEMIC; 54% REPORT 10% YOY GROWTH: SAYS THE THIRD EDITION OF MSME SAMPARK REPORT BY UGRO CAPITAL AND DUN & BRADSTREET

In-depth analysis of 45,000+ MSMEs, highlighting credit access, formalization, and digitalization for growth.

Mumbai, April 08, 2025: UGRO Capital Ltd., a leading DataTech NBFC focused on MSME lending, has released the 3rd MSME Sampark Report – a semi-annual report that is prepared in partnership with Dun & Bradstreet. The 3rd edition highlights that 64% of MSMEs have resumed activity post-pandemic, with around 54% reporting a growth of over 10% Year-on-Year (YoY), underlining the sector's strong momentum. However, growth in investments in Udyam-registered MSMEs has slowed from 61% in FY22 to 22% in FY23 and 23% in FY24. Large and medium businesses anticipate slower domestic growth in Q1 2025, while small firms remain optimistic. It is noteworthy that while capital costs are expected to remain high in Q1 2025, revised MSME classification criteria could drive further investment and expansion.

Mr. Shachindra Nath, Founder & Managing Director - UGRO Capital, said "MSME Sampark has gone beyond just a report and is slowly becoming a movement that brings together industry leaders, policymakers and financial institutions to collaboratively shape the future of MSME financing. With the 3rd edition of MSME Sampark, we aim to elevate the discourse further by exploring the next phase of MSME credit delivery in India. Our analysis reveals a nuanced picture. We see moderation in total loan disbursement in recent quarters, a trend reflecting more conservative lending practices across the industry. While this could be attributed to stricter risk assessments, it also presents an opportunity for NBFCs to play a more strategic role in bridging the credit gap. The increasing formalisation of MSMEs, as evidenced by lower cash percentages and improved debt-to-turnover ratios, especially among mature and larger businesses, is an encouraging sign.

MSME Sampark's 3rd edition reaffirms our commitment to empower India's MSMEs with the right financial solutions, insights, and policy advocacy that drive their sustained growth."

Dr Arun Singh, Global Chief Economist - Dun & Bradstreet, said "Dun & Bradstreet's sector risk ratings indicate improvements in risk profile of MSMEs in 2024 from 2023, despite global and domestic economic uncertainties. Improvements in the MSMEs' credit profile was also indicated through decline in the gross non-performing assets (GNPAs) post pandemic. The overall GNPAs touched a 12-year low in September 2024, with GNPA of large borrowers at 2.4% and of MSMEs at 2.2%, respectively, compared to 12.8% and 11% during early 2020. However, businesses have scaled back their optimism for capital expenditure as their outlook on managing financial risks has deteriorated, reflecting heightened uncertainty faced by them."

Key Findings:

- The 3rd edition highlights that 64% of MSMEs have resumed activity post-pandemic, with around 54% reporting a growth of over 10% Year-on-Year (YoY), underlining the sector's strong momentum.
- Global supplier risks are rising as businesses prioritise localised supply chains. Sales and export optimism is declining due to economic uncertainty and trade policies.
- India has maintained over 7% annual average growth over the past 15 years, excluding the pandemic, and is projected to grow at 6.6% in FY26.
- Growth in investments by Udyam-registered MSMEs has slowed from 61% in FY22 to 22% in FY23 and 23% in FY24. However, revised MSME classification criteria could drive further investment and expansion.
- Large and medium businesses anticipate slower domestic growth in Q1 2025, while small firms remain optimistic.
- Export sentiment among small and medium businesses has weakened amid geopolitical and trade protectionist concerns.
- Capital costs are expected to remain high in Q1 2025, influencing investment decisions. Medium-sized firms have scaled back optimism on capital expenditure, while small businesses show slight improvement.
- Credit growth has declined for micro and small businesses (15.5% in May 2024 to 10.1% in Nov 2024), remained stable for large businesses, and surged for medium-sized firms (12.6% in June 2024 to 20.0% in Nov 2024).

Findings from analysis of 45,000+ MSMEs during 2021-2024 across 7 sectors

Debt & Credit Trends in MSMEs: Loan disbursements have moderated in 2024, but the rise in working capital loans highlights a growing reliance on short-term financing. This shift reflects the challenges businesses face in long-term planning amid economic uncertainty. Among the 45,000+ MSMEs analysed, the light engineering, electrical equipment, food processing, and chemical sectors emerged as the largest borrowers in the first three quarters of 2024. Interestingly, over the past six months, B2C businesses have taken on less new debt than B2B businesses, except in the auto components and hospitality sectors.

Growing Formalisation in MSMEs: The study finds a clear trend toward formalisation, as businesses report lower cash holdings and declining debt-to-turnover ratios. This shift suggests improved financial management, optimised cash flows, and reduced dependence on external financing. The effect is even more pronounced in mature and larger businesses (₹20 crore+), signalling a steady move toward greater financial transparency and stability.

Micro Businesses & Credit Access: Among 15,000+ micro businesses studied, loan inquiries continue to rise despite lower disbursements, pointing to a persistent demand-supply gap in credit availability. While businesses actively seek funding, lenders remain cautious. A notable trend in 2024 is the increased preference for asset-backed financing, such as loans against gold jewellery, over cash flow-based lending – a sign that lenders favour secured credit amid economic uncertainties.

The semi-annual report, prepared in partnership with Dun & Bradstreet, a leading global provider of business decisioning data and analytics, offers a comprehensive analysis of India's MSME sector that reveals key trends and opportunities for the sector's future. It is based on an in-depth analysis of over 45,000 MSMEs across seven key sectors. It offers a nuanced understanding of the MSME landscape, stressing the importance of credit access, formalisation, and digitalisation in ensuring sustained growth.

The report can be downloaded for free from the websites of Dun & Bradstreet India (<http://www.dnb.co.in/>) and UGRO Capital (<http://www.ugrocapital.com/>).

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About UGRO Capital Ltd (NSE: UGROCAP | BSE: 511742)

UGRO Capital Limited is a DataTech Lending platform, listed on NSE and BSE, pursuing its mission of "Solving the Unsolved" for the small business credit gap in India, on the back of its formidable distribution reach and its DataTech approach. It aims to service every need of every MSME as it believes that #MSMEAchhaHai.

The Company's prowess in Data Analytics and strong Technology architecture allows for customized sourcing platforms for each sourcing channel - GRO Plus module, which has uberized intermediated sourcing; GRO Chain, a supply chain financing platform with automated end-to-end approval and flow of invoices; GRO Xstream platform for co-lending, an upstream and downstream integration with fintechs and liability providers; and GRO X application, to deliver embedded financing option to MSMEs.

The company's patented proprietary underwriting model, GRO Score (3.0), is a statistical framework using AI / ML driven statistical models to risk-rank customers and it is revolutionizing MSME credit by providing on-tap financing like consumer financing in India by assessing a borrower's creditworthiness based on a data tripod - banking, bureau and GST records. UGRO is also a pioneer in the Co-lending model in India, which is prevalent in the West.

The Company is backed by marquee institutional investors (raised INR 900+ Cr of equity capital in 2018, INR 340 Cr in 2023 and INR 1265 Cr in 2024) and aims to capture 1% market share over the next three years. For more information, please visit: <http://www.ugrocapital.com/>.

Looking ahead, U GRO Capital remains steadfast in its dedication to leverage technology, data-driven insights, and industry expertise to provide innovative financial solutions that meet the evolving needs of MSMEs. For more information, please visit: <http://www.ugrocapital.com/>

About Dun & Bradstreet India

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to

help them manage risk and reveal opportunity. For more information on Dun & Bradstreet, please visit www.dnb.com.

Dun & Bradstreet Information Services India Private Limited is headquartered in Mumbai and provides clients with data-driven products and technology-driven platforms to help them take faster and more accurate decisions across finance, risk, compliance, information technology and marketing. Working towards Government of India's vision of creating an Atmanirbhar Bharat (Self-Reliant India) by supporting the Make in India initiative, Dun & Bradstreet India has a special focus on helping entrepreneurs enhance their visibility, increase their credibility, expand access to global markets, and identify potential customers & suppliers, while managing risk and opportunity.

India is also the home to Dun & Bradstreet Technology & Corporate Services LLP, which is the Global Capabilities Center (GCC) of Dun & Bradstreet supporting global technology delivery using cutting-edge technology. Located at Hyderabad, the GCC has a highly skilled workforce of over 500 employees, and focuses on enhanced productivity, economies of scale, consistent delivery processes and lower operating expenses.

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