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MSME Sampark

Semi-Annual report on latest
in MSME Lending ecosystem

4th Edition



#MSMEAchhaHai

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MR. SHACHINDRA NATH
Founder & Managing Director,
UGRO Capital

Foreword

It gives me immense pleasure to present the fourth edition of MSME Sampark Semi-Annual report on latest in MSME Lending ecosystem, an initiative that continues to spotlight the evolving dynamics of India's MSME sector and the institutions that enable its growth. Over time, MSME Sampark has become a credible platform for dialogue and insight bringing together voices from across the ecosystem to celebrate, understand, and strengthen India's small business economy.

The Indian credit landscape today is undergoing a structural transformation. With the economy expanding and digitization deepening, the need for formal, reliable, and timely credit for MSMEs has never been more urgent. NBFCs have emerged as critical drivers in bridging this credit gap, contributing close to one-third of incremental MSME lending. Their strength lies in understanding customer behavior, leveraging alternative data, and offering last-mile delivery areas that are central to India's inclusive growth agenda.

This edition features findings from over 73,000 MSMEs across eight sectors and an exclusive survey of over 5,000 MSMEs across India. The findings, featured in this edition, offer a rare window into the realities of small businesses their financial needs, challenges, and aspirations in a rapidly changing economy. Nearly 65% of MSMEs reported double-digit sales growth during the post-Covid recovery, and growth has continued steadily since. UPI usage has risen sharply while cash transactions have declined, signaling a decisive shift toward digital adoption. GST compliance has improved consistently, reflecting greater financial discipline and transparency. Encouragingly, 83% of MSMEs surveyed reported no difficulty in accessing credit, with NBFCs emerging as their preferred financing partners, further validating our collective efforts to formalize and simplify small business lending.

These findings reaffirm our deep belief, one that we have consistently expressed through our digital campaigns #MSMEAchhaHai and #BharosaMSMEPar. India's MSMEs embody resilience, innovation, and aspiration, and they will remain at the core of the nation's journey toward becoming a USD10trn economy. As we look ahead, it is essential for all stakeholders, banks, NBFCs, policymakers, and entrepreneurs to work together in creating a transparent, responsible, and technology-driven credit ecosystem that enables every small business to grow with confidence and purpose.

I hope this edition of MSME Sampark continues to serve as a source of insight, inspiration, and collective purpose reminding us all why we must continue to have #BharosaMSMEPar.



MR. AVINASH GUPTA

Managing Director & CEO - India
Dun & Bradstreet

Introduction

India's economy has gained momentum, with GDP expanding by 7.8% in Q1 of FY 2025–26, the fastest growth in the past five quarters. This is being fueled by robust performance in the services (9.3%) and manufacturing sectors (7.7%), along with proactive government spending (9.7%). Higher government spending aimed at boosting manufacturing and consumption is expected to further fuel economic growth potential. Domestic demand remains resilient, further supported by GST rationalisation, which is expected to stimulate urban consumption and provide some relief from export losses caused by the imposition of 50% U.S. tariffs on Indian goods.

India's inflation has eased considerably and is comfortably within the Reserve Bank of India's (RBI) target range of 2% to 6%, creating space for additional potential rate cuts. However, the scope for further easing remains constrained by several risks. Global commodity price volatility particularly in crude oil and a weakening rupee may increase import costs, feeding inflationary pressures. These factors suggest that while the inflation outlook remains favorable, the RBI may adopt a cautious approach going forward.

Despite near-term disruptions to India's export prospects, medium-term outlook is positive, backed by an ongoing push towards accelerating its trade diversification efforts. Dun and Bradstreet's business inquires data shows that global inquiries on Indian businesses have grown 6.4 times from US, and 1.4 times from Europe during 2021-2024. While US continue to have more enquiries, share of enquiries from European business increased from 7.5% in 2024 to 35.4% (8M-2025). Key developments like the UK-India FTA (May 2025), nearing completion of the India-EU FTA (expected by end of 2025), and ongoing negotiations with MERCOSUR, Chile, UAE, Japan, and African nations are likely to boost India's export opportunities further. Trade agreements aim to reduce tariff risks and open new markets for exporters in key sectors like textiles, auto-components, and gems & jewellery. Yet, MSMEs remain vulnerable to U.S. tariffs, especially in export-heavy segments such as textiles, leather, engineering goods, and agri-marine products. A successful U.S. trade deal would be pivotal in shielding these sectors and enhancing India's competitive position globally.

FDI inflows have shown resilience, with greenfield investments rising to USD18.6bn in Q1 FY 2025–26. The raising of the FDI cap in insurance to 100% (from 74%) as part of India's 2025 Union Budget is expected to drive future inflows. FII flows, however, recorded net withdrawals of USD3.3bn in September 2025 due to weak earnings and global volatility, though recent tax and GST reforms, along with the Fed's resumption of its rate cutting cycle (in September) could attract FIIs inflows towards emerging markets, including India.

India's MSME sector is at a strategic inflection point, with the US tariffs posing risks to small exporters in sectors with narrow margins. India's MSMEs are showing resilience through formalisation, access to credit, and digital adoption. To thrive amid shifting global trade, India must prioritise trade diversification, digital skilling, and extension of targeted support. Strategic trade negotiations, especially with the US, and enhanced domestic reforms will be key to shielding MSMEs from external shocks and unlocking their role as engines of inclusive growth.



DR. ARUN SINGH
Global Chief Economist
Dun & Bradstreet

Executive Summary

- MSMEs contributed ~30% to India's GDP in FY25, up from 27.3% in FY21, indicating a steady rise in economic significance. This growth reflects increased formalization, better credit access, and stronger integration into domestic and global value chains.
- MSME exports have shown a 3-fold increase to Rs.12 lakh crore over the past 5 financial years and account for 46% share in total exports.
- Outstanding MSME credit reached Rs.40 lakh crore in August 2025, 2.5x higher than five years ago.
- Micro and small enterprises account for 71% of MSME credit (down from 79% in FY20), whereas the share of medium enterprises rose to 29% (from 21%).
- MSME NPAs dropped to Rs.80,749 crore in FY25 from Rs.1.1 lakh crore in FY21, reflecting improved asset quality. Micro enterprises still account for 65% of NPAs, but targeted government schemes have helped reduce stress, Micro (-3%), Small (-28%), and Medium (-30%). This signals a positive shift toward financial resilience in the sector.
- Higher number of MSMEs are formalizing in the country with total MSMEs registered with UDYAM reaching at 6.8 crore in September 2025, an 18% increase from February 2025.
- Credit growth to micro and small enterprises grew 12% YoY, outpacing medium enterprises and overall credit growth.
- Across sectors, net working capital cycles have become longer for sectors in manufacturing (e.g., auto: 63 days, chemicals: 98 days, electricals: 103 days), driven by higher inventory holding and slower turnover.

Debt

- Total small business credit portfolio has expanded to Rs.45 lakh crore (June 2025), a growth of 19.2% YoY, suggesting that lending to small businesses has increased significantly, reflecting higher demand for credit and possibly greater confidence among lenders and borrowers.
- Sole proprietors with entity presence hold 45.9% of total MSME credit; sole proprietors hold 31.8% as on June 2025. While, enterprises show lowest delinquency rates and highest credit growth (24.7%).
- Interest coverage ratios remained healthy for MSMEs (e.g., auto: 5.9x, education: 5.3x), though Debt Service Coverage Ratios (DSCRs) stayed low (mostly <1x), indicating ongoing challenges in debt servicing, especially amid elevated interest rates and capex needs.
- Interest coverage ratios improved in service led MSMEs (Healthcare: 5.3x, Hospitality: 3.2x), indicating better ability to manage debt despite margin pressures.

Outlook

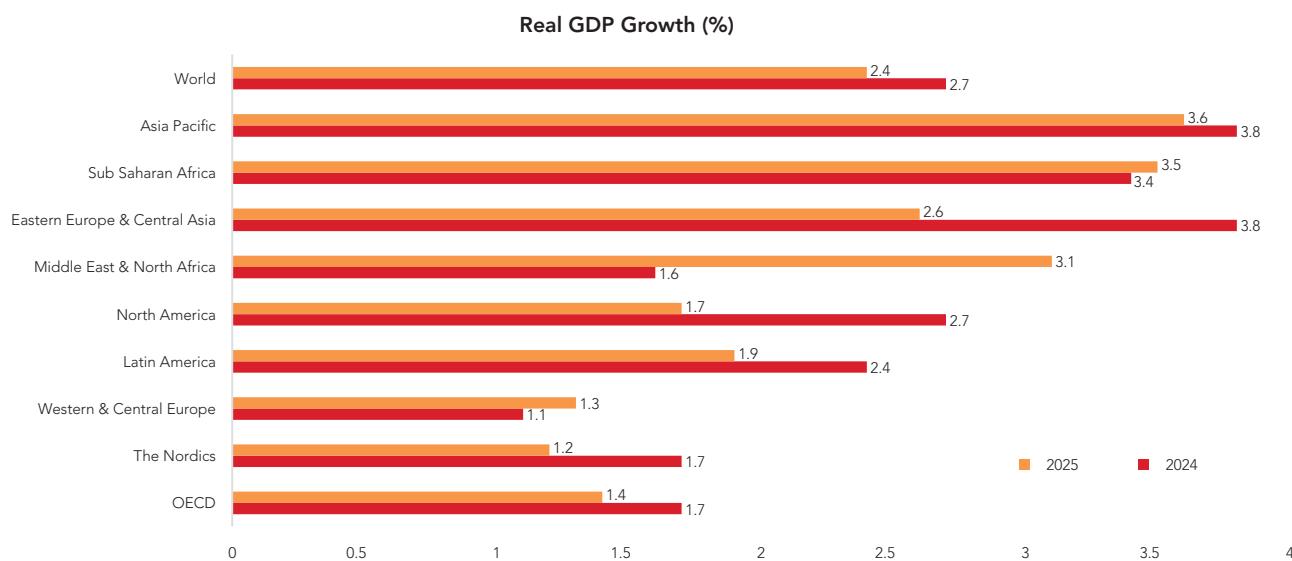
- MSMEs face rising stress from US tariffs, especially in textiles, gems, auto components, and agri-marine subsectors.
- Sustaining credit growth will require targeted risk mitigation, market diversification, and stronger financial monitoring.
- Outlook for FY26 remains cautiously optimistic, with demand recovery expected in some segments, but US tariffs, input cost inflation, and freight pressures pose risks to margins.
- Working capital turnover ratios declined, reflecting reduced capital efficiency and increased strain on liquidity, particularly in sectors facing export headwinds and supply-chain disruptions.

Macroeconomic Overview: Global

Geopolitical risks and policy uncertainty continue to weigh on the world economy. The pace of global economic growth in 2025 will ease from 2024 levels due to trade related headwinds. That being said, the initially anticipated scale of disruption to international trade has not materialized, with US trade protectionism being met with restraint in terms of retaliation and deals being struck between the US and some of its key trading partners. Other mitigating factors include increased stockpiling ahead of tariff implementation and a weaker dollar which is likely to cushion the impact on economic growth.

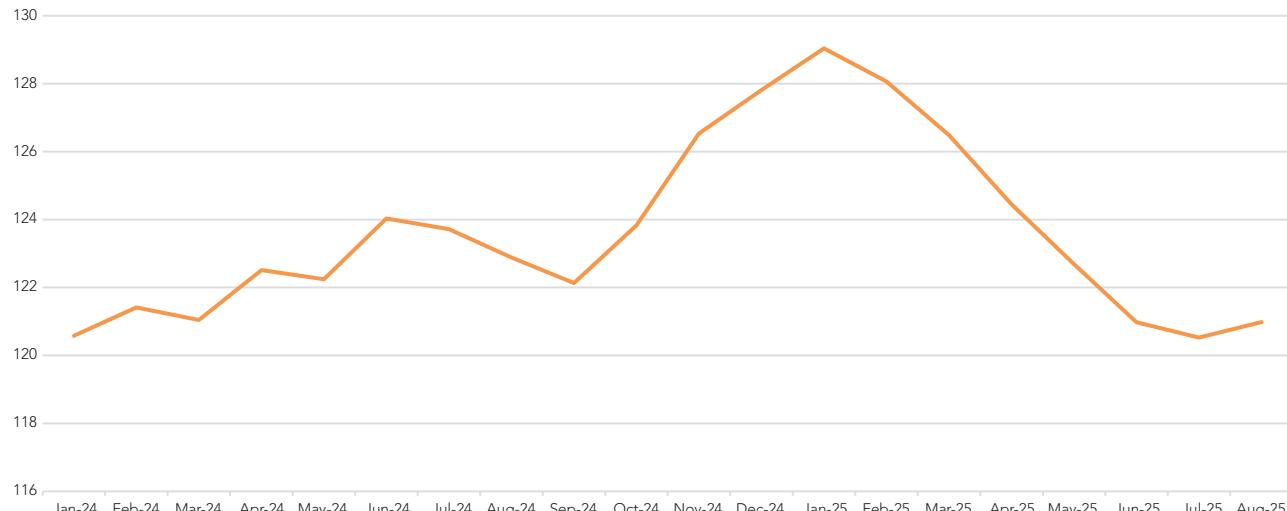
For several Emerging Asian economies, the US is the largest trading partner and consequently tariffs will directly impact the profitability of their exports. At the government level, some of these countries have taken measures to mitigate their vulnerability by entering into trade deals with the US to seek some form of reprieve. Notable US trade partners that have secured favourable tariff terms include the UK (10%), Germany (15%) and Japan (15%) while several Asian and Latin American trade partners have seen higher rates. These include China (30%), India (50%), Vietnam and Taiwan (20%), Thailand, Malaysia and Indonesia (19%), Brazil (50%), Mexico (25%).

Asia Pacific is expected to be the fastest growing region in 2025



Source: D&B Global Economic Outlook September 2025

US Dollar has weakened on a trade weighted basis



Source: Federal bank of St.Louis

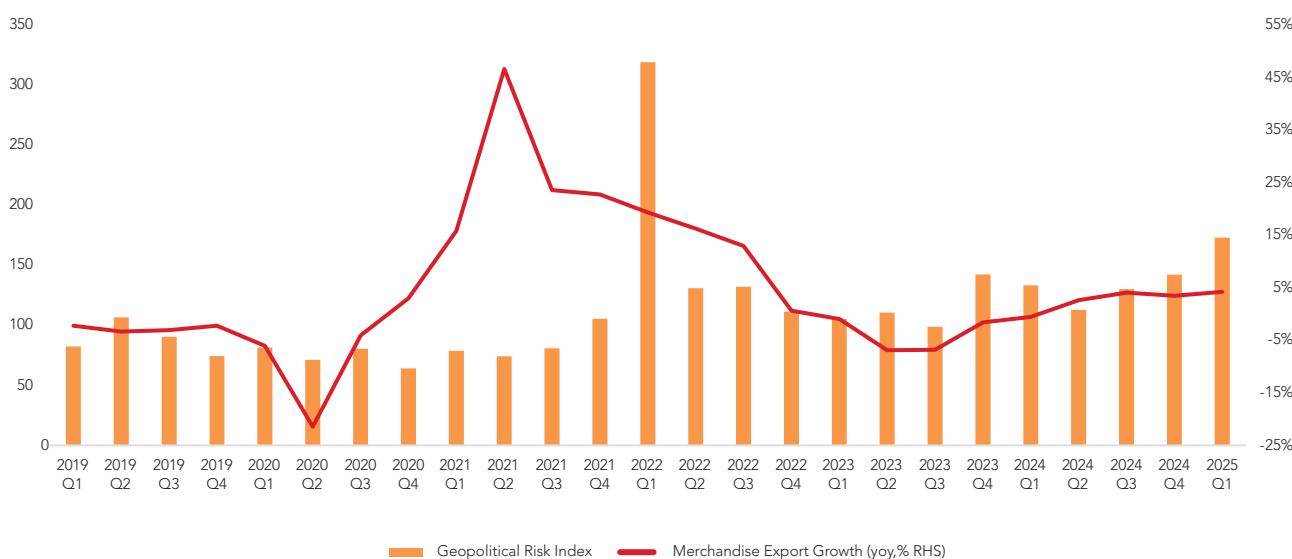
Economic growth has remained uneven across regions with Asia Pacific and Sub Saharan Africa set to be the fastest growing regions in 2025. Within Asia Pacific, stronger than expected economic growth in China during H1 2025 and fiscal stimulus have cushioned the potential impact of tariffs on Chinese exports. Economic growth in Sub Saharan Africa (SSA) will likely remain resilient despite the uncertain global economic landscape. Resource-intensive economies and major commodity exporters will continue to do well given intense competition for Africa's resources. It is estimated that the US dollar weakness will lower import costs and bring down inflation. In addition, lower interest rates in advanced economies like the US and EU will provide more room for African central banks to ease policy and support growth.

Global economic uncertainty has led to a rise in the price of gold and silver driven by a flight towards safe-haven assets. The weakness in the US dollar is likely to further exacerbate the trend in the near term due to the negative dollar-gold correlation.

The OPEC+ countries led by Saudi Arabia and United Arab Emirates have agreed to raise oil production quotas to protect market share. The consequent rise in supply coupled with sluggish growth in demand is likely to pressure oil prices downward for the rest of 2025. Major agricultural commodity prices such as soybean, corn and wheat have also been on a downtrend so far this year. Countries directly impacted include the Latin American economies, such as Argentina which is a major soybean exporter and Mexico which is also a major exporter of agricultural produce. Chile stands out as a major copper exporter poised to benefit from the recent surge in copper prices. This uptick is driven by a global shift in energy preferences and rising demand for clean energy, particularly from China, which accounts for 55% of global refined copper consumption.

Despite the challenging trade environment in recent months, merchandise export growth has remained resilient, primarily driven by front-loading of shipments ahead of anticipated U.S. tariffs in the first half of 2025, although the trade outlook for H2 is more subdued. Near term risks to economic growth and energy price stability stem from a potential escalation of ongoing geopolitical tensions such as the ongoing Russia-Ukraine conflict. Within Asia Pacific, Thailand and Cambodia border tensions need to be monitored. Other risks to monitor include disruption to tech supply chains from US export controls as well as broader US protectionism. Long term headwinds to economic growth include rising public debt levels in advanced economies stemming from expansionary fiscal policy and restrictive monetary policy.

Merchandise Export growth has shown resilience amidst geopolitical uncertainty



Source: WTO, and Geopolitical Risk Index developed by Dario Caldara and Matteo Iacoviello

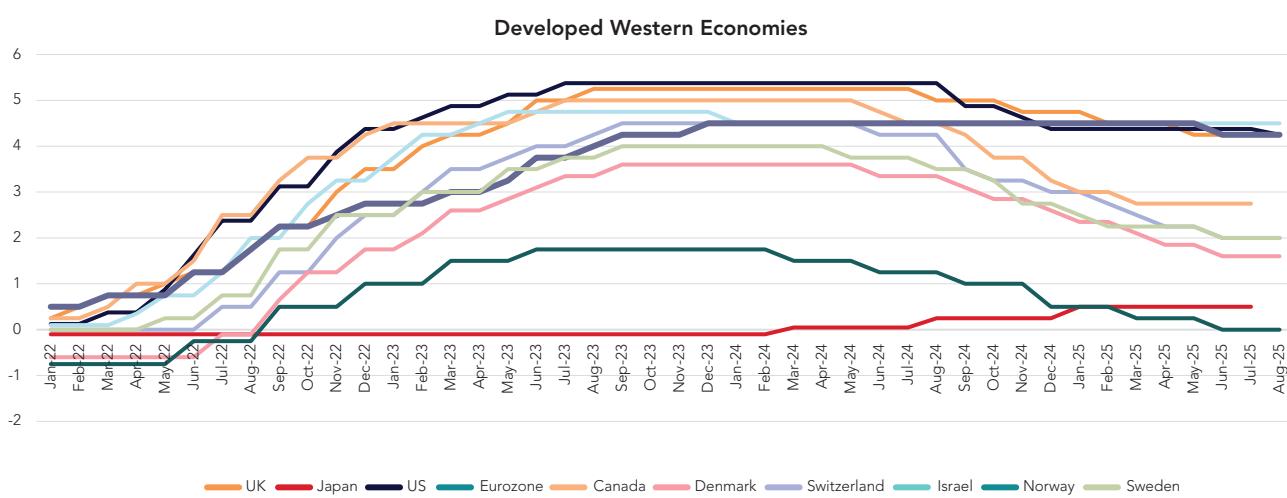


Central Banks and Inflation Outlook

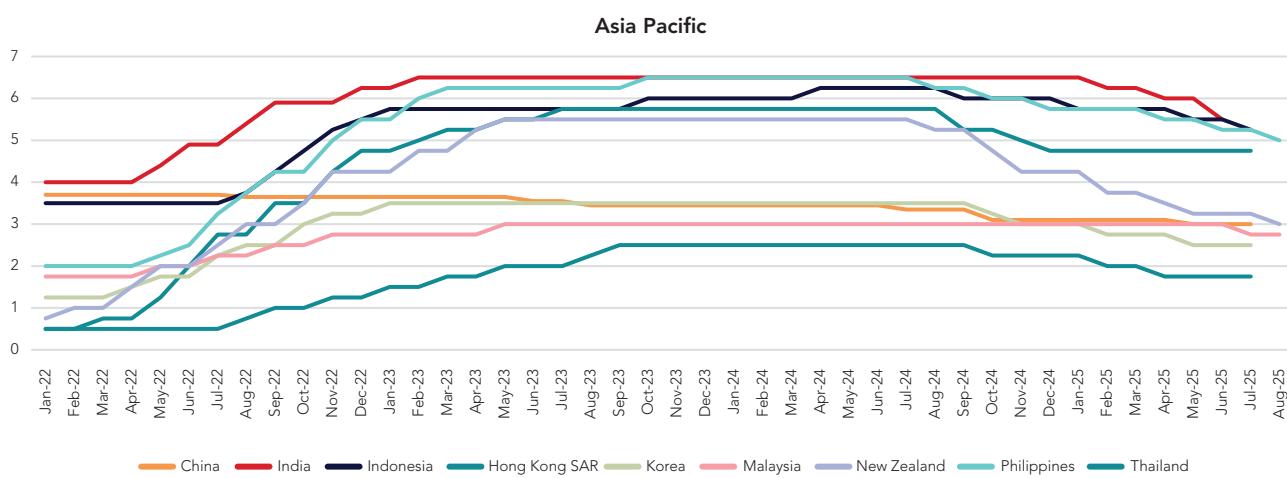
Inflation in advanced economies has been slow to converge to the target rates and central banks are approaching further easing cautiously. Major advanced economies like US, UK and the Eurozone have all been witnessing higher services inflation during 2025. The Bank of England has cut rates by 75bps so far (as on early September) in 2025 despite inflation staying above its target of 2% against a backdrop of slowing economic growth and a weakening job market.

After lowering policy rates by 100bps in 2024, a weaker jobs market and limited pass through of higher tariffs to US goods prices have made the Fed dovish again. This has opened the door to fresh rate cuts over the last four months of 2025, as reflected in the latest rate cut of 25 bps in September, which has taken the main policy target range to 4% to 4.25%.

Policy rates for Developed Western Economies have come down



Policy Rates for Asia Pacific



The impact of higher tariffs is likely to be mildly disinflationary on the rest of the world, with the tariff induced slowdown in global demand likely to dampen prices. Inflationary pressures also look set to ease as several trading partners of the US have not retaliated which reflects the efforts to negotiate a de-escalation, some like Indonesia have even lowered their own tariffs on US goods.

For Asia, inflation is hovering close or below target for several exporting economies embedded in the US supply chain like India, China, Malaysia, Thailand, Taiwan and Philippines. Central Banks of these countries still have some room for easing monetary conditions either via enhanced liquidity support, rate cuts or a combination of both.



Global MSME Outlook

For MSMEs across the globe, the impact of US tariffs can be more destabilising than for large enterprises, unless the exposed countries find an alternative to the US markets. The higher costs of importing from existing supply-chains may drive US importers to seek alternative suppliers which can put small enterprises in the supplier countries out of business.

In Thailand, SMEs exporters of processed seafood and auto-components sectors are facing the prospect of total shutdown as their profit margins narrow due to higher tariffs. To combat this, some SMEs are diversifying into new product lines including exports of pet food, upskilling their workforce and expediting the adoption of digitalisation.

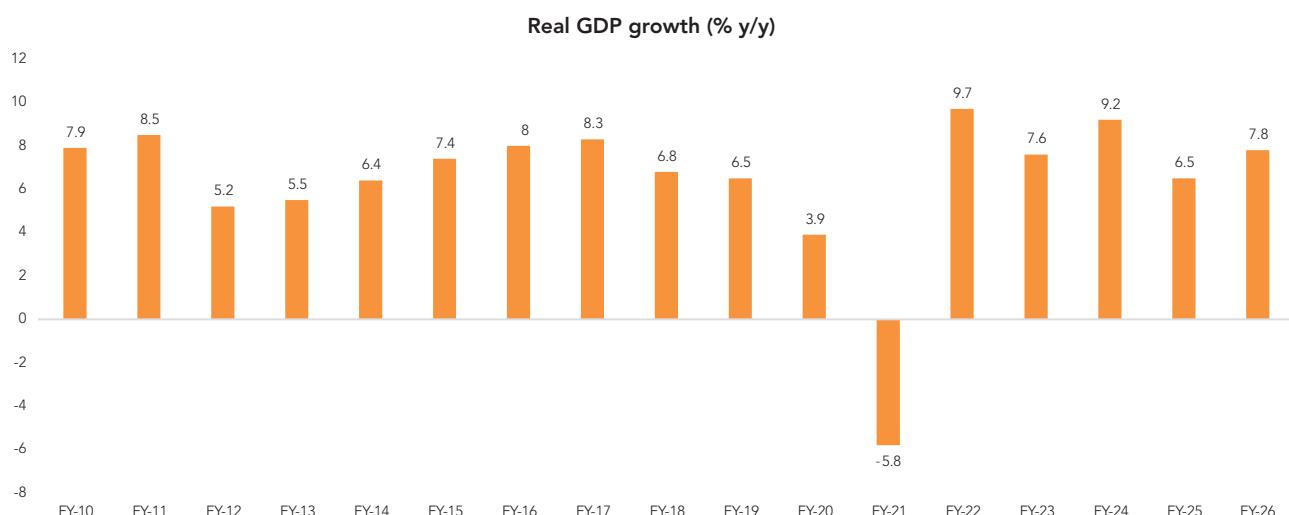
At a country-specific level, some governments have offered direct support to industry groups and small and medium sized enterprises. For example, Taiwan has launched the four industry support measure to offer increased preferential guarantees for export loans, increased diversified development loans for small and medium-sized enterprises, R&D transformation subsidies, and efforts to secure overseas orders. China has been formulating policies to ensure that banking and insurance industries provide adequate support to exporters hit by tariffs. Brazil has launched a credit line with USD9.7m in tax credit and insurance against cancelled orders for MSMEs which will help to offset the negative impact of the US tariff.

Looking ahead, the resilience of MSMEs will depend on their country's ability to adapt to shifting global trade dynamics and rising protectionism. While US tariffs pose a serious threat to small exporters, especially in sectors with tight margins, proactive measures, such as market diversification, digital transformation, and targeted government support, can help cushion the impact. Countries like Brazil, Thailand, Taiwan, and China are already implementing innovative financial and policy interventions to safeguard their MSMEs. For India, a strategic focus on trade negotiations, especially with the US, alongside domestic reforms and support mechanisms, will be key to ensuring that its MSMEs not only survive but thrive in an increasingly uncertain global environment.

Macroeconomic Overview: India

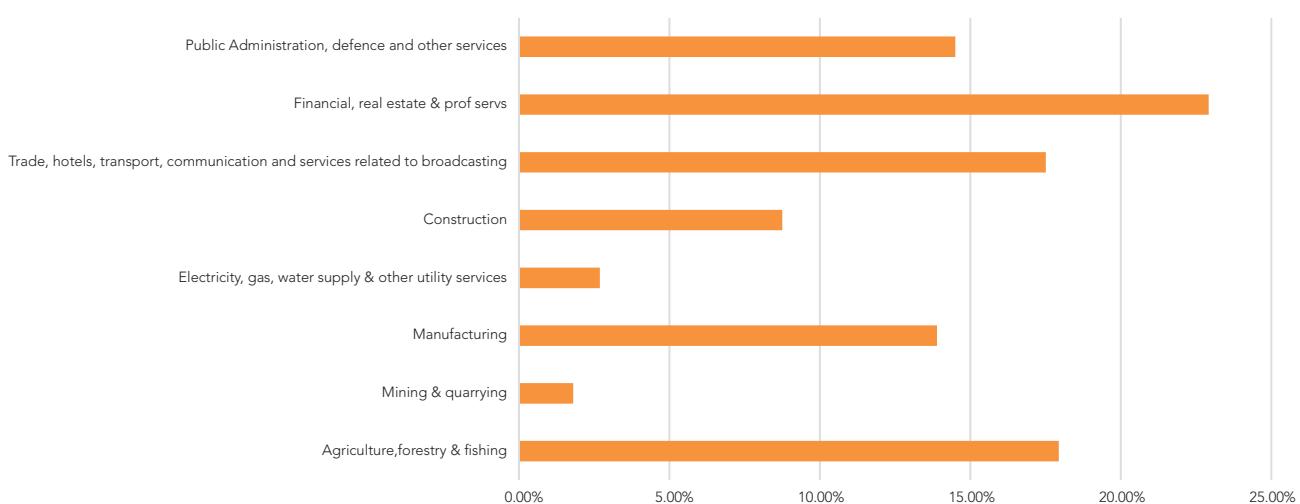
India's economic growth has shown a strong rebound after recovering from the pandemic induced downturn. Latest data shows that GDP grew by 7.8% in Q1 of FY 2025-26, marking the fastest expansion in five quarters. The main drivers of this surge are strong performance in the services sector and manufacturing sectors and a rebound in government spending. Resilience of domestic demand will continue to support growth despite external shocks and trade headwinds. Additionally, structural reforms such as the GST rationalization exercise is expected to lift urban consumption complementing already robust rural demand. This will greatly help cushion the impact of export losses from higher US tariffs, which are at currently 50% for India.

Economic growth has been resilient after the pandemic induced downturn



Source: MOSPI, FY26 represent Q1 figures

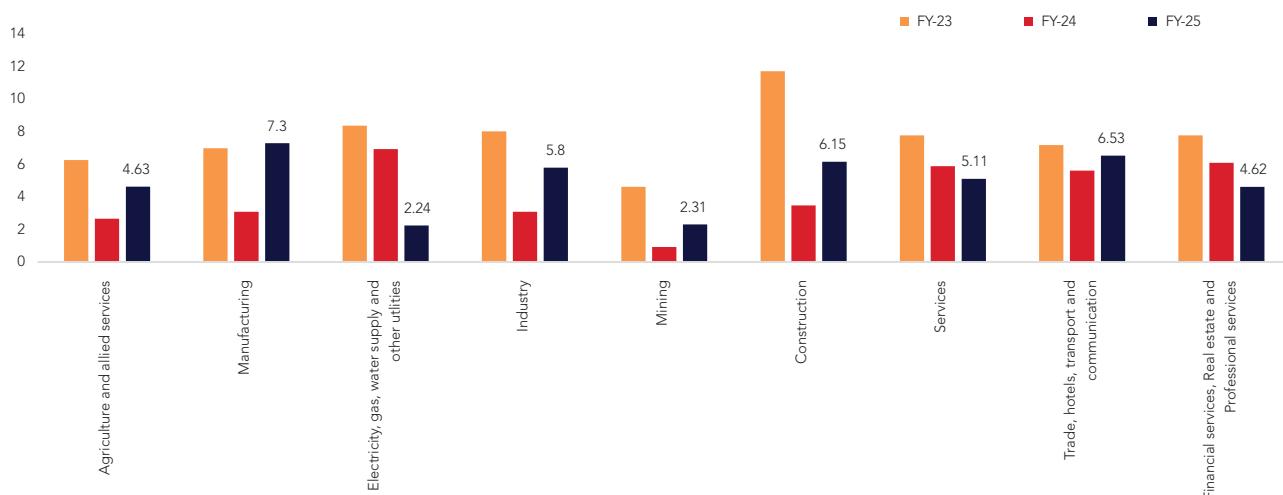
Share of sectors according to GVA (in % as of FY25)



Source: MOSPI

Sectoral growth in FY-25 has been a mixed bag

Growth in Gross Value Added by Sectors (% y/y)



Source: MOSPI

Trade Outlook

While the short-term outlook for the export sector appears muted due to the 50% tariffs, there is reason for optimism in the medium term, driven by the government's strategy to diversify export destinations beyond the United States. A key milestone in this effort is the Free Trade Agreement (FTA) with the United Kingdom, concluded in May 2025, under which 99% of Indian goods will gain tariff free access to the UK. The textile sector which exports 28% of its goods to the US will get a chance to diversify their export base due to these FTAs. The government has now entered the final stage of trade negotiations on the India-EU FTA, which is expected to be completed by December 2025 by both the countries/bloc. Within Latin America, India currently has existing Preferential Trade Agreements (PTAs) with MERCOSUR and Chile and discussions are presently ongoing for expansion of these PTAs into comprehensive FTAs to enhance market access and strengthen supply chains, which will help to offset the impact of US tariffs as these negotiations reach fruition. Other FTAs being proactively pursued include those with UAE, Japan, and Africa. These measures have the potential to reduce US tariff exposure and opening up alternative export markets for MSMEs in sectors like textiles, auto-components, gems and jewellery.

Securing a trade deal with the US will help India to secure a competitive position in Asia, as US accounts for a larger share of India's exports (~20%), compared to the UK (3%) and EU (18%). Export-led MSMEs will be able to shield themselves from potential losses and emerge as one of the key beneficiaries, if a successful deal is struck between the two countries in the near-term.

India's export share with key FTA partners and negotiating countries

Country	Share from India's Total exports	Free Trade Agreements
US	20%	Under Negotiation
Africa	9.6%	Trade agreements with 19 African nations
UAE	8.2%	Comprehensive Economic and Partnership Agreement (CEPA)
UK	3%	India UK FTA finalized on June 2025
EU	2.4%	Under Negotiation
Japan	1%	Comprehensive Economic and Partnership Agreement (CEPA)

Source: Press Information Bureau of India

Uncertainty due to trade tensions has crossed the levels seen during the pandemic



Source: CMIE, Ahir, Hites, Bloom, Nick, Furceri, Davide, World Uncertainty Index

Recent INR depreciation will partly cushion the impact of higher tariffs



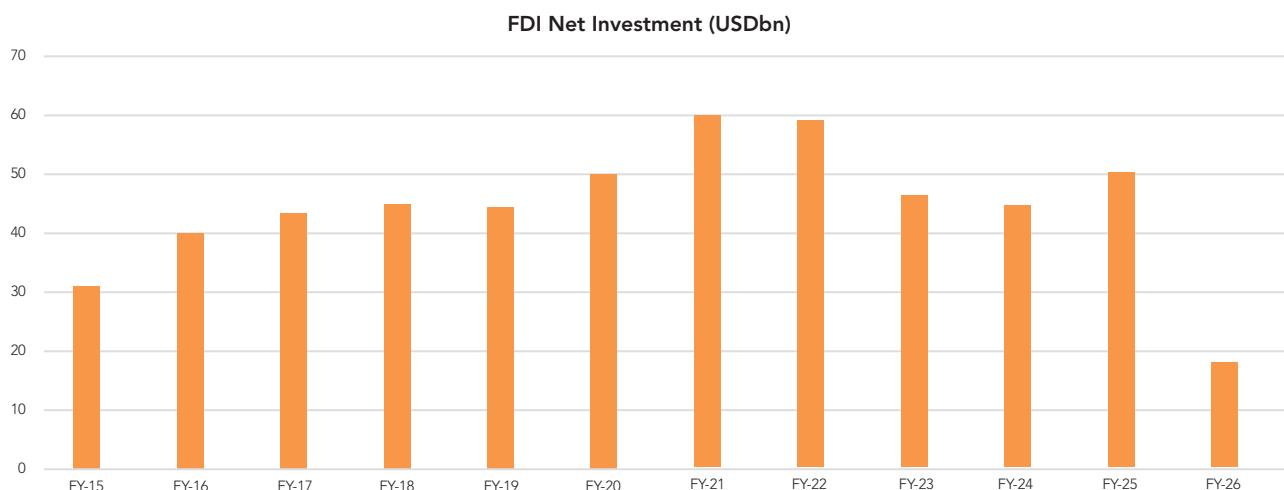
Source: RBI



Foreign Inflows

While global economic volatility and geopolitical fragmentation have worsened the outlook for Foreign Direct Investment (FDI) globally, some pockets of resilience are visible. Despite a dip in net inflows to India in FY25 due to higher repatriation, there still was a surge in greenfield investment. More recent statistics from national sources note that FDI inflows to India during Q1 FY 2025-26 (Apr-Jun) reached USD18.6bn, up from the USD9.3bn in the previous quarter. Top sector recipients include telecom, services and finance. The Union budget of 2025 proposes raising of the FDI sectoral cap from 74% to 100% for insurance companies that reinvest their entire premium within India, which is likely to emerge as one of the key drivers of future FDI growth.

FDI inflows have held up despite the challenging global environment

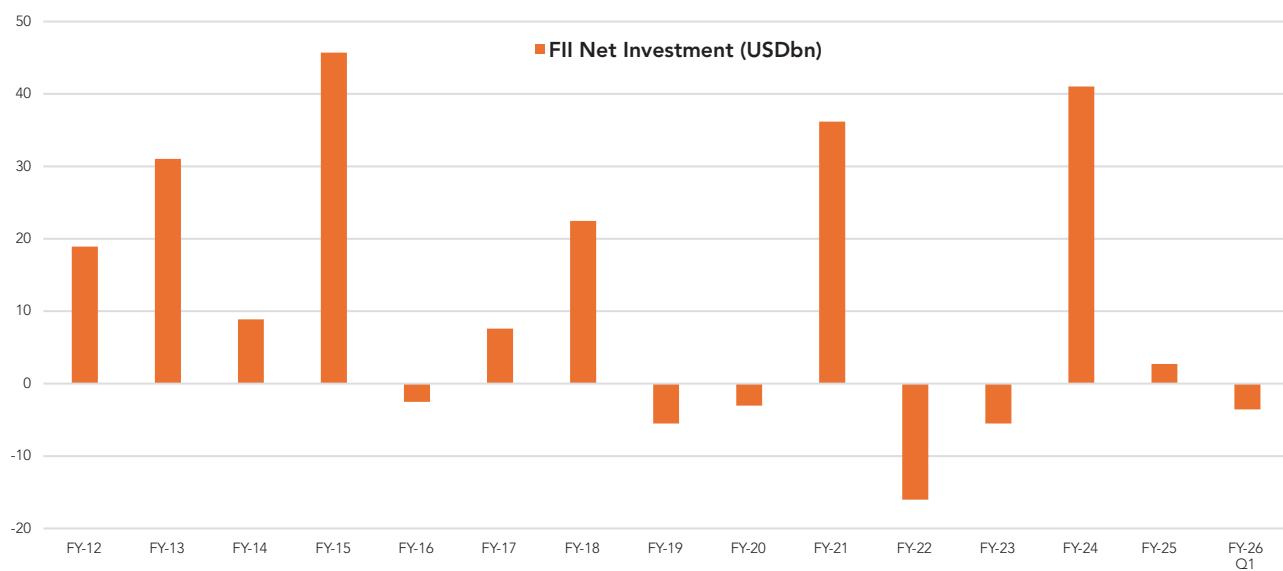


Source: DPIIT

Note: FY26 represent Q1 figures

Foreign Institutional Investor (FII) flows have witnessed net withdrawals of USD3.3bn so far this financial year (Apr-Sep). Key factors driving this trend have been weak corporate earnings and global economic volatility. Like other emerging markets, India faces the risk of declining investment value due to waning investor confidence. The FIIs outlook can improve as income tax cuts announced in the union budget 2025 and the recent Goods and Services Tax (GST) reform will boost the confidence in the Indian economy. The Fed's resumption of its rate cutting cycle (in September) could also attract FIIs inflows towards emerging markets, including India.

FII have been net sellers so far this financial year



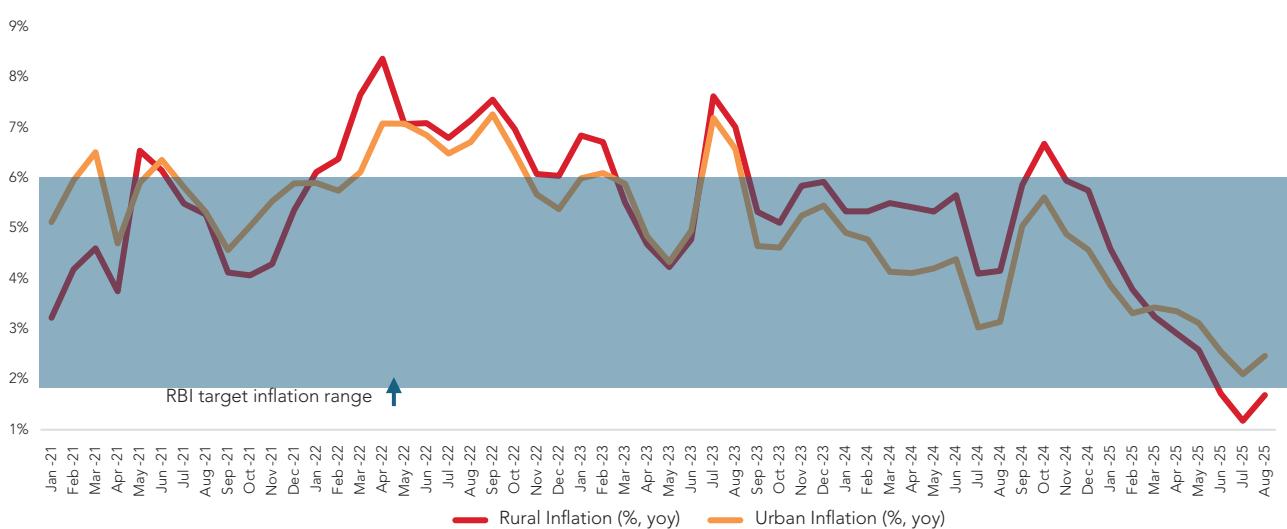
Source: NSDL

Note: FY26 represent Q1 Figures

Inflation and monetary policy

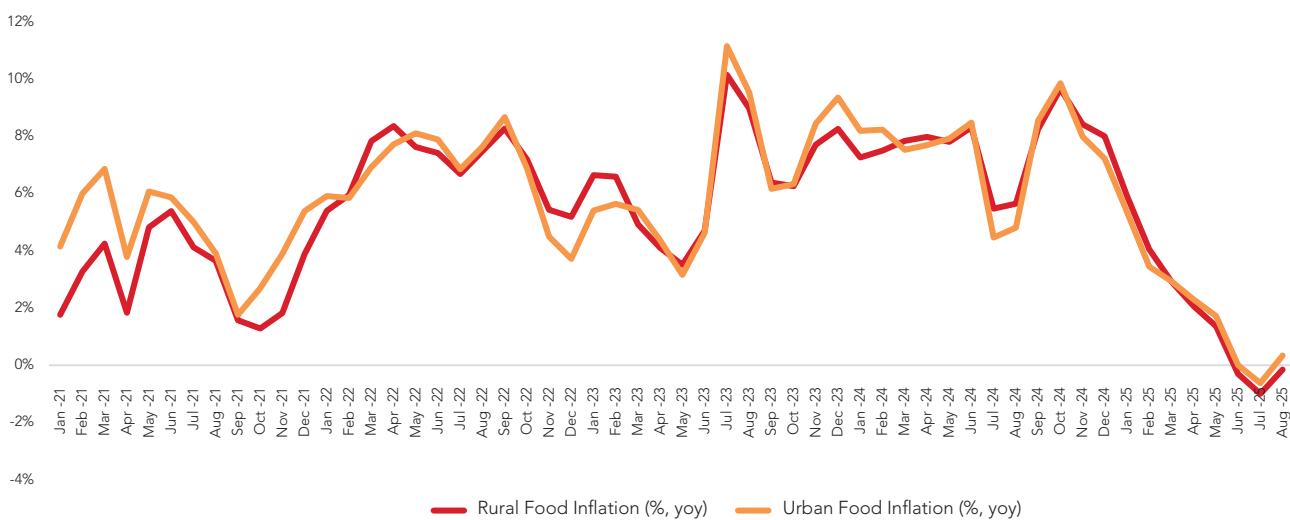
Inflation remains relatively muted across both urban and rural categories. Although headline inflation in August 2025 rose to 2.1%, up from 1.6% in July, breaking a nine-month declining streak, it still remains well within the RBI's 2% to 6% target tolerance range. This in turn, has allowed the RBI to lower policy rates from 6.5% at the beginning of the year to 5.5% by September 2025.

CPI Inflation has come down in 2025



Source: MOSPI

Food inflation remains subdued



Source: MOSPI

However, seasonal disruptions in forms of higher rainfall and the consequent flooding in North India will put upward pressure on prices of the summer crops such as rice, cotton and pulses leading to a rise in food inflation.

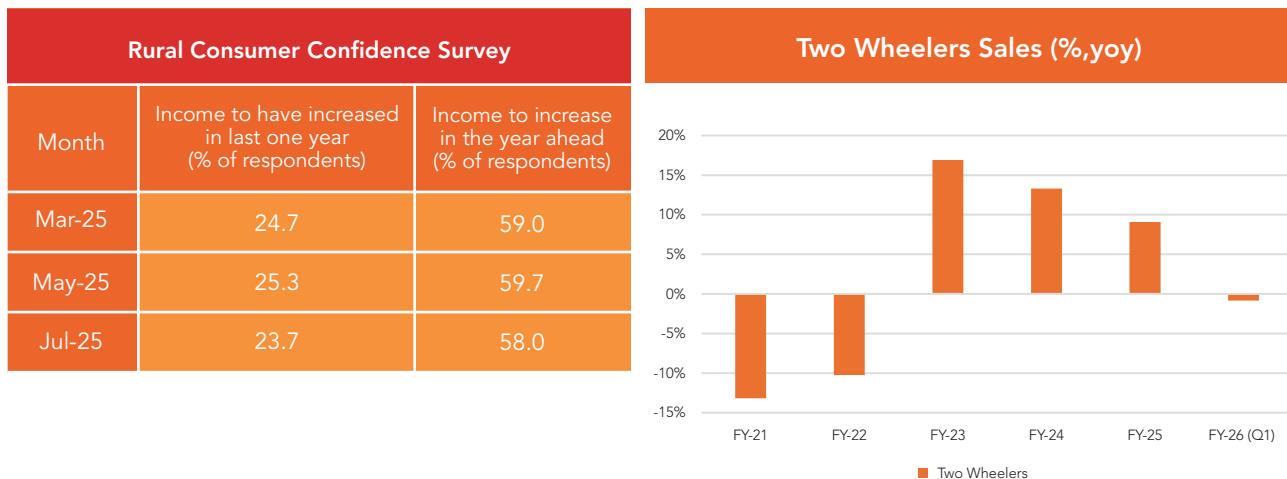
Although the easing of GST rates will help lower consumer prices across several categories, but it will also buoy consumer demand. Moreover, festive demand will also fan consumption of discretionary goods. A sustained depreciation of the rupee against the US dollar, alongside a volatile geopolitical environment, will pose downside risks to a muted inflation outlook. The RBI expects the impact of tariffs, rupee depreciation and the weather related uncertainties to weigh on inflation for FY26, potentially resulting in the central bank to hold its decision for a further cut in the interest rates.

Consumer Confidence

Continued resilience in rural demand is expected to drive growth in FY26. While expectations of confidence have moderated at both the urban and rural levels, this is likely to change in subsequent surveys as the GST cuts take hold. Car sales and sales of two-wheelers, often considered a proxy for urban and rural consumption, are projected to improve following the implementation of GST revisions on 22nd September 2025. This reform is expected to unlock higher consumer spending, despite prevailing uncertainty caused by U.S. tariffs and their impact on the prices of discretionary goods.



Source: SIAM
Note: FY26 are Q1 figures



Source: SIAM
Note: FY26 are Q1 figures

Impact of US Tariffs on MSMEs in India

The imposition of US tariffs on India has been a setback for Indian exporters and is especially for MSMEs. The MSME sub-sectors most exposed to tariffs are those which export proportionately more to the US compared to other destinations. By this criteria, the top vulnerabilities lie in the following areas - gems and jewellery, textiles, leather and footwear, engineering goods, and agri-marine sectors. Although India's generic pharmaceutical exports remain exempted from tariffs, the sector could come under pressure, should active pharmaceutical ingredients (APIs) also fall within the purview of future US tariffs. The share of US bound exports in these sectors range from 10%-30% highlighting the extent of the potential hit.

Sectors with more than 5% of export share to the US can be heavily affected.

Sector	Share of exports to the US
Textiles	28%
Gems and Jewellery	29%
Leather and footwear	19.30%
Engineering goods	15.51%
Agri-marine exports	11.55%

Source: Press Information Bureau of India

India and the US are currently in the process of negotiating a trade deal. In the meantime, at the policy level providing targeted subsidies and export insurance are critical for the viability of several MSMEs.

Several MSME specific schemes were announced in the 2025 Union Budget to support businesses, which will in part help MSMEs to offset the impact of US tariffs:

- Expansion of the Credit Guarantee Fund Trust to cover loans up to Rs.10 crore, with 75% coverage for new MSME loans. Targeted credit guarantees are provided for MSME exporters, offering 10-15% guarantees on stressed loans and 70-75% guarantees on term loans.
- Adjustment of the Export Promotion Mission to direct aid towards affected MSMEs via easy credit schemes, facilitation of overseas warehousing. This scheme is also designed to addresses non-financial aspects such as seeking out new markets, help with branding and packaging, and managing logistics.

The profitability of MSMEs in India will largely depend on how the country's macroeconomic indicators perform. One key factor that could significantly impact the MSME ecosystem is the proposed India-US trade deal, and related tariff relaxations. India is attempting to mitigate the impact by forming trade blocs and building alternative supply chains, as noted in Dun & Bradstreet's Global Business Optimism Index (GBOI). The outcome of the US deal will be crucial in shaping the future profitability of export-driven MSMEs.

Policy Measures to Support MSMEs

Macro Economic scenario of the MSMEs

- MSME exports have shown a 3-fold increase to 12 lakh crore over the past 5 financial years and account for 45% share in all India exports.
- In terms of the distribution across states, Maharashtra (16.5%) accounts for the maximum number of MSMEs in the country followed by Tamil Nadu (9.8%), Uttar Pradesh (9.5%), Rajasthan (7.1%) and Gujarat (7.1%).
- Select achievements of key MSME schemes include integrating more enterprises as part of the formal economy under the Udyam Registration Portal that clocked a total registration of 6.8 crore as of September 2025. Registered MSMEs generated employment of 29.6 crore as of September 2025.

Policy overview

- India's MSME policy is increasingly taking cognizance of the regulatory hurdles faced by MSMEs with the government taken several measures to ease credit access, only encourage MSMEs and boost productivity in selected priority sectors.
- The budgetary allocation towards MSME has been raised to Rs.23,168 crore in 2025-26 from Rs.17,307 crore in 2024-25. Key announcements for the MSME sector in the 2025-26 budget have been summarized in Table 1.
- The Ministry of MSME runs a total of 18 schemes as of 2025 which are listed in Table 2. Furthermore, each state has its own MSME programs ranging from 8 to 15 schemes making the overall schemes exceed 250 across India.
- Labour intensive industries like food processing, toy manufacturing, footwear and leather sectors will also receive support in the form of skill building and cluster development under the Micro and small enterprises - Cluster Development Scheme (MSE-CDP scheme), which was announced in Union Budget 2025-26, to help position India as a global manufacturing hub.
- Supported by the World Bank, both initiatives aim to boost MSME competitiveness by improving access to credit, enhancing digital marketing capabilities, and providing technical assistance.
- These schemes are especially crucial for MSMEs exporters where low digital adoption and lack of innovation can erode competitiveness. The TCSP focuses on setting up technology clusters to foster collaboration and provides subsidies to invest in modern and digital technologies for MSMEs.
- Currently 18 Technology Centres are in operation out of which 10 are in the tooling industry. In addition, contracts have been signed for 15 new centres to be established.
- The RAMP which is backed by Rs.3,750 crore of investment from the World Bank and Rs.2,313 crore from the government, specifically targets existing MSMEs that wish to upgrade their technology. As per the MSME ministry so far 376 projects have been approved and the scheme has 9.1 lakh beneficiaries. The scheme has an approved budget of Rs.3146.1 crore.
- The government also encourages adoption of the Zero Defect Zero Effect practices under the MSME Sustainability Certification. This voluntary scheme aims to motivate MSMEs to adopt more efficient ways of manufacturing that align with industry's best practices.
- The scheme has three tiers of certification, with government providing varying degrees of subsidies on the cost of certification for various MSME sub-categories. As an additional incentive the government also offers financial assistance in testing and support in technology upgradation for zero effect solutions.
- With a financial outlay of Rs.468.6 crore, there are 5.5% MSMEs registered for the certification as of August 2025.
- The government has also pledged support for domestic production of clean energy equipment such as solar PV cells, EV batteries, wind turbines, and high-voltage transmission equipment. Additionally, roadmaps for the MSME sector under the broader Make in India initiative will also receive priority.

Table 1: Key announcements for MSME Sector in Budget 2025-26

- MSME investment classification criteria increased 2.5 times and turnover criteria increased 2 times

	Investment (Rs. crore)		Turnover (Rs. crore)	
	Current	Revised	Current	Revised
Micro	1	2.5	5	10
Small	10	25	50	100
Medium	50	125	250	500

- The India-UK Free trade agreement, which concluded on 24th July 2025, is a huge positive for the MSME sector as it opens up a vast export market with zero duty access on 99% of tariff lines accounting for almost the entire trade value.
- It will be a catalyst for employment generation and empower farmers, local artisans, startups and women led enterprises. Key MSME sectors to benefit are the labour intensive sectors like textiles, leather, footwear, gems & jewellery, marine products and toys.

Credit Availability

- Double credit guarantee cover for Micro and Small Enterprises to Rs.10 crore
- Double credit guarantee cover for startups to Rs.20 crore with lower fee of 1% in 27 sectors
- New term loan scheme worth Rs.20 crore to MSME exporters

Table 2: Availability of Government Schemes across MSMEs

	Micro	Small	Medium
Prime Minister's Employment Generation Programme (PMEGP)	✓	✓	✗
Credit Guarantee Scheme for MSMEs (CGTMSE)	✓	✓	✗
Self-Reliant India (SRI) Fund	✓	✓	✓
National SC-ST Hub	✓	✓	✓
Procurement and Marketing Support (PMS) Scheme	✓	✓	✗
International Cooperation Scheme	✓	✓	✓
PM Vishwakarma scheme	✓	✓	✓
MSME Champions	✓	✓	✓
Technology Centre Systems Programme (TCSP)	✓	✓	✓
RAMP (Raising and Accelerating MSME Performance)	✓	✓	✓
Micro & Small Enterprises Cluster Development Programme (MSE-CDP)	✓	✓	✓
SFURTI (Scheme of Fund for Regeneration of Traditional Industries)	✓	✓	✗
Promotion of MSMEs in North Eastern Region and Sikkim	✓	✓	✓
Assistance to Training Institutions (ATI) Scheme	✓	✓	✓
Entrepreneurship and Skill Development Programme (ESDP)	✓	✓	✓
ASPIRE Fund of Funds (FoF) Managed by SIDBI	✓	✓	✗
Coir Vikas Yojana (CVY)	✓	✓	✗
Khadi Gramudyog Vikas Yojana (KGVY)	✓	✓	✗

The MSME sector serves as a key growth engine of India's economy and is the second largest employer after the agricultural sector. The share of MSME exports in total exports has stabilized at around 46% of total exports for the past four years. The contribution of MSME to India's GDP has shown a rebound from the post covid lows of 27.3% in FY-21 to approximately 30% in FY-25.

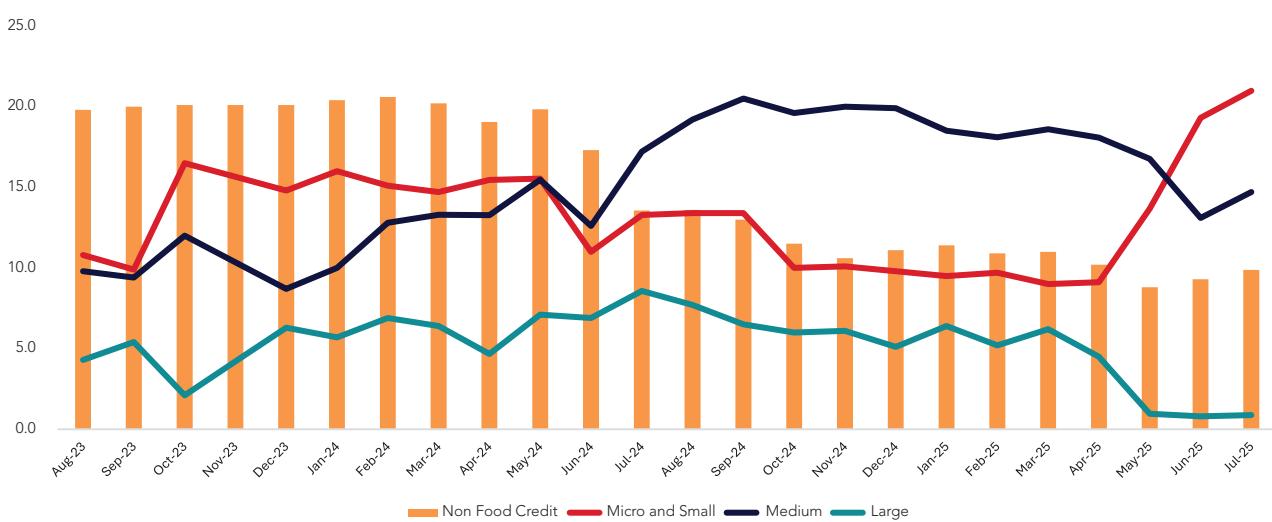
As Micro enterprises make up nearly 99% of the MSME sector, they are a key plank for driving employment in rural and semi-urban areas. A vibrant MSME sector is vital for achieving government's social objectives such as narrowing rural-urban disparities and supporting women empowerment. In line with these objectives, the Government has introduced a plethora of measures to boost credit flows to small businesses, including Trade Receivable Discounting System (TReDS), PM Mudra Yojana and RBI's Unified Lender Interface (ULI). Targeted interventions for local businesses in aspiring districts can unlock scalable, inclusive growth vital for India's long-term development.

Insights on MSMEs and Credit Environment

Outstanding MSME credit as of July 2025 stood at Rs.12 lakh crore, which is 2.5x higher than just five years ago and highlights the increasing access of the MSMEs to the formal credit system. As a share of aggregate non-food bank credit MSME credit has risen to 6.8% by July 2025 from 5% at the end of FY20.

- Credit to Micro and Small enterprises grew by 21% year-on-year in July 2025, outpacing the 14.7% growth in credit to medium enterprises. This reflects the positive impact of government credit guarantee schemes supporting the MSME sector.
- After seven months of decline, credit growth to Micro and Small enterprises have picked up sharply from April 2025. This turnaround was driven by supportive government measures such as the adoption of revised and broader MSME definition, issuance of credit cards for micro enterprises, and the PM Vishwakarma scheme all aimed at helping MSMEs navigate a volatile global trade environment.

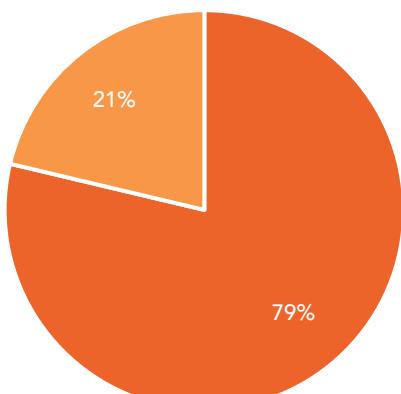
Credit Growth to large firms and MSMEs



Source: RBI

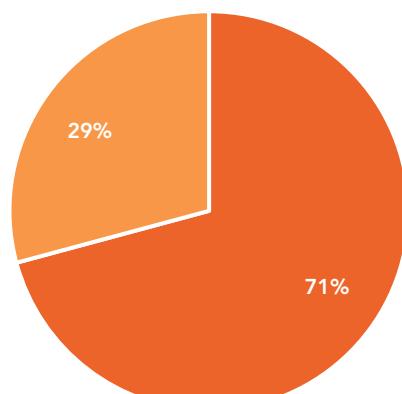
- Of the total credit to MSMEs, 71% was directed towards micro and small enterprises in July 2025, down from 79% in July-2020. The share of medium enterprises has contrastingly risen to 29% in July 2025 from 21% in July 2020.

Share of Non-Food MSME Credit by Enterprise type (%), FY-20



■ Micro and Small ■ Medium

Share of Non-Food MSME Credit by Enterprise type (%), July 2025



■ Micro and Small ■ Medium

Source: RBI



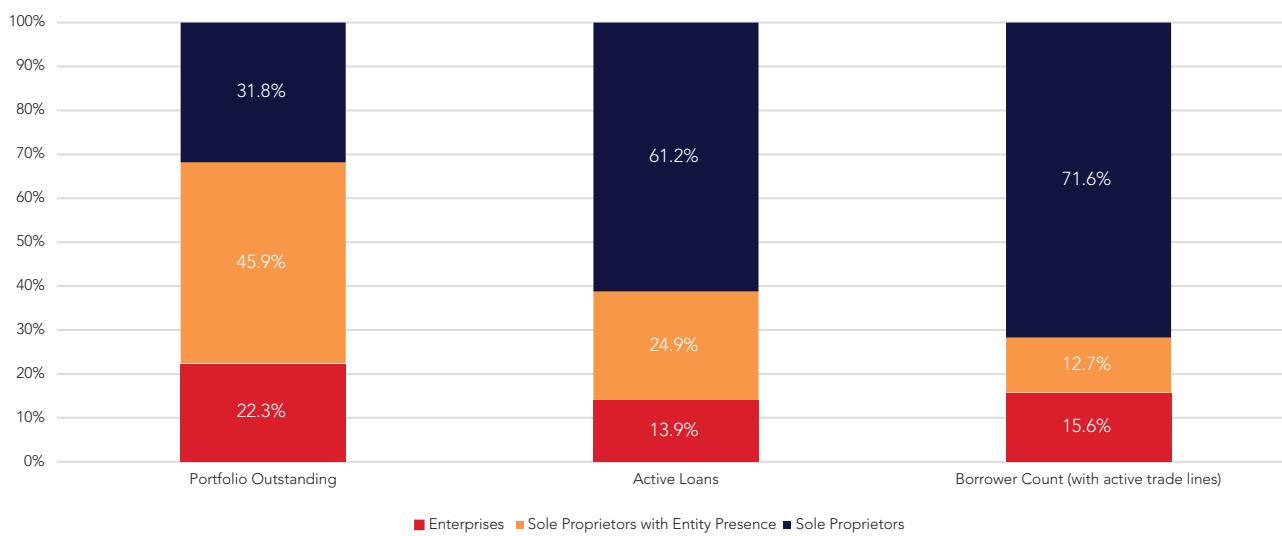
Credit and Delinquency rate for MSME

The latest SIDBI report provide insights on a wider set of small businesses by including individual proprietors who have taken loans in their personal capacity but for business purposes. Overall, Small businesses are getting more loans, and those that are formally registered (like sole proprietors with entity presence and enterprises) are faring better in terms of credit growth. Sole proprietors still hold the biggest share of loans, reflecting their importance in the MSME sector.

Following are the key trends identified:

- The total outstanding credit portfolio (active loans) towards small businesses stood at Rs.45 lakh crore as of June 2025, representing a year- on -year growth of 19.2%.
- At 45.9%, sole proprietors with entity presence (SPEP) account for the highest share of outstanding credit portfolio followed by sole proprietors (SP) at 31.8%
- In terms of year -on- year growth, Enterprises (24.7%, as of June 2025) have outpaced the growth in outstanding credit compared to SPEPs at (at 18.9%) and SPs (at 16.1%), respectively.

Composition of Small Business Credit (June 2025)



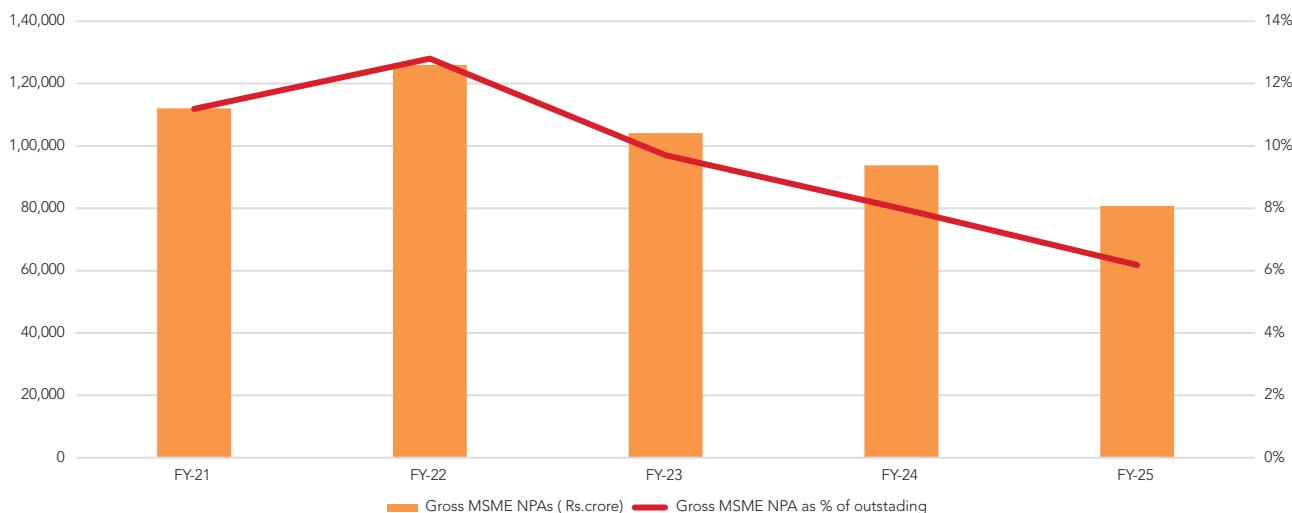
Source: SIDBI



Non-Performing Assets (NPAs) trends and delinquency rates

- As per data on MSME NPAs held on the balance sheets of Public Sector Banks (PSBs) and released by RBI, gross MSME NPAs have declined to Rs.80,749 crore by end of FY-25, down from Rs.1,12,028 crore in FY-21. As a share of aggregate outstanding MSME lending this represents a reduction to 6% from 11% over the same period.

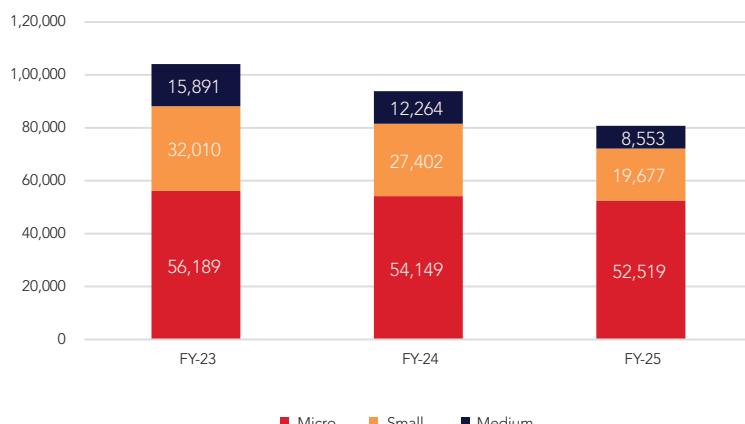
Gross MSME NPAs have reduced consistently since FY-23



Source: RBI

- A look into the category-wise split of the MSME NPAs shows that Micro enterprises have the highest NPAs within the overall MSME group. As of FY-25 relative share of Micro enterprises NPAs was 65%, followed by small enterprises (24%) and Medium enterprises (11%).
- For the same data, the observed trend over the past three years points to a worsening delinquency rate for the Micro enterprises. The relative share of NPAs attributable to micro enterprises has increased sharply from 54% at the end of FY-23 while share of NPAs for small and medium enterprises has come down from 31% and 15%, respectively June 2025.
- The government policies like the Emergency Credit Line guarantee scheme, Pre-packaged insolvency process and Credit fund trust for Micro and small enterprises has in part helped to reduce the Gross NPAs in FY-25 for Micro (by 3%), small (by 28%) and Medium (by 30%), when compared with FY-24
- However, the fallout of US tariffs (including but not limited to cancellations of orders) could however, further worsen the NPAs for export led MSMEs, particularly for the more US exposed sub-sectors such as automobile components, gems and jewellery, and textiles.

NPAs of MSMEs (Rs.crore)



Source: RBI

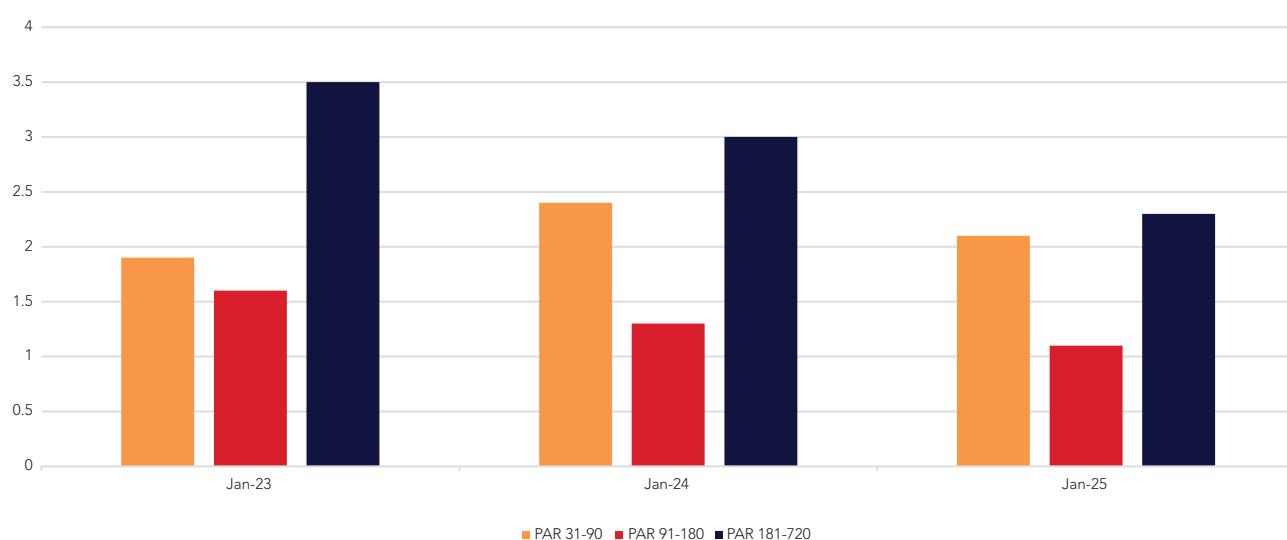
Category wise shares of NPAs (as % of total MSME NPA)

Year	Micro	Small	Medium
FY-23	54%	31%	15%
FY-24	58%	29%	13%
FY-25	65%	24%	11%

The SIDBI delinquency analysis indicates that while MSME credit quality is improving overall, micro enterprises, especially sole proprietors, remain the most stressed segment, requiring targeted risk mitigation to sustain credit growth.

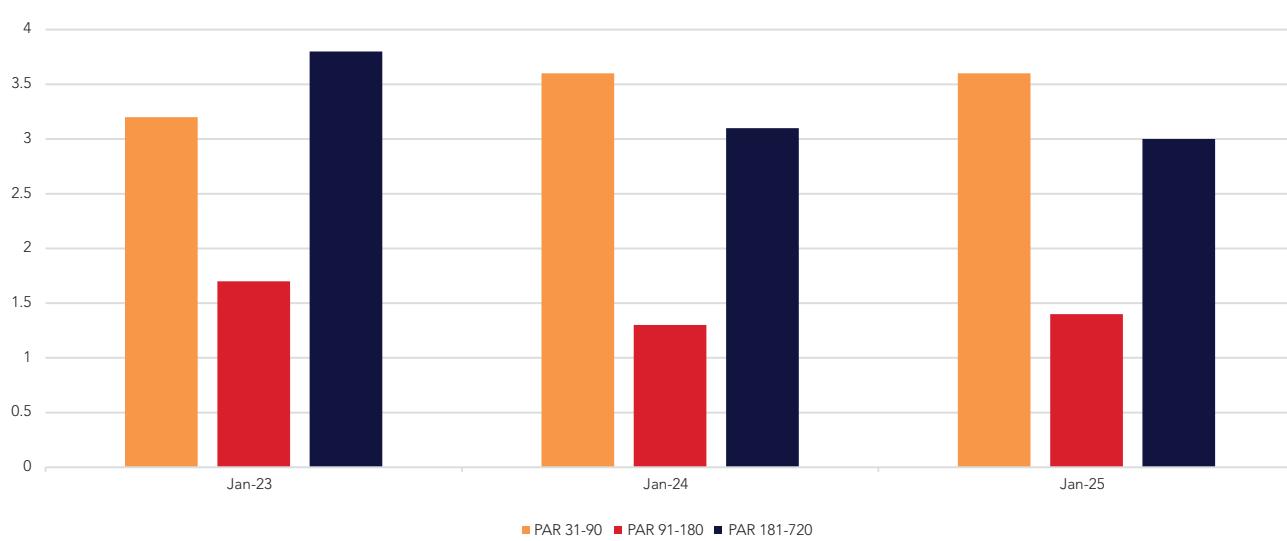
- Sole Proprietors are the most stressed category across all Portfolio at Risk PAR durations despite improvement in PAR 91–180 from 2.3% in June 2023 to 1.9% in June 2025.
- Enterprises have the historically the lowest delinquency rates across all categories and PAR durations
- Across all categories of borrowers, the PAR 91-180 measure has shown improvement which boosts the quality of the overall portfolio.

PAR by duration of overdue loans (% of total, June 2025), Enterprises



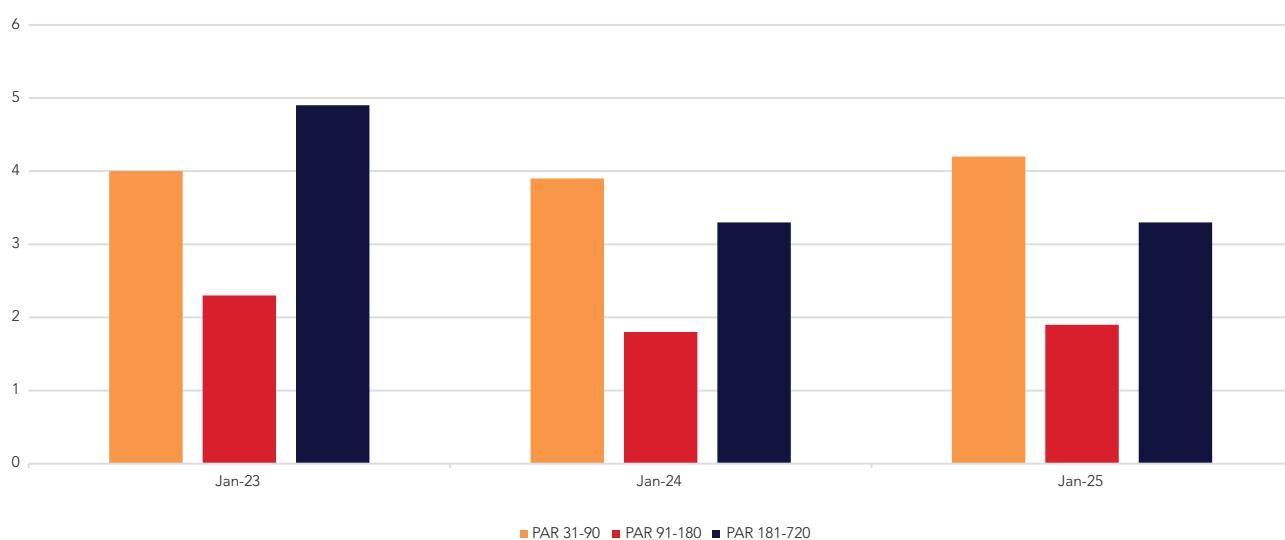
Source: SIDBI

PAR by duration of overdue loans (% of total, June 2025), Sole Proprietors with Entity Presences



Source: SIDBI

PAR by duration of overdue loans (% of total, June 2025), Sole Proprietors



Source: SIDBI

* Note: SIDBI report considers businesses that have an aggregated credit exposure not exceeding Rs.5 crore from the formal lending system.

Going forward, the MSME sector will remain central to India's growth strategy, but its resilience will be tested by external shocks like US tariffs and global demand volatility. While credit access has improved significantly especially for micro and small enterprises rising stress levels among micro units and export-led businesses highlight the need for sharper, targeted interventions. Policies must now focus on strengthening risk management, expanding market diversification, and improving financial health through better credit monitoring and support mechanisms. Sustained momentum will depend on how effectively India shields its MSMEs from global trade disruptions while enabling scalable domestic growth.

Annexure:

1. An enterprise refers to any entity engaged in manufacturing or providing services, under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The classification is based on investment in plant and machinery/equipment and annual turnover, as given by the ministry of MSME
2. A sole proprietorship is a business owned and run by a single individual, with no legal distinction between the owner and the business. It involves minimal regulatory compliance, full control by the owner, and unlimited personal liability.
3. Sole proprietors with entity presence are individual business owners who operate under a registered business name and are formally recognized through licenses like GST, Udyam, or municipal registrations.
4. PAR duration (Portfolio at risk) tells how long a loan has been overdue, for example, PAR 30 means the loan is unpaid for 30 days or more. A higher PAR indicates loans are at a risk of getting converted to NPLs.

Insights on MSME performance on eight selected sectors



Definition of MSMEs in India:

The following section is about the analysis of the finances of MSME sector in India. Ministry of Micro Small and Medium Enterprises, classifies MSMEs according to the following criteria:

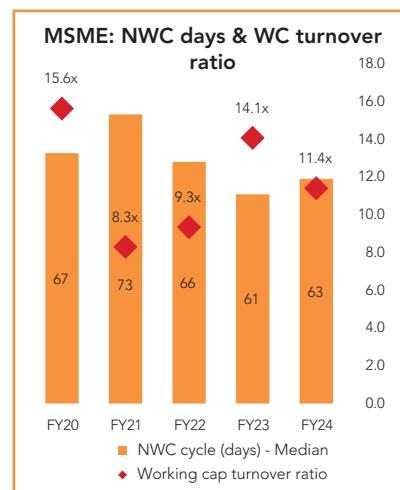
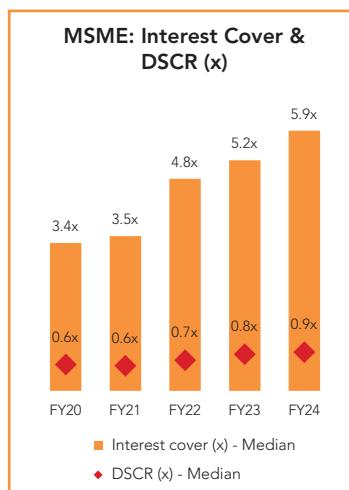
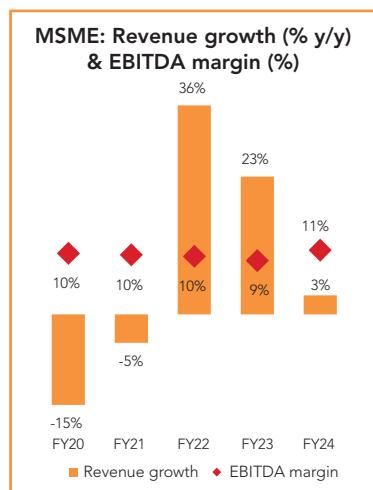
Criteria	Micro	Small	Medium
Investment	Not more than 2.5 crore	Not more than 25 crore	Not more than 125 crore
Turnover	Upto 10 crore	Upto 100 crore	Upto 500 crore

Source: Ministry of Micro, Small and Medium Enterprises



MSME Performance: Key Financial Ratios

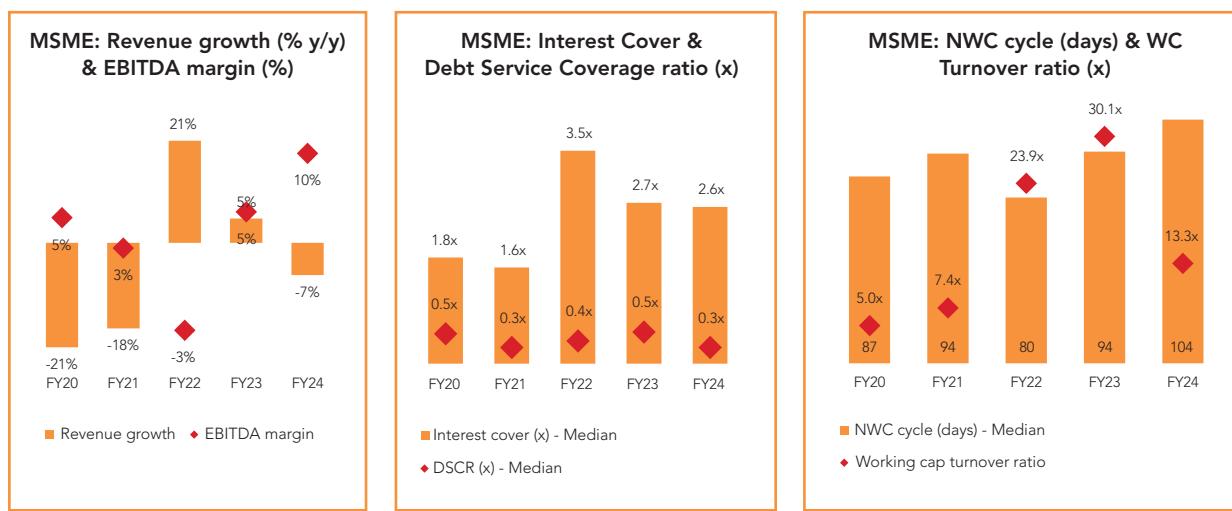
- Our study of MSME companies across auto components sector shows a modest 3% y/y revenue growth in FY24. Beyond the 9.6% rise in vehicle production, growth in the auto component sector was underpinned by higher value addition, driven by increased adoption of advanced components, stronger localisation efforts, and a clear market shift toward larger, more powerful vehicles.
- Sector EBITDA margins improved to 11% in FY24 (vs. 9% in FY23), supported by a favourable product mix, gradual export recovery, easing raw material costs, and efficiency gains.
- For our sample companies, interest coverage improved to 5.9x in FY24 (from 5.2x in FY23), and Debt Service Coverage Ratio (DSCR) rose to 0.9x (from 0.8x), despite elevated interest rates.
- Net working capital cycle (NWC) increased to 63 days in FY24 from 61 days in FY23, with working capital turnover declining to 11.4x (FY23: 14.1x), driven by higher inventory days.
- MSMEs are estimated to see modest revenue growth in FY25, supported by increase in vehicle demand across segments (2Ws/3Ws/PV) and strong economic momentum. That said, the fallout of US tariffs on Indian exports will constrain profit margins impacting constrained margins.
- US trade policy shifts and rising protectionism may pressure MSME revenues and margins in FY26, though supply-chain diversification by Original Equipment Manufacturers (OEMs) offers new growth opportunities. Near-term gains, however, remain capped by persistent supply-side vulnerabilities, geopolitical disruptions, and tariff-led export headwinds.



Source: Dun & Bradstreet, CMIE

Micro Enterprises: Key Financial Ratios

- Our study of micro enterprises shows a 7% y/y revenue decline in FY24 (vs. +5% in FY23), driven by limited pricing power and OEMs' preference for multi-product vendors offering consistent quality and streamlined supply chains, which further pressured unorganized players.
- EBITDA margins for our sample companies doubled to 10% (from 5%), driven by cost controls, improved overhead absorption, and gains from localization and supply-chain efficiencies.
- Interest coverage for sample companies eased slightly to 2.6x in FY24 (FY23: 2.7x), while DSCR fell to 0.3x (FY23: 0.5x), reflecting higher interest costs and increased working capital requirements (up 39% y/y).
- Net working capital cycle (NWC) increased to 104 days in FY24 (94 days in FY23), with working capital turnover declining to 13.3x (FY23: 30.1x), driven by higher inventory days.

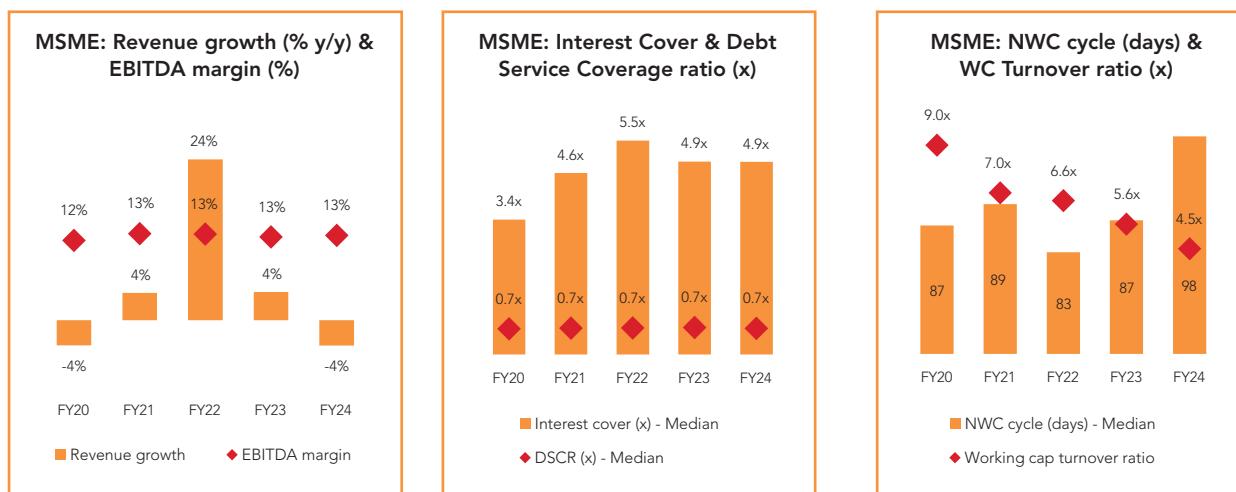


Source: Dun & Bradstreet, CMIE



MSME Performance: Key Financial Ratios

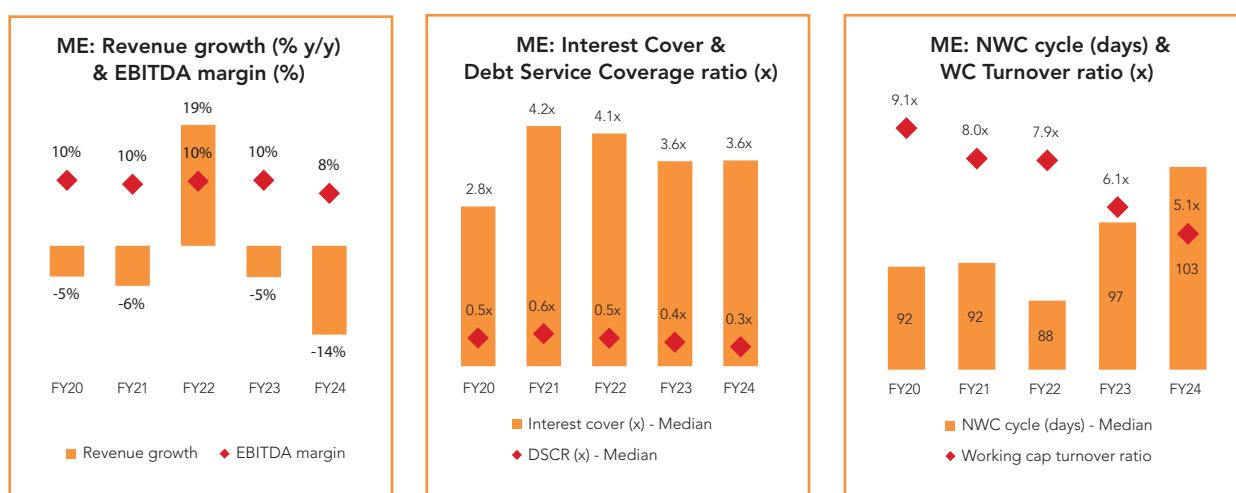
- Revenues of our sample MSME companies declined 4% y/y in FY24, weighed down by China's surplus supply, reduced export due to destocking by global manufacturers, and higher market inventory levels amid geopolitical and weather-related disruptions.
- Sector EBITDA margins held steady at 13% in FY24, despite increased freight costs and longer transit times.
- Interest coverage (4.9x) and DSCR (0.7x) remained stable, though higher financing costs on long-term debt point to a marginal weakening in debt-servicing capacity.
- The net working capital cycle lengthened to 98 days (vs. 87 in FY23), while working capital turnover fell to 4.5x (vs. 5.6x), largely due to higher inventory holding (78 days vs. 75 days), indicating rising pressure on capital efficiency.
- The U.S. announcement of 50% tariffs on Indian exports, adds to global trade uncertainty; while the chemical sector faces direct impact, the pharmaceuticals segment remains exempted. The higher tariffs on other countries could gradually enhance India's relative cost competitiveness in chemicals.



Source: Dun & Bradstreet, CMIE

MSME Performance: Key Financial Ratios

- Micro enterprises in the chemical sector faced a challenging FY24, with revenues contracting 14% y/y, driven by intensified competition from low-value Chinese imports, which eroded pricing power and market share for smaller players.
- Profitability weakened as EBITDA margins contracted to 8% (FY23: 10%), with higher input and energy costs largely unpassed to customers and lower operating leverage offsetting cost-control efforts.
- Interest coverage remained stable at 3.6x, but DSCR deteriorated from 0.4x to 0.3x, signalling mounting debt-servicing stress for enterprises already constrained by limited access to affordable credit.
- The net working capital cycle lengthened to 103 days (FY23: 97) and turnover fell to 5.1x (FY23: 6.1x), as slower receivables recovery and higher inventory holdings tied up capital and strained liquidity.
- Looking ahead, micro enterprises in the chemical sector are likely to remain under financial stress as subdued global demand, Chinese dumping, volatile input costs, and excess inventories continue to pressure pricing and margins, with recovery contingent on demand stabilization and easing of competitive intensity.

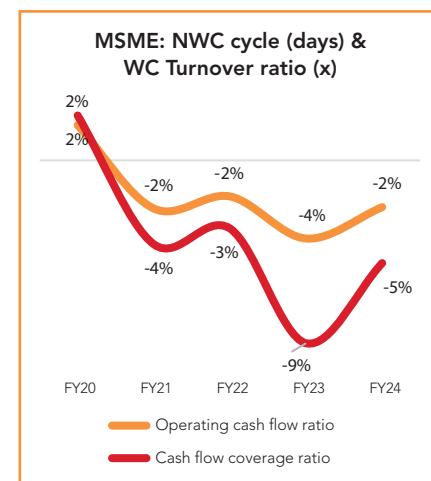
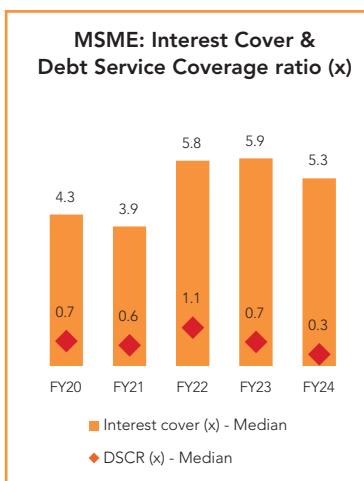
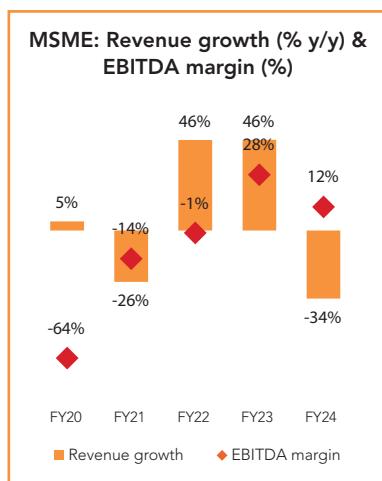


Source: Dun & Bradstreet, CMIE



MSME Performance: Key Financial Ratios

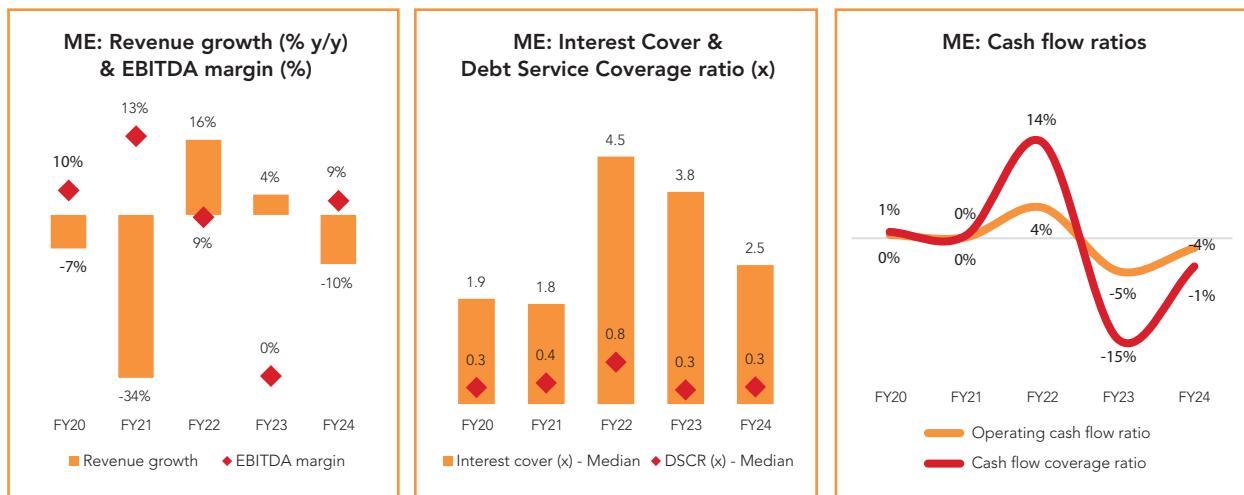
- Revenue declined 34% y/y in FY24 (vs. +46% in FY23), as weaker discretionary spending, and economic uncertainty, curtailed upskilling demand.
- EBITDA margins contracted sharply to 12% in FY24 (from 28% in FY23), as revenue decline reduced operating leverage, while elevated technology investments, , and pricing pressures further weighed on profitability.
- Interest cover ratio declined to 5.3x in FY24 vs., 5.9x in FY23, while DSCR declined to 0.3x from 0.7x due to reduced operating profit due to weaker margins and higher interest cost burden.
- Operating cash flow ratio improved to -2% (from -4%), with cash flow coverage at -5% (vs. -9%) and cash conversion efficiency at -9% (vs. -11%), indicating gradual improvement in liquidity and operational efficiency despite remaining negative.
- Driven by the rising demand for digital skills and the growth of EdTech platforms, the education sector is poised for significant expansion, particularly in the test preparation and professional upskilling markets.



Source: Dun & Bradstreet, CMIE

Micro Enterprises Performance: Key Financial Ratios

- Revenue declined 10% y/y in FY24 (vs. +4% in FY23), reflecting moderation in post-pandemic demand, and heightened competition from low-cost digital platforms.
- EBITDA margins improved to 9% in FY24 (from breakeven in FY23), supported by tighter cost controls, reduced discretionary spending, and operational efficiency gains despite a revenue contraction.
- Interest coverage ratio weakened to 2.5x in FY24 (vs. 3.8x in FY23), reflecting lower earnings and higher financing costs, while DSCR remained weak at 0.3x, indicating continued strain in servicing overall debt obligations.
- Operating cash flow ratio improved to -1% (vs. -5%), with cash flow coverage at -4% (vs. -15%) and cash conversion efficiency at -25% (vs. -79%), reflecting better working capital management and tighter cost controls.

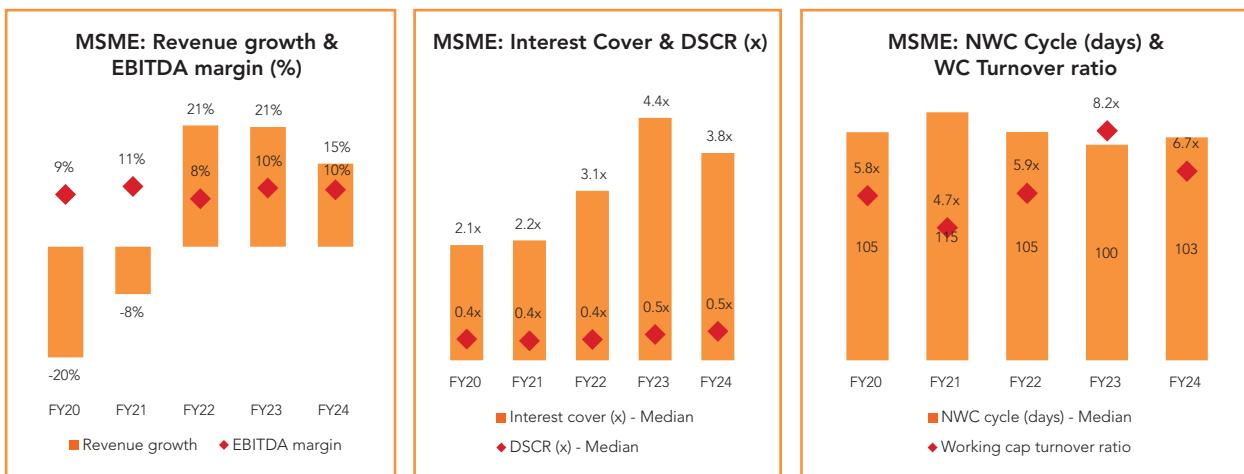


Source: Dun & Bradstreet, CMIE

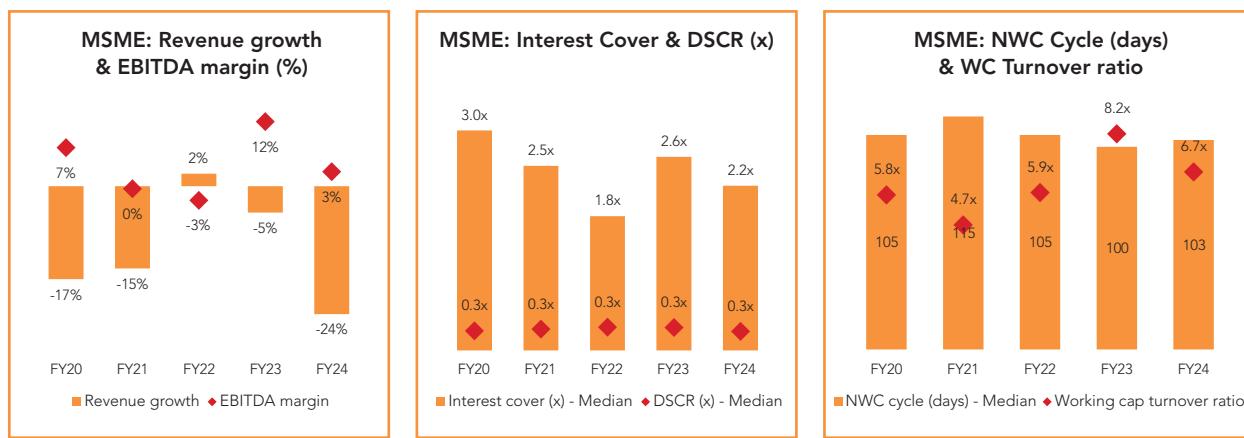
Electrical Equipment Sector

MSME Performance: Key Financial Ratios

- In our MSME sample, revenue growth moderated to 15% in FY24 (vs. 21% in FY23) as supply-chain bottlenecks, cost pressures, and pricing competition in commoditized categories curtailed topline momentum. Despite these headwinds, underlying demand remained resilient, buoyed by government-led initiatives in grid modernization, railway electrification, urbanization, and renewable energy expansion.
- EBITDA margins held steady at 10% in FY24, supported by cost-control measures, improved overhead absorption, and efficiency gains, though higher raw material and freight costs, partly unpassed to customers, caused slight compression.
- Interest cover ratio dropped to 3.8x in FY24 (FY23: 4.4x), due to increased finance costs for capacity expansion, modernisation and working capital requirement, while Debt Service Coverage Ratio (DSCR) remained weak at 0.5x, highlighting continued challenges in meeting repayment.
- The net working capital cycle lengthened to 103 days in FY24 (FY23: 100 days) due to slower inventory turnover (75 days vs. 68 days) and weaker payable terms (58 days vs. 63 days).
- Working capital to revenue ratio contracted to 6.7x (FY23: 8.2x), due to excess inventory levels and higher receivable levels.
- In FY25, the domestic electrical equipment sector is poised for steady growth on the back of infrastructure spending, electrification, real estate expansion, and government-led grid modernization. Exports are estimated to increase driven by the "China+1" strategy and rising global investments in renewables, data centres and infrastructure modernisation.



Source: Dun & Bradstreet, CMIE



Source: Dun & Bradstreet, CMIE

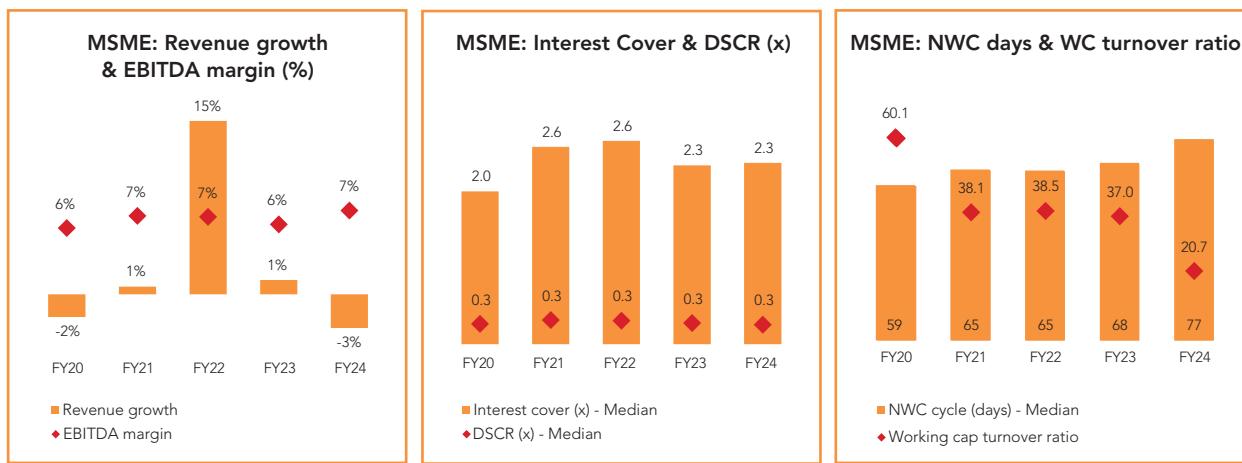
Micro Enterprise Performance: Key Financial Ratios

- In our micro enterprise sample, revenue growth declined further to -24% in FY24 (vs. -5% in FY23), reflecting weak demand, heightened competition from low-cost imports (mainly Chinese), and pricing pressure in commoditized products.
- Sector EBITDA margins dropped to 3% (vs. 12%), as weaker topline and higher costs eroded operating leverage despite some cost-control efforts.
- Interest cover ratio dropped to 2.2x in FY24 (FY23: 2.6x), while DSCR remained stable at 0.3x, as falling EBITDA limited ability to service interest obligations despite some deleveraging (debt down 42% y/y).
- The net working capital cycle lengthened to 128 days in FY24 (FY23: 116 days), reflecting slower receivable recoveries and higher inventory holding, tying up cash flows, while working capital to revenue ratio remained negative at -1.5x, indicating poor efficiency in utilizing working capital and rising liquidity stress.



MSME Performance: Key Financial Ratios

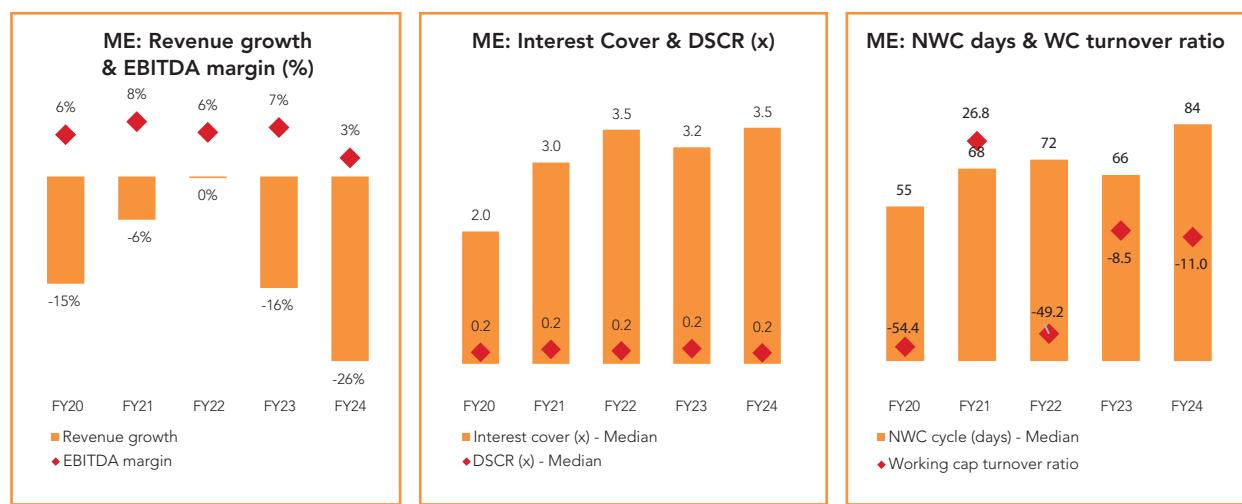
- Revenue growth for sampled MSMEs in the food processing sector slipped to -3% in FY24 from 1% in FY23, as pricing pressures and weak demand damped volumes; while premium and discretionary segments showed resilience, mass consumption categories lagged amid a slower-than-expected recovery in rural and urban sentiment.
- EBITDA margins improved to 7% in FY24 from 6% in FY23, supported by lower input costs under government price stabilization measures and efficiency gains in production.
- Despite higher interest rates in FY24, the interest cover ratio and DSCR held steady at 2.3x and 0.3x, supported by stable margins and prudent debt management.
- The net working capital cycle lengthened to 77 days in FY24 (FY23: 68 days) on extended credit terms and slower inventory turnover, driving a sharp fall in working capital turnover to 20.7x from 37.0x, highlighting weaker capital efficiency.
- In FY25, sector demand is estimated to remain steady, supported by rural recovery on the back of a good monsoon, higher MSPs, and government spending, while urban consumption remains polarized, with resilience in affluent segments but constraints in mass categories due to commodity inflation.



Source: Dun & Bradstreet, CMIE

Micro Enterprises Performance: Key Financial Ratios

- Revenue growth for sampled micro enterprises in the food processing sector declined further to -26% in FY24 (from -16% in FY23), as demand normalized post-pandemic in lower-tier markets and shifting consumer preferences toward healthier, organic, and branded products intensified competition.
- EBITDA margins declined to 3% in FY24 from 7% in FY23, due to reduced operating leverage from declining sales volumes, rising input costs, and possibly higher distribution/marketing spends to defend market share.
- Interest cover ratio improved marginally to 3.5x in FY24 (3.2 in FY23) despite lower profits, likely due to lower debt, while DSCR remained at critically low levels of 0.2x.
- The net working capital cycle stretched further to 84 days in FY24 (FY23: 66 days) due to slower inventory turnover and extended credit terms. The working capital turnover ratio worsened to -11.0x from -8.5x, highlighting inefficiency in deploying working capital and reflecting a build-up of receivables/inventory against lower sales.



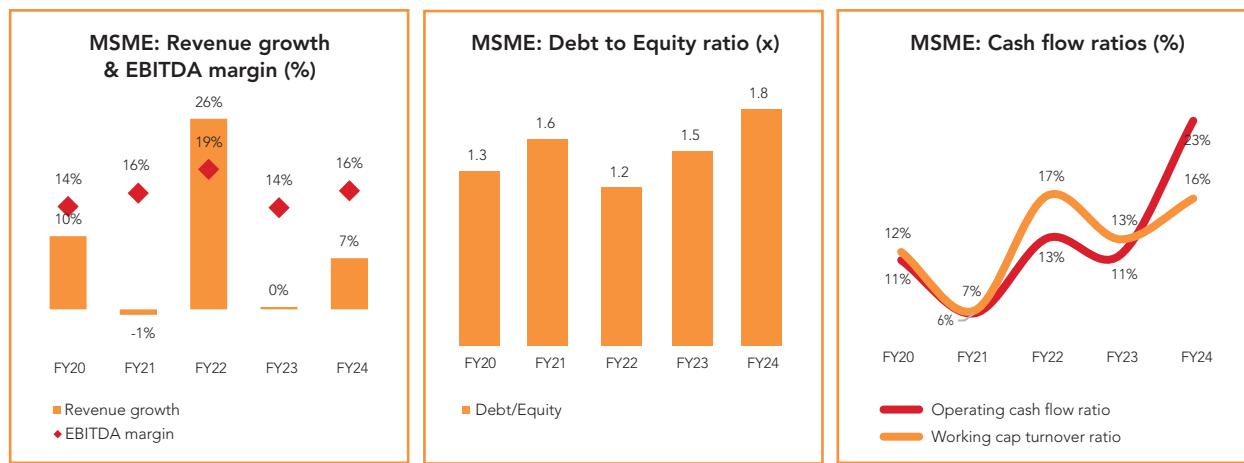
Source: Dun & Bradstreet, CMIE



Healthcare Sector

MSME Performance: Key Financial Ratios

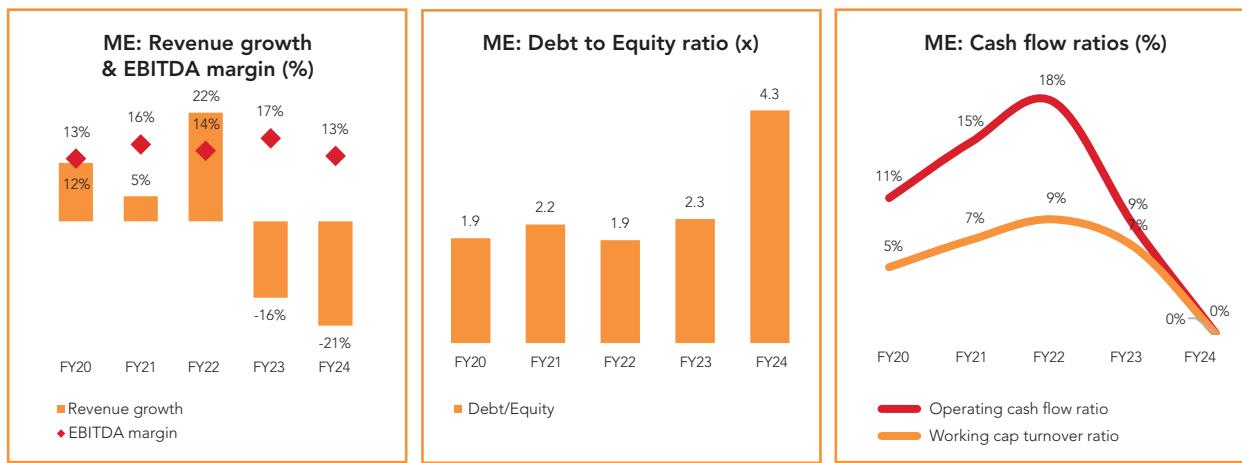
- In the examined group of MSME businesses, revenue growth has increased to 7% y/y in FY24 attributed to price hikes and improvement in case mix, improvements in realizations, payor mix, and increased patients' footfalls. The growth has been supported by a steady increase in patient volumes, higher average revenue per occupied bed (ARPOB) and improved average length of stay (ALOS).
- The change is supported increase in high-end elective surgeries, pickup in medical tourism, strong bed occupancy levels, and healthy average revenue per occupied bed (ARPOB).
- EBITDA margin increased to 16% (FY23:14%) due to higher realisation on available beds and better absorption of fixed costs supported by benefits from cost optimisation such as consolidation of suppliers, centralised procurement of consumables, and improvement in efficiencies through digitisation initiatives.
- The Debt/Equity ratio improved to 1.8x in FY24 (FY23: 1.5x), indicating slight deleveraging but high leverage remains a concern.
- Operating cash flow ratio improved to 23% in FY24 (FY23: 11%), reflecting better cash flow generation, efficient working capital management and enhanced operational efficiency. Additionally, the cash flow coverage ratio rose marginally to 16% (FY23: 13%), suggesting improved ability to cover liabilities with cash flows.
- In FY25, MSMEs in healthcare sector is estimated to grow at a modest single digit, as patient preference shifts toward larger chains with wider insurance coverage, while operating margins face pressure from rising employee and medicine costs alongside treatment price caps under Ayushman Bharat.



Source: Dun & Bradstreet, CMIE

Micro Enterprises Performance: Key Financial Ratios

- In our micro enterprise sample, the revenue decline accelerated to 21% y/y in FY24 (FY23: down 16%) due to intensifying headwinds driven by weaker patient volume, pricing pressure, increased competition and loss of market share. Although for hospitals, patients increasingly preferred larger chains for inpatient care, in diagnostics, competition has intensified from e-pharmacies and hospital-affiliated labs.
- EBITDA margins fell to 13% in FY24 (FY23: 13%) due to higher fixed overhead cost associated with the business.
- Debt/Equity ratio worsened to 4.2x in FY24 (FY23: 2.3x) as leverage and financial risk have nearly doubled while equity is eroded due to accumulated losses.
- Operating cash flow ratio and cash flow coverage ratio collapsed to zero, showing operating cash inflows barely covered current liabilities and meet debt servicing.

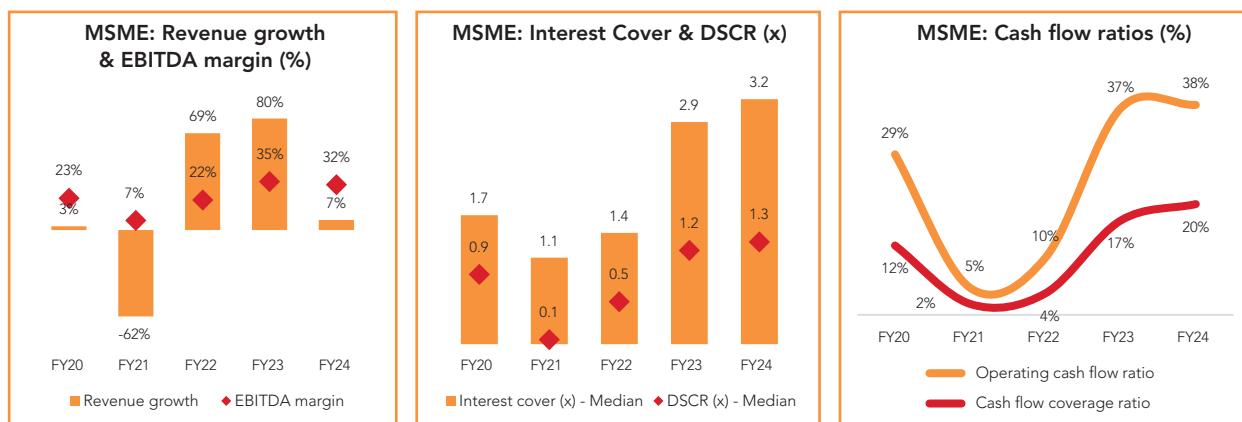


Source: Dun & Bradstreet, CMIE

Hospitality Sector

MSME Performance: Key Financial Ratios

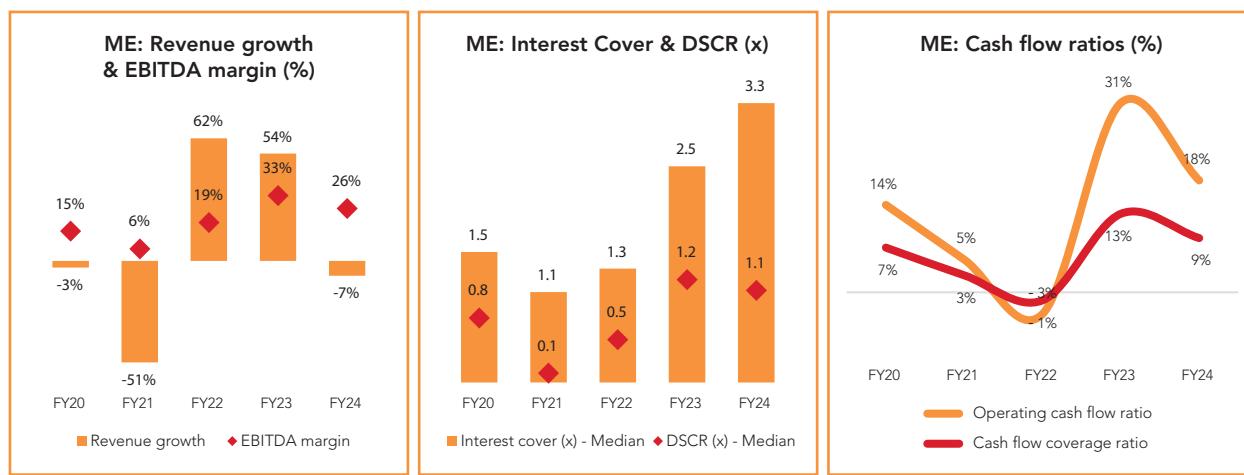
- Revenue growth for our sample MSME hospitality companies moderated to 7% y/y in FY24 from 80% in FY23 (due to the post-COVID low base effect), driven by improved hotel occupancy (65.6% vs. 64.6% in FY23), record-high Average Daily Rates (+10.7% y/y), and a 12.4% y/y increase in Revenue Per Available Room.
- EBITDA margins fell to 32% in FY24 from 33% in FY23, driven by rising operating costs and limited pricing power amid intense sector competition.
- Interest cover ratio improved to 3.2x in FY24 (FY23: 2.9x) despite lower margins, reflecting lower interest obligations due to reduced debts (down 4% y/y), while Debt Service Coverage Ratio (DSCR) slightly improved from 1.2x to 1.3x.
- Despite margin pressures, operating cash flow ratio rose to 38% in FY24 from 37%, and cash flow coverage ratio improved from 20% to 17%, reflecting enhanced focus on cash flow efficiency.
- In FY25, the hospitality sector is estimated to sustain strong growth, driven by robust domestic demand, infrastructure push, and economic stability. Domestic air passenger traffic grew 10% y/y in January 2025, while foreign tourist arrivals declined 3% y/y in January, leaving room for recovery.



Source: Dun & Bradstreet and CMIE

Micro Enterprises Performance: Key Financial Ratios

- For sampled micro enterprises in the hospitality sector, revenues declined 7% y/y in FY24 after two years of strong post-COVID rebound, reflecting high base effects, demand normalization, and capacity constraints. Topline growth was further weighed down by foreign tourist arrivals, which remain below pre-pandemic levels.
- EBITDA margins declined to 26% in FY24 (FY23: 33%) due to cost pressures and weaker operating leverage as revenue growth slowed.
- Interest cover improved to 3.3x in FY24 (FY23: 2.5x), reflecting stronger debt-servicing capacity supported by lower finance costs despite weaker profits. Conversely, DSCR eased slightly to 1.1x from 1.2x, indicating reduced cash flow adequacy for debt repayments.
- The operating cash flow ratio fell to 18% in FY24 (FY23: 31%) as weaker profitability and higher working capital tie-ups curtailed liability coverage from operations. Similarly, the cash flow coverage ratio declined to 9% (FY23: 13%), reflecting lower cash generation relative to obligations.

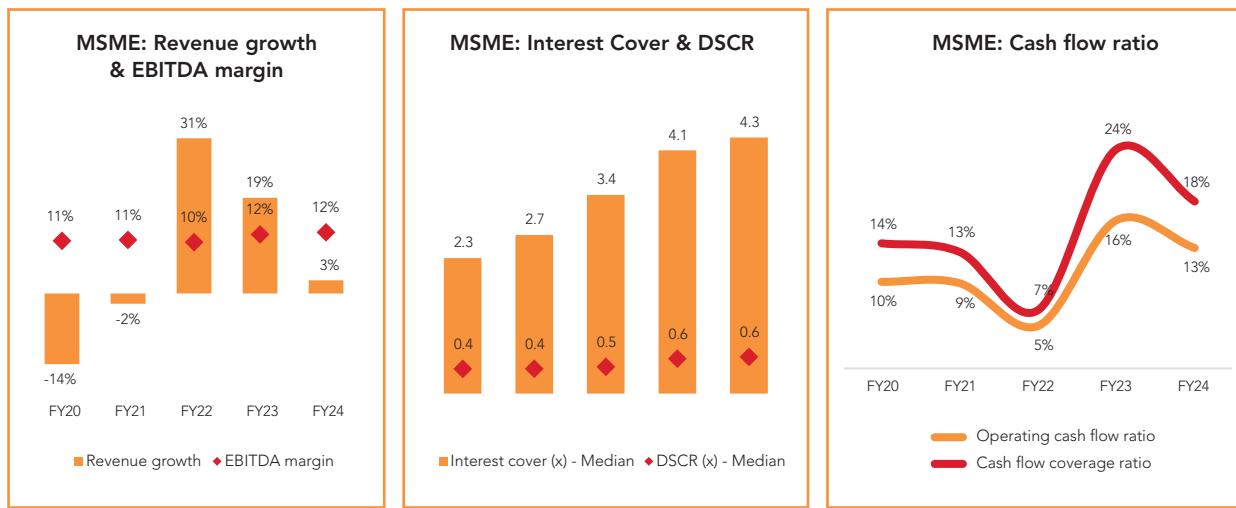


Source: Dun & Bradstreet, CMIE



MSME Performance: Key Financial Ratios

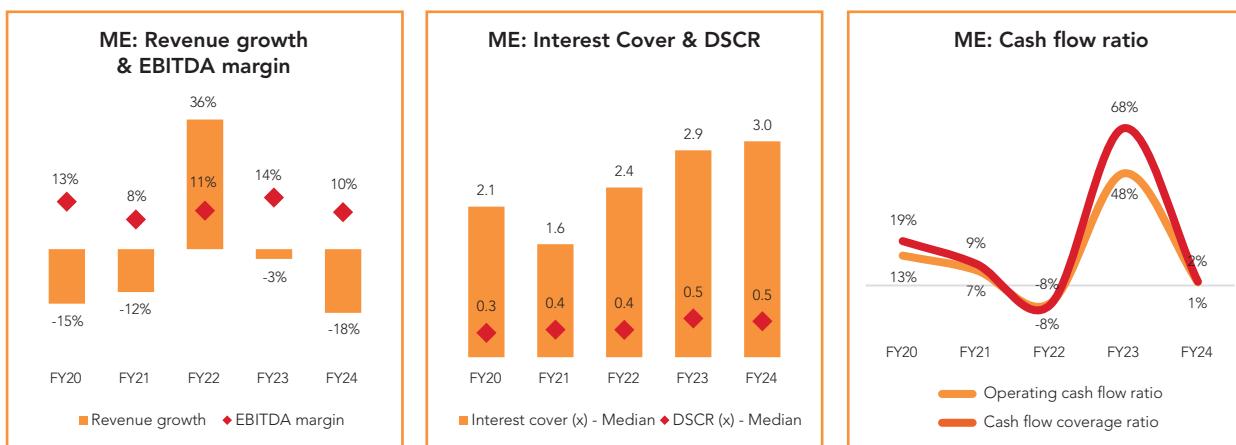
- For our MSME sample under light engineering sector (LES), we covered following sub-segments - casting and forging, general-purpose machinery, steel pipes and tubes, machine tools, and wires and cables.
- MSME revenue growth slowed to 3% y/y in FY24 (FY23: 19%), as supply chain disruptions delayed raw material procurement, despite resilient domestic demand supported by government spending on infrastructure and agriculture. Sub-segment trends were mixed: casting & forging (+0.5%), general-purpose machinery (+10.8%), machine tools (+7.3%), and wires & cables (+6.3%) grew modestly, while steel pipes & tubes contracted (-12.5%).
- Interest cover ratio improved from 4.1x to 4.3x, while Debt Service Coverage Ratio (DSCR) remained stable at 0.6x.
- The net working capital cycle remained at 105 days, while the working capital turnover ratio dropped from 9.4x to 7.2x due to slower inventory turnover (94 days vs. 88 days), and weaker receivable (70 days vs. 65 days).
- Operating cash flow ratio declined from 16% to 13%, while the cash flow coverage ratio declined from 24% to 18%, indicating weaker cash generation capabilities. Cash conversion efficiency also fell from 7% to 5%, emphasizing challenges in converting revenues into cash.
- In FY25, MSME sector growth is estimated to show modest growth supported by resilient domestic demand and healthy export momentum. However, global supply chain disruptions from geopolitical conflicts drove up freight costs, extended transit times, and pressured margins through higher working capital and customer inventory build-ups.



Source: Dun & Bradstreet, CMIE

Micro Enterprises: Key Financial Ratios

- For our micro enterprises revenue contracted further in FY24 by -18% (FY23: -3%), reflecting weak demand conditions, export challenges, and supply-chain disruptions. The sharper decline suggests lower order inflows and pricing pressures despite some government-led infrastructure push.
- EBITDA margins fell sharply to 10% in FY24 (FY23: 14%) as rising input costs and weaker operating leverage (due to volume slowdown) eroded profitability.
- Interest cover ratio improved slightly 2.9x to 3.0x, while Debt Service Coverage Ratio (DSCR) remained stable at 0.5x, indicating the sector managed to service interest obligations due to lower finance costs.
- The net working capital cycle lengthened marginally to 127 days (FY23: 129 days), while the working capital turnover ratio dropped from 7.1x to 4.8x due to slower collections (75 days vs. 66 days), and higher inventory holdings (122 days vs. 100 days).
- Operating cash flow ratio deteriorated severely from 48% to 1%, while the cash flow coverage ratio declined from 68% to 2%, as weaker profitability and rising working capital blocked cash inflows, reducing ability to cover liabilities from operations.
- In FY25, micro enterprises in the sector are estimated to show improved performance, driven by credit penetration and formalization. However, margin expansion is expected to be remained constrained by volatile input costs, uneven export demand, and pricing pressures.

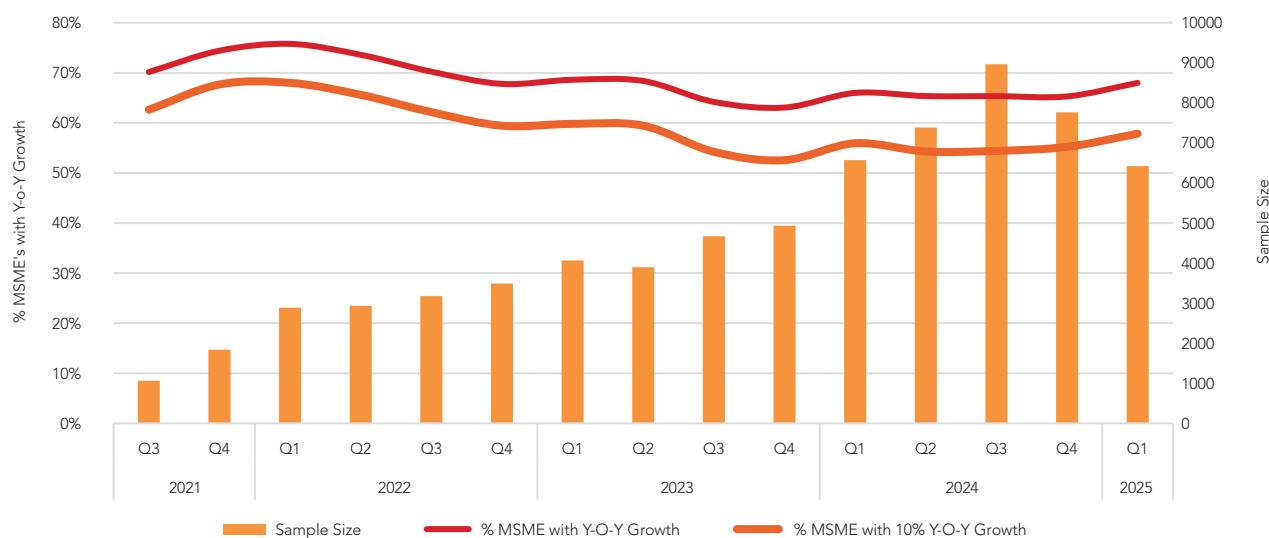


Source: Dun & Bradstreet, CMIE

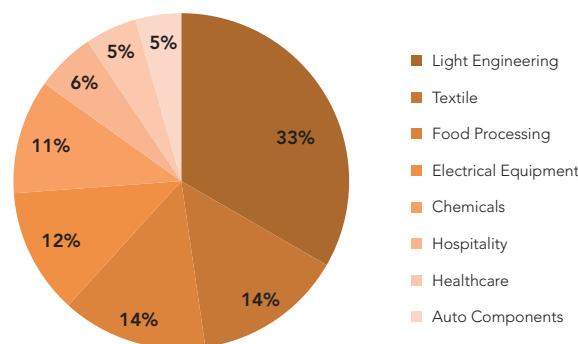


MSMEs Through a Practitioner's Lens: by UGRO Capital

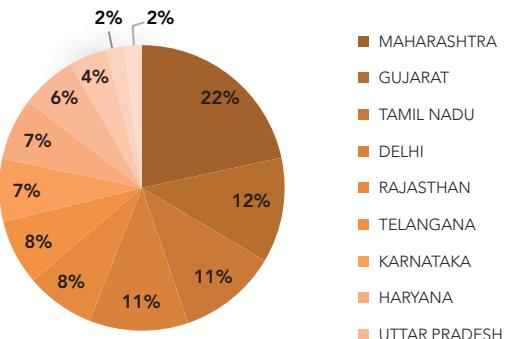
This study covers a **customer base of 73,000+ businesses across 8 sectors** with pan-India presence, observed over four years and spanning all turnover sizes. **86% of customers have turnover \leq Rs.20 Crore**, underscoring the MSME orientation. The analysis shows **growing UPI adoption and declining cash usage**, with **sanctions rising steadily**.



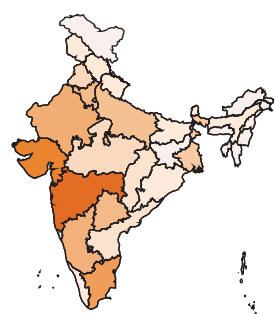
Sectoral Distribution of the Studied Population



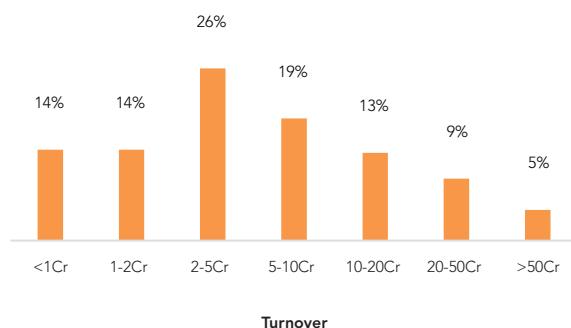
Statewise Distribution of New Sanctions (Jun24-May25)



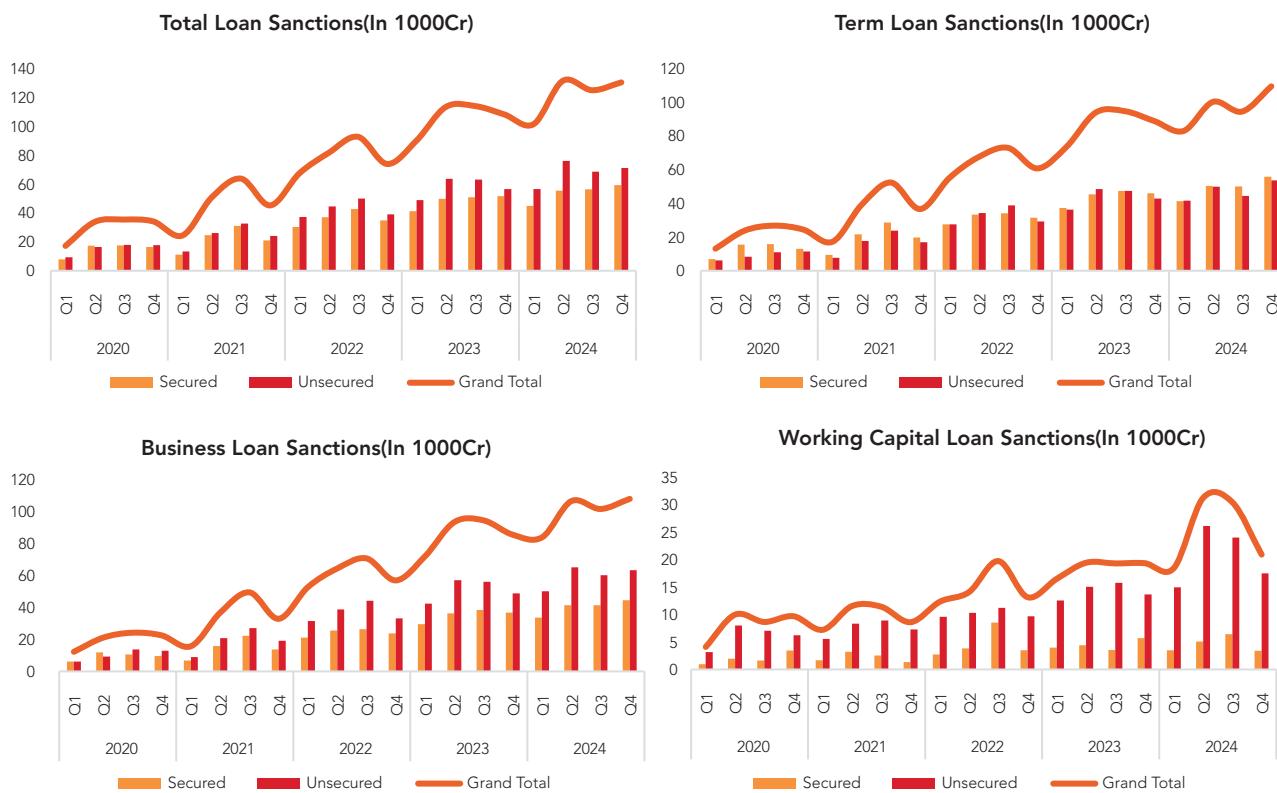
PAN India Footprint



Turnover Distribution of the Studied Population



The Trajectory of Sanctions Has Been Steadily Rising in Recent Times



Note: The analysis includes all loans availed by the studied population over the past five years. Business Loans intersect with Term Loan and Working Capital Loan categories.

MSME Credit and Sales Trends Reflecting Resilience, Recovery, and Steady Growth Momentum

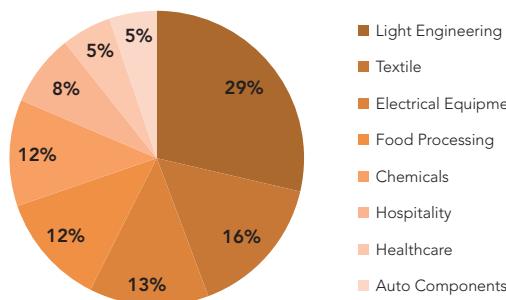
- We are witnessing a healthy year-on-year rise in sales over the past few years, reflecting consistent momentum across the MSME landscape:
 - During the Post-Covid Recovery Period (Q3 FY-21 to Q2 FY-22), nearly 65% of MSMEs reported year-on-year sales growth of 10% or more, highlighting a sharp rebound.
 - In the Moderation Phase (Q3 FY-22 to Q4 FY-23), growth softened but remained resilient, with 58% of MSMEs continuing to achieve year-on-year sales growth of at least 10%.
 - In the Reversal Period (Q1 FY-24 to Q1 FY-25), sales trends reflected a modest but positive recovery pattern, signaling the beginning of a turnaround after the moderation.
- Sectoral distribution of activity remains well balanced across eight distinct sectors, with light engineering emerging as the leading sector in terms of share.
- Maharashtra accounts for the highest share of sanctions in the period from June 2024 to May 2025, underlining its importance in driving credit disbursals.
- The study captures MSMEs across all turnover sizes, ensuring representation from smaller enterprises to large-scale businesses within the analysis.
- Total sanctions have been rising steadily, with term loans, working capital loans, and business loans all showing consistent growth over the last five years.
- Both secured and unsecured categories of credit demonstrate a positive sanction trend, highlighting broad-based support to MSMEs through diversified loan structures.
- UPI utilization as a share of total banking transactions has been improving steadily, indicating a clear shift towards digital adoption across businesses.
- Cash utilization in transactions has been reducing year after year, further emphasizing the structural shift from informal to formal financial channels.
- A marked improvement has been observed in timely GST filing, with delays reducing significantly and signaling stronger compliance and digital maturity.
- Better GST compliance, coupled with rising UPI adoption, suggests healthier financial discipline and greater transparency in business transactions.

Sectoral View and Insights

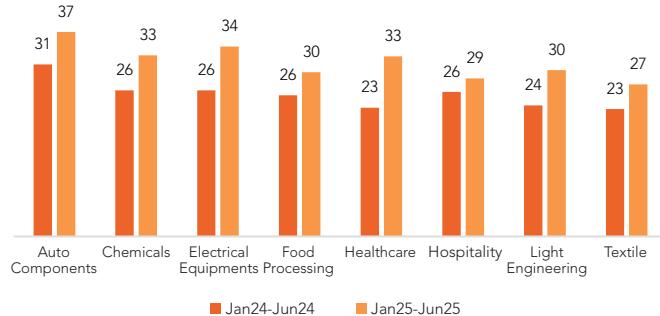
Sectoral analysis shows rising credit penetration among MSMEs, with cash usage declining as turnover increases. Average new debt levels and unsecured ticket sizes are also trending upward, highlighting evolving credit behavior.

Sectoral Distribution of New Debt

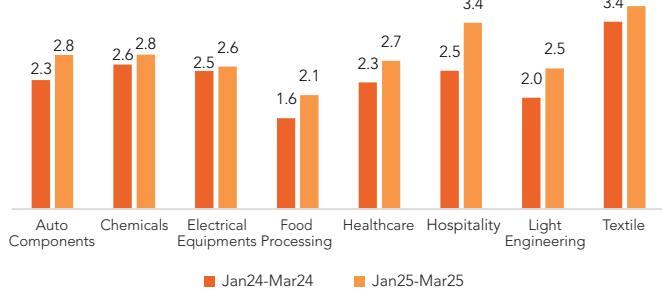
Accumulation (Jun24-May25)



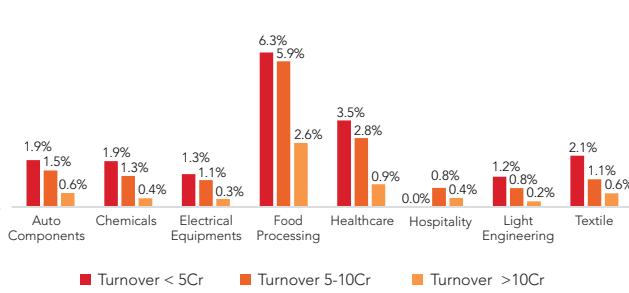
Average Unsecured Loan Ticket Size (In Lakhs)



Average New Debt Raised (In Cr)



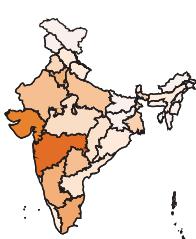
Incoming Cash Percentages



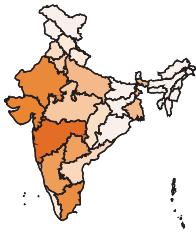
Note: The graphs are based on all loans and complete banking transactions of the studied population.

Sector wise Geographical Footprint Across India

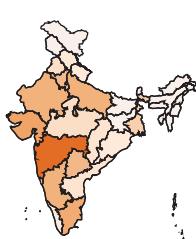
Light Engineering



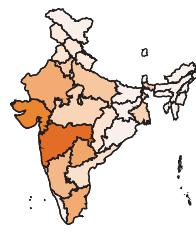
Food Processing



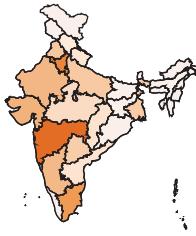
Electrical Equipments



Chemicals



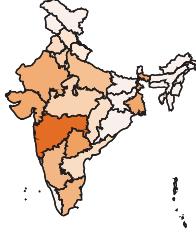
Auto Components



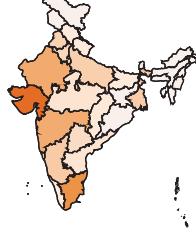
Hospitality



HealthCare



Textile

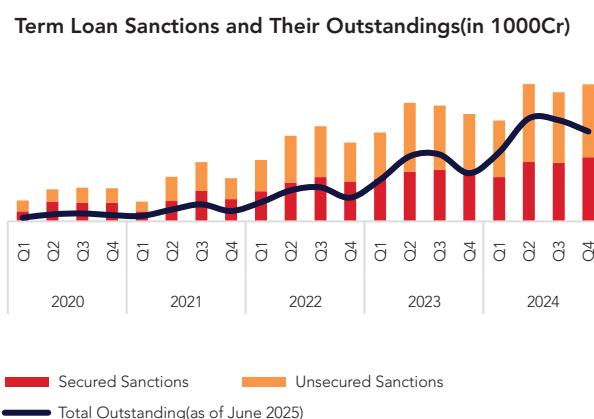
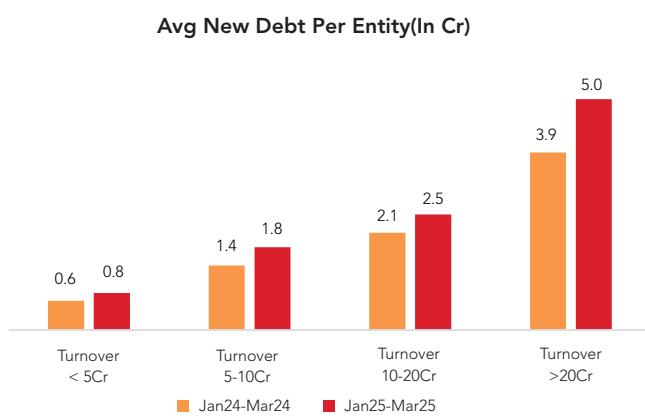
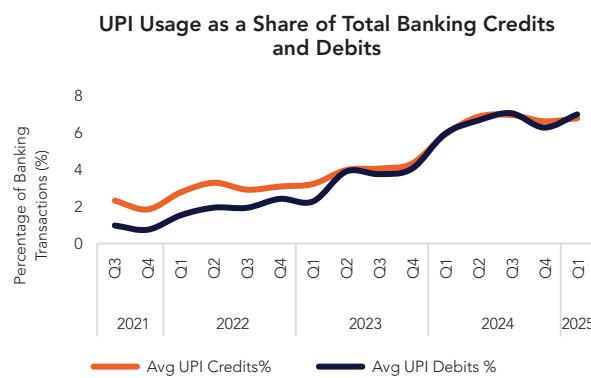
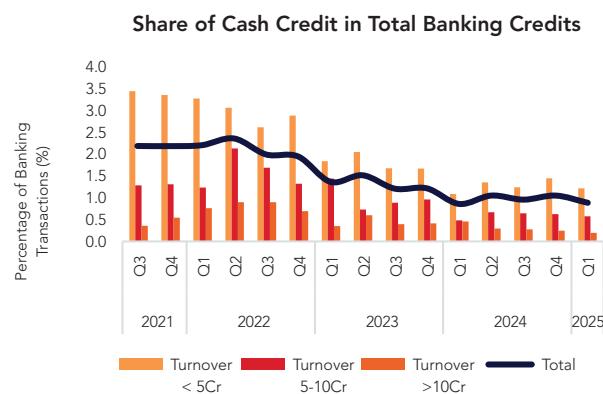


Note: Geographic distribution is based on the analyzed population under study

Light Engineering: Digital adoption is accelerating, with UPI credits and debits consistently rising as reliance on cash transactions decline. At the same time, term loan sanctions are trending upward, reflecting stronger formal credit penetration. Semi-Finished Iron and Metal Articles lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions					
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Semi Finished Iron and Metal Articles	34%	6.1 Cr	35 L	44 L	34%
Machinery and its parts	23%	2.8 Cr	28 L	44 L	49%
Finished Iron and Metal Articles	23%	3.5 Cr	30 L	50 L	44%
Plastic and Rubber articles	14%	3.4 Cr	27 L	49 L	52%
Ceramic and Stone articles	5%	2.8 Cr	29 L	44 L	52%
Glass works	1%	3.5 Cr	29 L	44 L	46%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

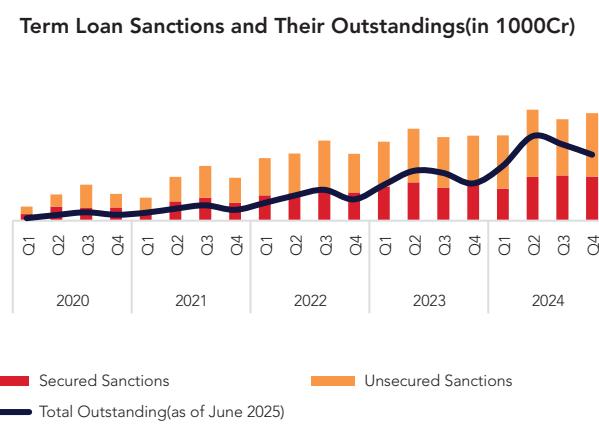
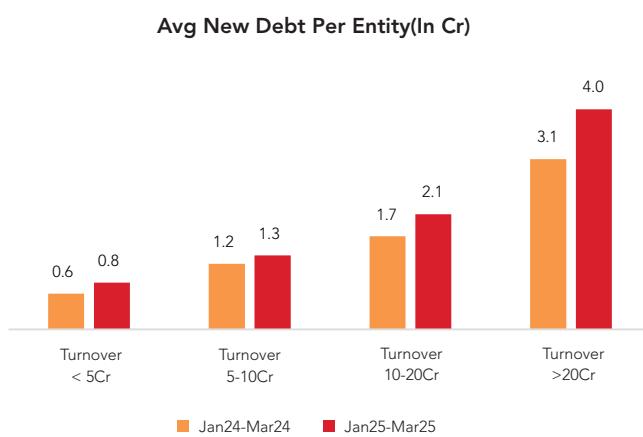
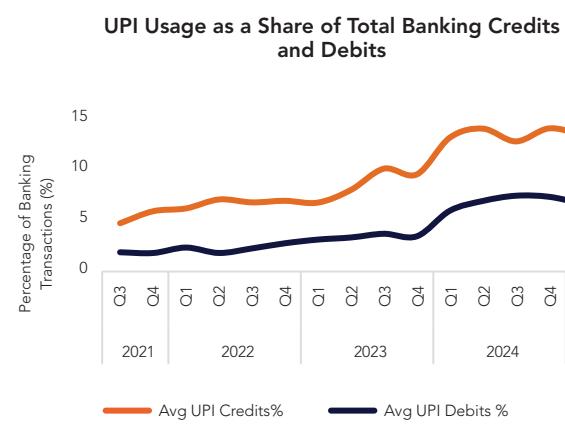
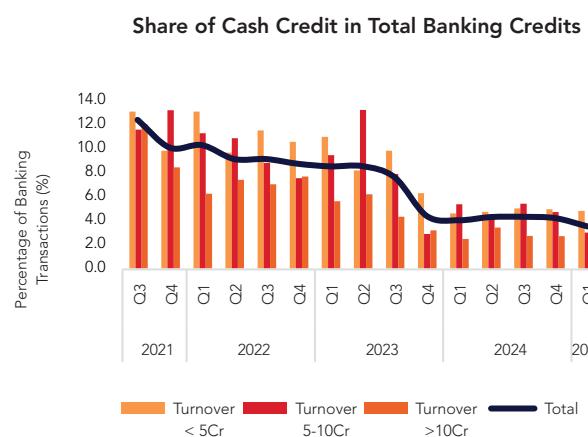


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Food Processing: UPI credits and debits continue to grow consistently, while dependence on cash transactions decreases. At the same time, term-loan are moving upward, pointing toward improved formal credit penetration in the financial ecosystem. Bakery and Other Edible Preparations lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions					
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Bakery and Other Edible Preparations	28%	4.3 Cr	24 L	41 L	41%
Miscellaneous Edibles	19%	5.1 Cr	33 L	49 L	41%
Cereals and its products	16%	7.2 Cr	42 L	39 L	42%
Fruits and Vegetables	14%	7.9 Cr	37 L	39 L	40%
Oil seeds and oil	14%	8.9 Cr	31 L	45 L	29%
Mineral water and Beverages	9%	4.6 Cr	24 L	44 L	39%

Declining Cash, Rising UPI, and Expanding Credit Sanctions



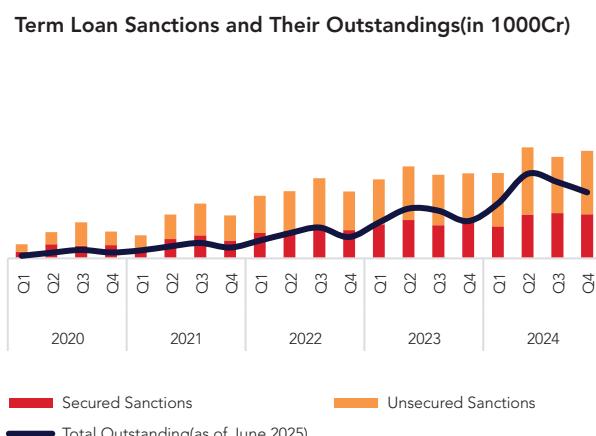
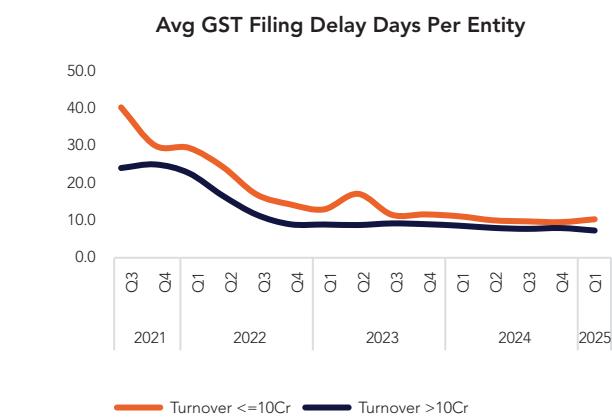
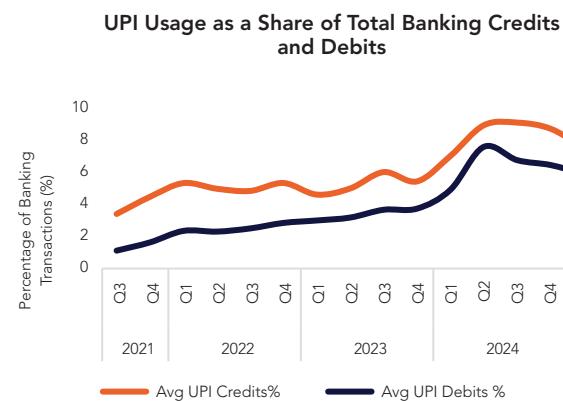
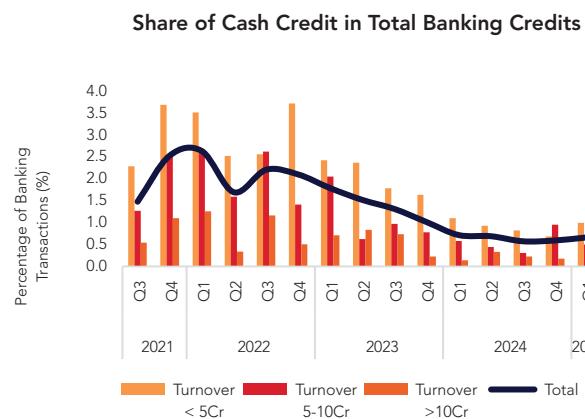
Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Electrical Equipments: The shift toward digital is accelerating, as UPI credits and debits rise steadily and cash usage falls. Alongside this, sanctions are showing upward momentum, reflecting stronger reach of formal credit across markets. Delays in GST filing are steadily decreasing, with businesses showing better compliance. Electrical Machines and Other Machines lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions

Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Electrical Machines and Other Machines	34%	5.6 Cr	31 L	45 L	36%
Electrical appliances	24%	4.1 Cr	38 L	46 L	41%
Electrical Circuit and Safety components	21%	4.7 Cr	32 L	53 L	42%
Electronic Equipments	13%	6.2 Cr	44 L	75 L	40%
Heavy Electrical Equipments	8%	4.6 Cr	51 L	45 L	41%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

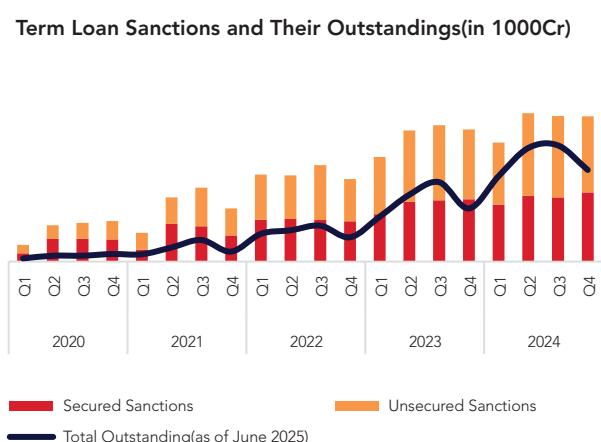
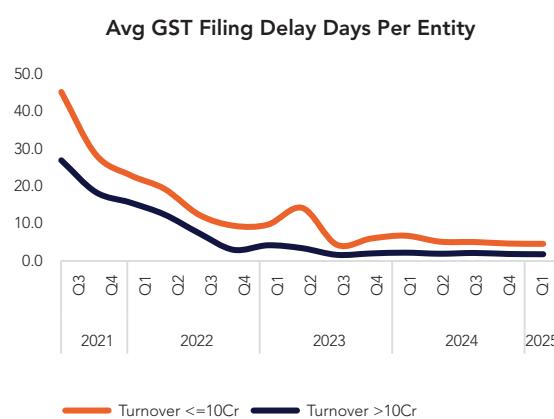
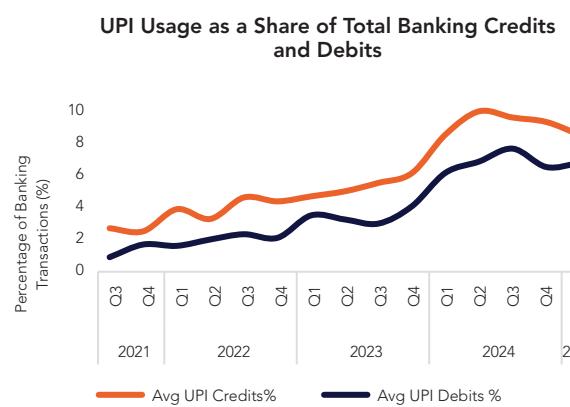
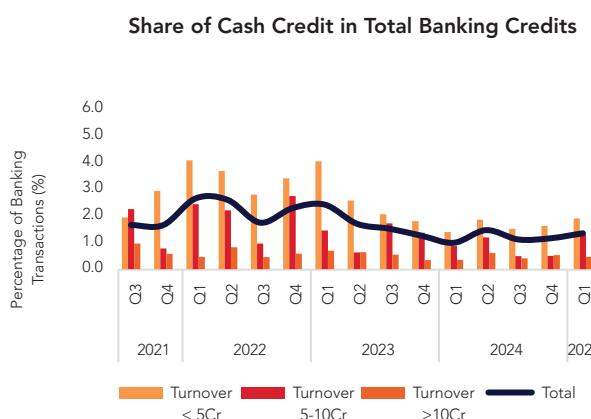


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Chemicals: Digital transactions via UPI are consistently rising, while cash-based transactions continue to decline. Concurrently, sanctions are on an upward path, underscoring deeper penetration of formal credit within the market. There is a steady decline in GST filing delays, accompanied by improved compliance from businesses. Plastic and rubber - Semi Finished Products lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions					
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Plastic and rubber - Semi Finished Products	31%	4.4 Cr	35 L	48 L	40%
Minor Mineral and Constructional Goods	22%	3.3 Cr	25 L	39 L	43%
Miscellaneous chemical products	18%	4.7 Cr	43 L	42 L	42%
Inorganic and organic Chemicals	13%	8.6 Cr	50 L	73 L	35%
Coloring matter	11%	3.3 Cr	22 L	47 L	48%
Cosmetic or Toilet Preparations and Perfumery	5%	4.4 Cr	22 L	48 L	49%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

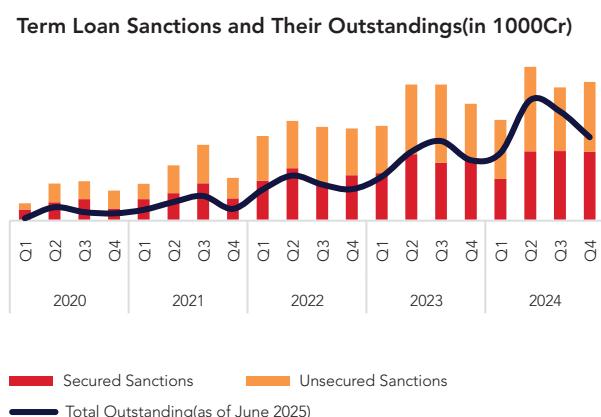
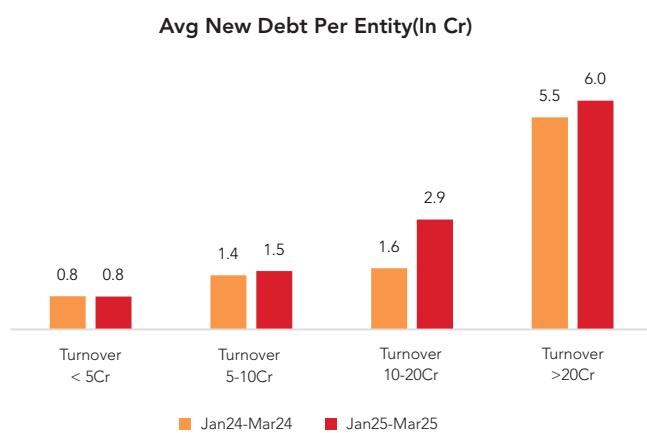
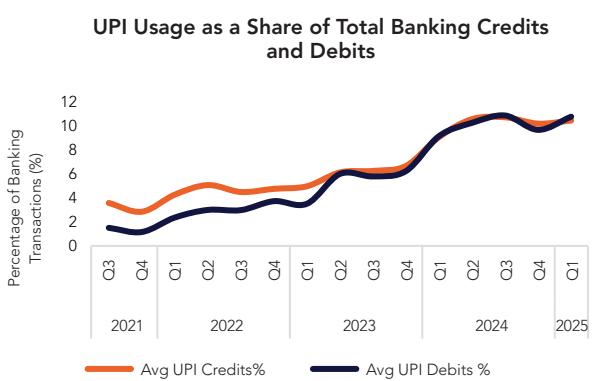
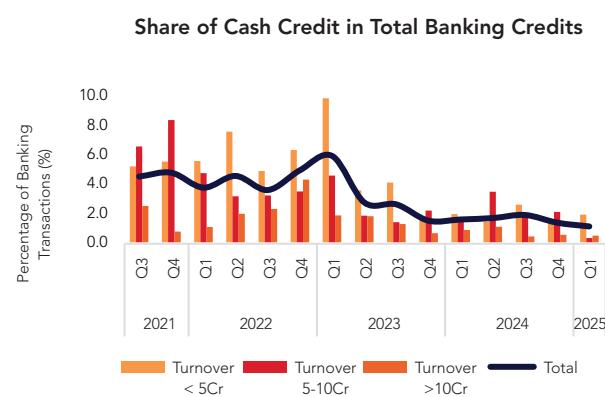


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstanding amounts are as of June 2025.

Auto Components: With UPI credits and debits increasing and cash transactions falling, digital adoption is strengthening. At the same time, sanctions show steady growth, indicating stronger and broader formal credit penetration across businesses. Machine and Machinery parts of Automobile lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions					
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Machine and Machinery parts of Automobile	42%	4.6 Cr	33 L	43 L	49%
Motor and other vehicles	29%	6.3 Cr	43 L	57 L	47%
Miscellaneous Auto components	16%	3.7 Cr	29 L	54 L	46%
Tubes and tyres	10%	5.0 Cr	35 L	45 L	43%
Rail Locomotive and Equipments	3%	5.0 Cr	32 L	49 L	38%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

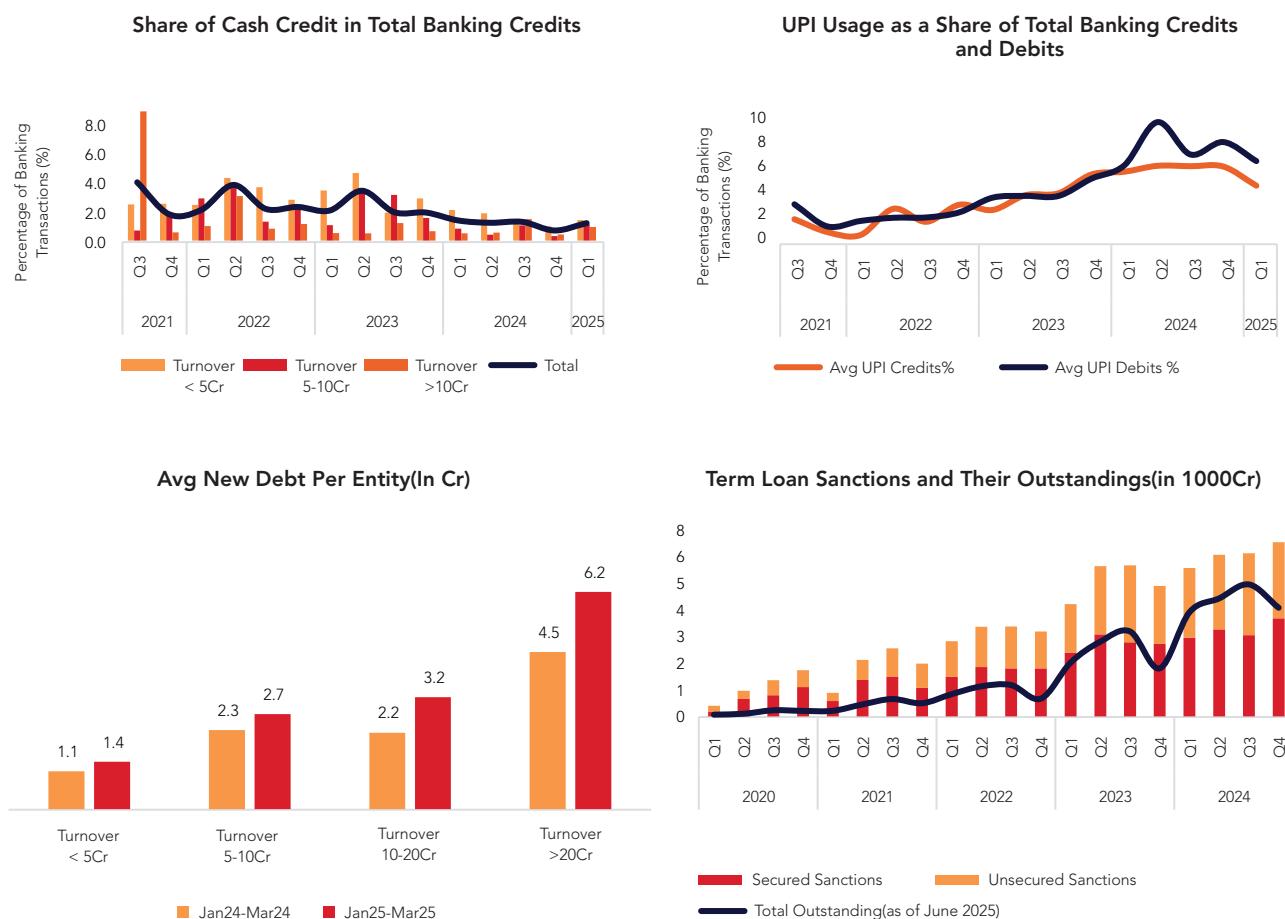


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Hospitality: UPI adoption continues to accelerate with consistent growth in credits and debits, even as cash reliance declines. In parallel, sanctions rise steadily, reflecting expanding formal credit penetration across markets. Personnel services lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions					
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Personnel services	34%	7.3 Cr	24 L	39 L	27%
Hotel, Tourism, food and beverage services	24%	3.5 Cr	28 L	85 L	60%
Miscellaneous hospitality services	19%	3.5 Cr	51 L	1.08Cr	54%
Transport services	18%	5.6 Cr	33 L	47 L	38%
Gym, Sports and Recreational	5%	2.8 Cr	26 L	46 L	50%

Declining Cash, Rising UPI, and Expanding Credit Sanctions



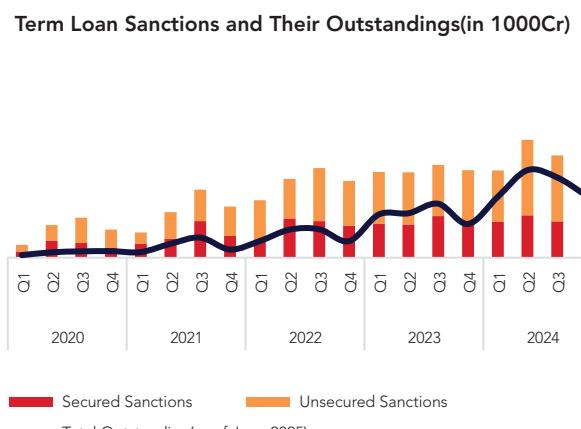
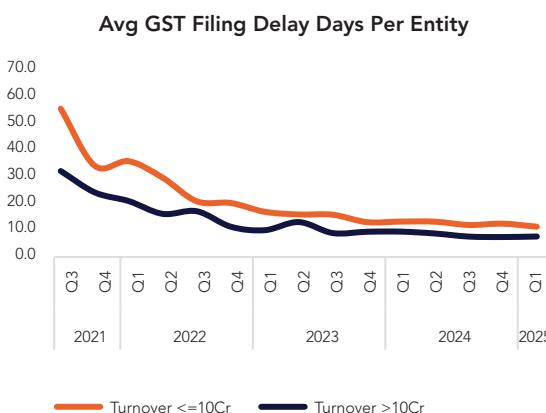
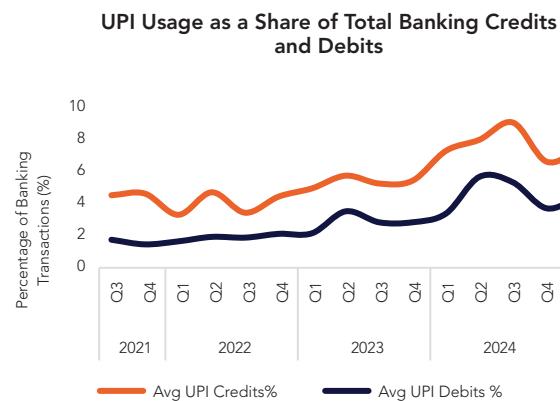
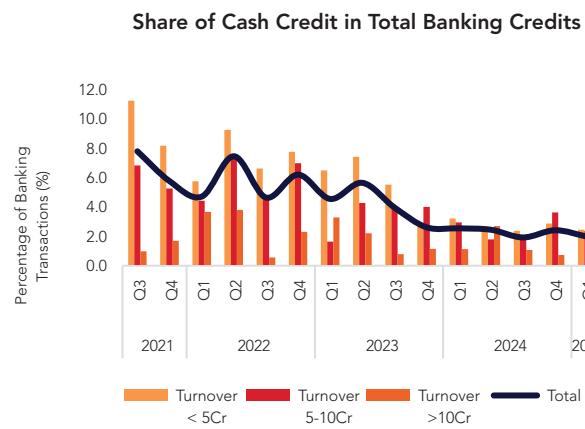
Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Healthcare: As UPI transactions steadily grow and cash dependence declines, digital adoption is accelerating. Meanwhile, sanctions keep trending upward, signifying stronger penetration and acceptance of formal credit in business ecosystems. Businesses are progressively adhering to GST filing schedules, resulting in fewer delays. Pharmaceutical goods lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions

Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover
Pharmaceutical goods	73%	4.5 Cr	37 L	53 L	46%
Medical instruments	19%	4.2 Cr	38 L	39 L	43%
Health care services	4%	5.8 Cr	49 L	1 Cr	68%
Glands, other organs and Blood	3%	5.9 Cr	72 L	40 L	61%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

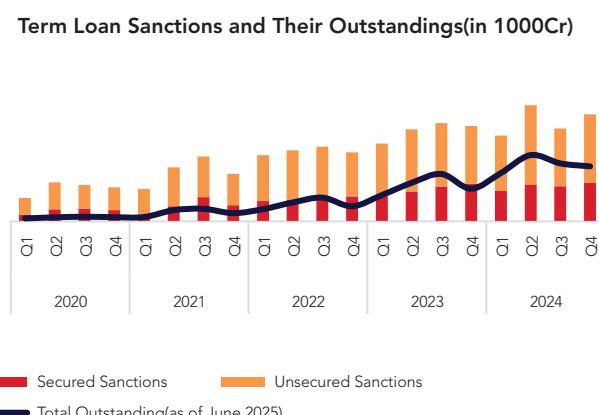
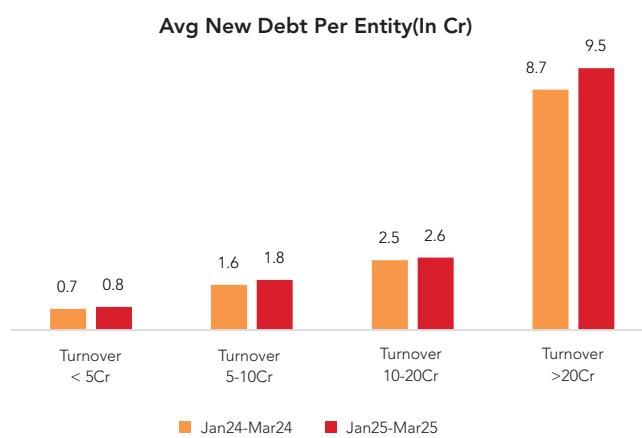
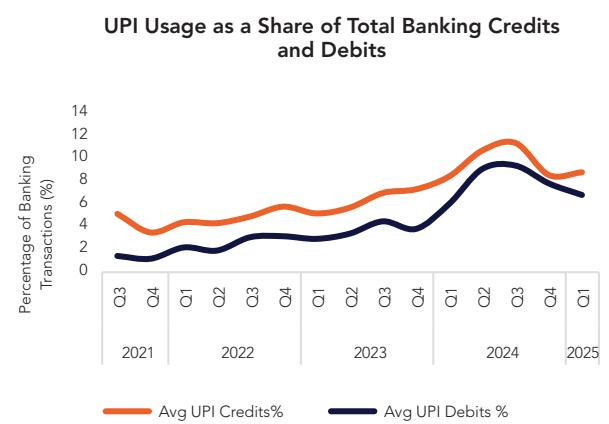
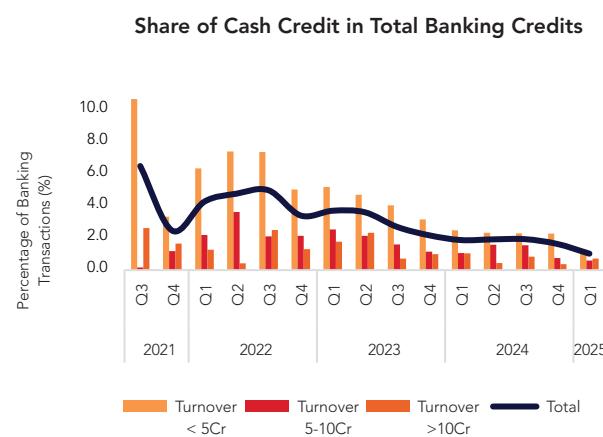


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

Textile: Digital adoption is rising, with UPI credits and debits steadily increasing, while reliance on cash transactions declines. At the same time, sanctions are trending upward, highlighting stronger penetration of formal credit across businesses. Apparel Articles lead sub-sector share, with secured ticket sizes outpacing unsecured in recent periods.

Prominent sub-sectors and their distributions						
Sub-Sector	Relative Share	Median Turnover	Average Unsecured Ticket Size (Sep24-Jun25)	Average Secured Ticket Size (Sep24-Jun25)	Debt to Turnover	
Apparel Articles		42%	8.5 Cr	29 L	54 L	47%
Man-made Textile - Yarn and Woven		25%	8.6 Cr	26 L	49 L	45%
Cotton - Yarn and Woven Fabrics		16%	15.8Cr	35 L	70 L	41%
Textile Miscellaneous Articles		7%	9.1 Cr	25 L	48 L	46%
Knitted or Crocheted Fabrics		6%	12.5Cr	33 L	60 L	45%
Textile Manufacturing Services		4%	4.5 Cr	26 L	39 L	51%

Declining Cash, Rising UPI, and Expanding Credit Sanctions

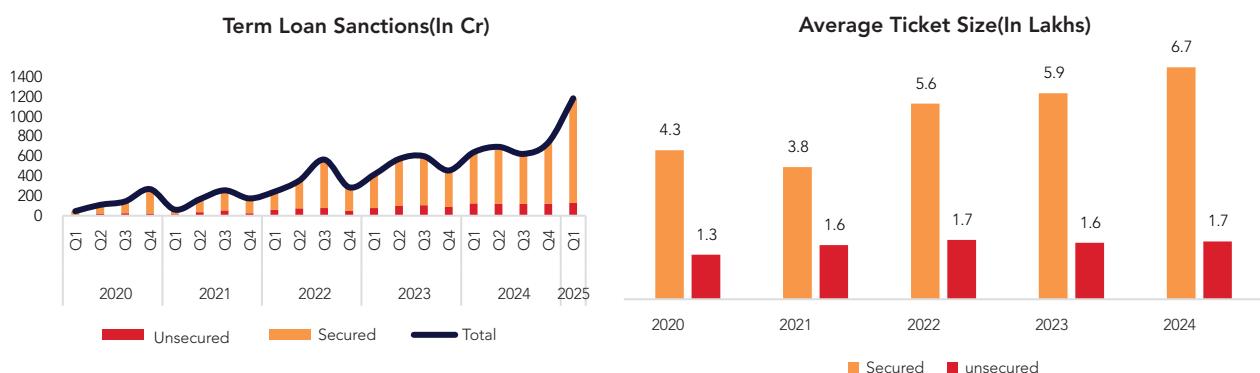
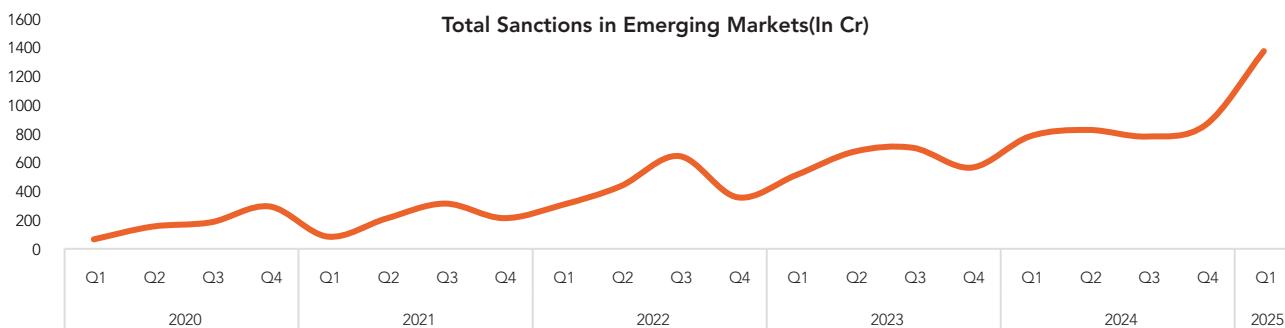


Note: The graphs are based on all loans and complete banking transactions of the studied population. Outstandings are as of June 2025.

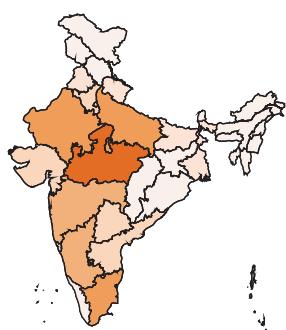
Emerging Markets: The study, based on more than 16,000 emerging markets across India, highlights that total sanctions are steadily rising with term loan sanctions also showing consistent growth. Secured loans continue to outpace unsecured loans, with average ticket sizes in secured credit remaining higher. Over time, the share of MFI loans and gold loans in the overall mix has been declining, while term loans are steadily gaining share, signaling a structural shift toward mainstream lending.

- Sanctions have been on a steady upward trajectory, reinforcing growing credit demand in emerging markets.
- Term loans are seeing a stronger adoption, reflecting MSMEs choice for structured, longer-tenure financing.
- Secured loans are not only outpacing unsecured loans in growth but also carrying larger ticket sizes, indicating greater collateral-backed participation.
- The share of MFI loans in the total loan portfolio is declining, showing a gradual move away from microfinance dependency.
- Gold loans are also losing share in the overall mix, as borrowers diversify beyond short-term asset-backed lending.
- Term loans are gaining share consistently, reflecting a transition toward mainstream and sustainable credit products.

16000+ Micro Sized MSME's studied at various points during a Five-year timeframe



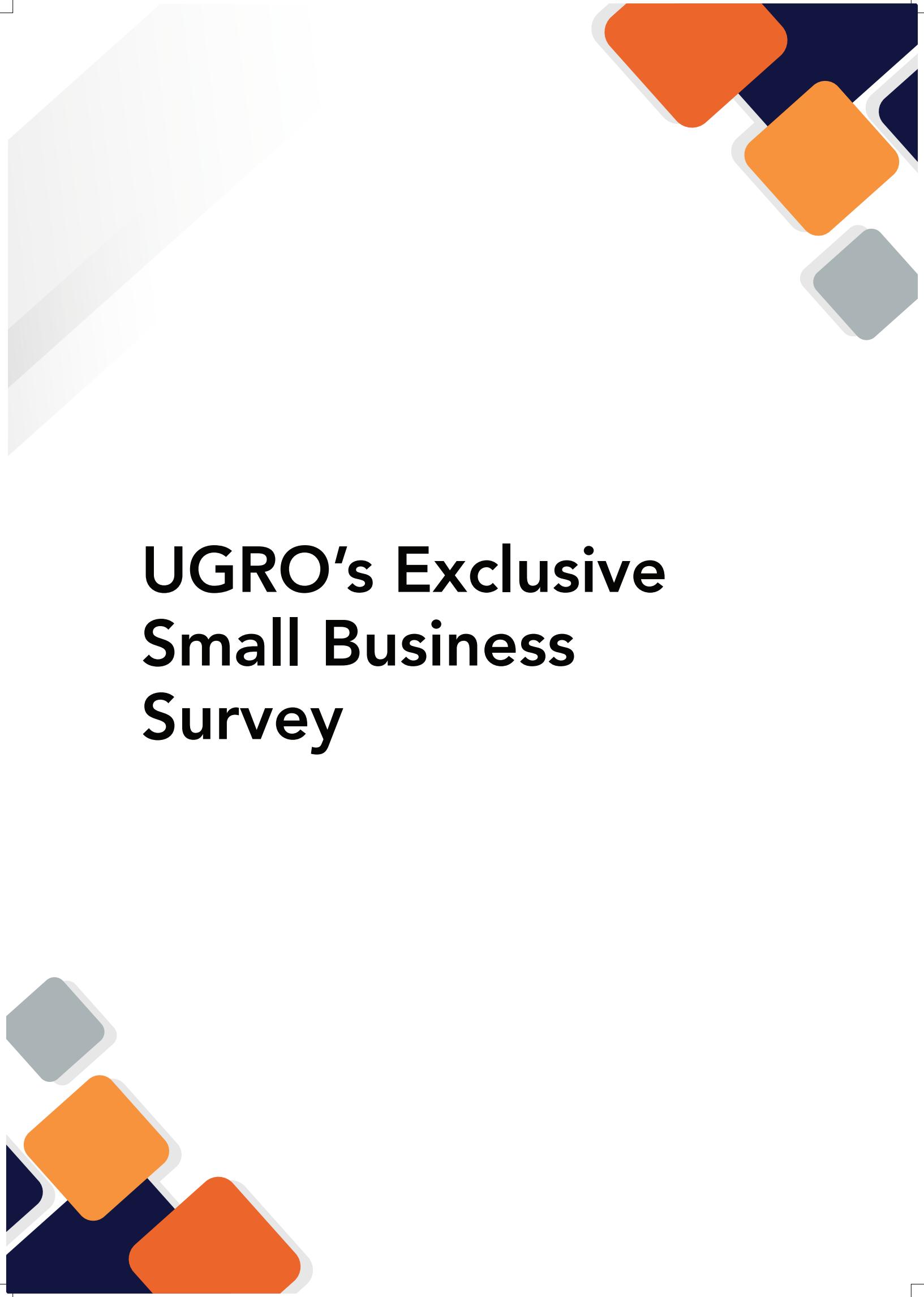
Emerging Market's Geographical Footprint



Distribution of Loan Type



The graphs are based on all loans taken by the studied population. Outstandings are as of June 2025.



UGRO's Exclusive Small Business Survey

The Voice of Emerging Market MSMEs

India's MSMEs are the backbone of the economy, yet often unheard in policy debates. For the 4th Edition of MSME Sampark, UGRO Capital engaged 5,000 MSMEs across nine states, focusing on Tier 2–4 towns where businesses thrive but finance is limited.

This is UGRO's largest direct MSME engagement, spanning retailers, manufacturers, service providers, and agri-enterprises. Over half the respondents are in trade and retail; services and manufacturing form most of the rest, reflecting the diversity of Bharat's MSMEs.

The blended methodology, interviews, calls with UGRO customers, and online outreach to non-customers, captured both sides: those with formal credit and those without.

What emerges is a candid picture of resilience after the pandemic, ambition to grow, but also persistent barriers to finance, digital adoption gaps, and unmet policy needs, highlighting why UGRO's Emerging Market Business matters more than ever.

Financing Realities

MSMEs in non-metro regions present significant untapped potential for credit expansion.

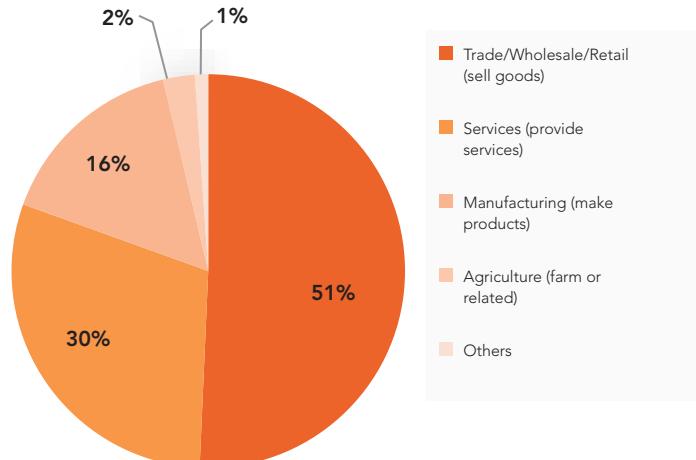
Sources of finance: 39% rely on personal savings, 35% on NBFCs, 15% on banks, and 3% on moneylenders.

Barriers: 83% claimed to face no barriers availing a loan, but others cite the burden of paperwork (7%), no formal financial records in cash-based businesses (6%), and poor credit scores (4%).

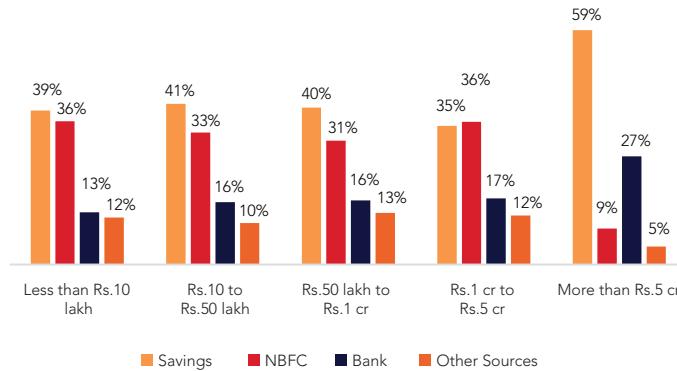
Preferences: On the demand side, MSMEs were clear about what they value. Loans against property (47%) and unsecured short-term business loans (44%) were almost equally desired. Key features valued are lower interest, instant disbursal, and flexible EMIs.

The message is clear: MSMEs seek affordable, timely, and simple credit. UGRO's GRO Score 3.0 and co-lending platform were built precisely to address these gaps.

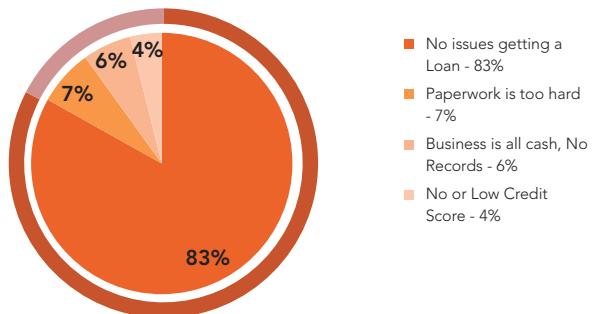
Classification of the Survey Population



Funding Source vs. Turnover

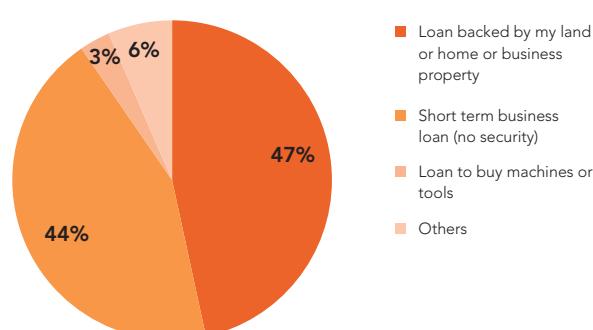


Credit Accessibility



■ 83% of the Respondents Reported No Issue In Availing Credit
■ 17% of the Respondents Reported an Issue In Availing Credit

Preferred Loan Type



Digital Adoption, Half the Journey

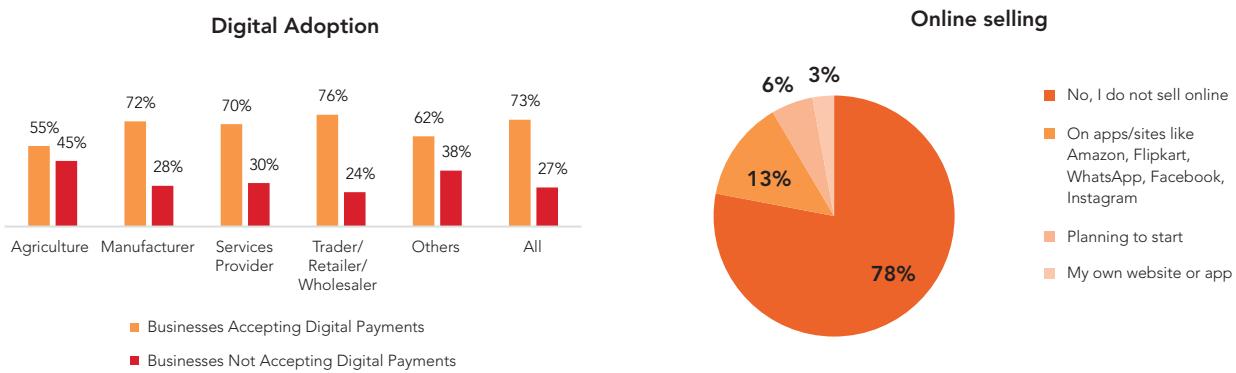
Digital payments are mainstream, but online selling lags.

UPI, card, or wallet payments: 73% accept UPI, card, or wallet payments, showing digital payments mainstream in small towns.

Commerce: 78% of businesses sell only through physical outlets, while 13% use e-commerce platforms and 3% have their own website or app. Another 6% plan online sales soon, reflecting a gradual shift toward digital adoption.

MSMEs are ready to handle payments digitally, but they are not yet equipped to leverage digital channels for business growth. The barriers are not only technological, but also financial and operational: the cost of onboarding, the learning curve, and the need to manage logistics and compliance.

For UGRO, this presents a clear opportunity. With its focus on Emerging Market MSMEs, UGRO can leverage payment data as a surrogate for creditworthiness and provide working capital loans, e-commerce onboarding finance, and sector-specific support to help businesses bridge the gap between being digitally enabled and digitally empowered

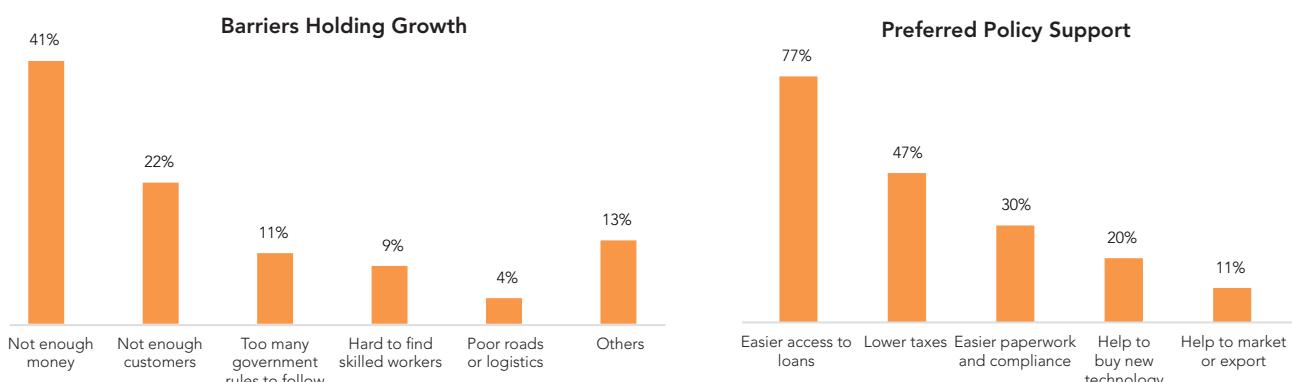


Growth Barriers & Policy Needs

MSMEs cite lack of finance (41%), limited customer base (22%), regulatory and compliance hurdles (11%), shortage of skilled manpower (9%), and poor infrastructure and logistics (4%) as growth barriers.

When asked about the kind of policy support that would most benefit them, MSMEs were unambiguous. Easier access to loans was the top demand (77%), followed by lower taxation (47%) which has recently been addressed by the GST 2.0 reforms, and simplified compliance (30%). While subsidies for technology adoption (20%) and marketing/export support (11%) were also mentioned, the clear priority was on credit and compliance.

For UGRO, this validation is timely. UGRO's strategy, simplifying processes through digital-first underwriting, advocating for MSMEs in the policy ecosystem, and building co-lending partnerships to drive affordable rates aligns directly with the top three asks voiced by MSMEs themselves. It demonstrates that UGRO is not only addressing a market gap but also responding to the most urgent priorities of Bharat's entrepreneurs.

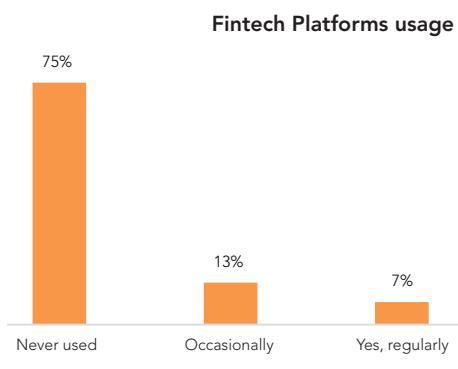
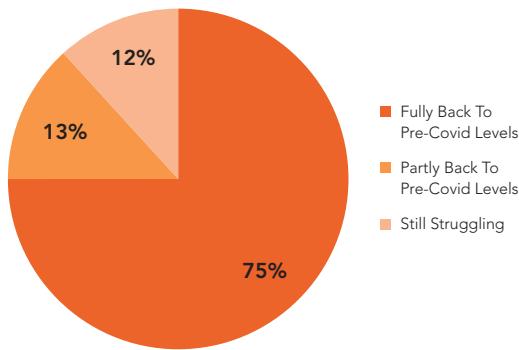


Resilience & Recovery

MSMEs show strong recovery post-pandemic: 75% fully recovered, 13% partly, 12% still struggling. Retail and trade bounced back faster; some manufacturing, services, and non-metros lag.

Implication: recovered MSMEs need growth capital, struggling ones need tailored support. UGRO's resilience through past crises shows its ability to be a long-term MSME partner.

Business Recovery to Pre-Covid Levels



Digital Fintech Platforms & adaptation in Bharat

Digital lending and fintech apps remain niche: 75% never used, 13% tried occasionally, 7% use regularly. While they may adopt UPI for payments out of customer necessity, borrowing remains a high-trust activity

This does not mean MSMEs reject technology. MSMEs want a blend of digital efficiency and human assurance. That is why UGRO's "phygital" model, branch presence in non-metros backed by digital underwriting resonates more with Bharat MSMEs.

From Survey Insights to UGRO Solutions

The voice of 5,000 MSMEs provides not just data but validation. Each finding aligns closely with UGRO's business model and Emerging Market strategy.

- **Barrier:** Paperwork and cash-based books

UGRO's Answer: GRO Score 3.0, which uses surrogate and digital data to underwrite thin-file borrowers. Ask: Instant disbursal and flexible EMIs

- **UGRO's Answer:** Rapid turnaround loans, co-lending partnerships that deliver affordability, and flexible repayment structures.

- **Trend:** NBFCs outranking banks in accessibility

UGRO's Answer: Being a data-tech NBFC that is already expanding its branch network and partner ecosystem in Tier 2–4 towns.

- **Gap:** Digital payments mainstream, online selling niche

UGRO's Answer: Tailored working capital products and financing solutions for MSMEs seeking to move from offline-only to omni-channel commerce.

- **Reality:** Digital Fintech Platforms & adaptation in Bharat

UGRO's Answer: A hybrid distribution strategy that blends local trust with digital speed.

This alignment is no accident. UGRO Capital was founded with the conviction that MSMEs are the most underserved yet most promising segment of the Indian economy. The survey confirms that conviction.

As we expand our Emerging Market Business, the insights from this survey will guide not only how we design products, but also how we continue to stand as the trusted partner of Bharat's entrepreneurs. MSMEs have spoken clearly. And UGRO is listening and acting.

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About UGRO Capital Ltd.

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 Data-tech approach.

The Company's prowess in Data Analytics and strong Technology architecture allows for customized sourcing platforms for each sourcing channel - especially the sourcing platforms like 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 credit scoring model GRO Score (3.0), a statistical framework using AI / ML driven statistical model to risk rank customers, is revolutionizing the MSME credit by providing on-tap financing like consumer financing in India.

UGRO Capital has pioneered in the Co-lending model in India through relationships with 10+ Large Public Sector Banks and large NBFCs and built a sizeable off-balance sheet asset of more than 45% of its AUM through the GRO Xstream platform. As of September 2025, in short period of 7 Years, UGRO has built an AUM of over Rs. 12000 crores. It has served over 1,60,000+ customers across 13,000+ different pin codes, scrutinizing over 3,00,000+ bank statements, 1,20,000+ GST records, and processing more than 2,40,000+ GRO Score logins.

Looking ahead, UGRO 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/>



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