



## Press Release

**Regency Fincorp Limited**  
**Dec 12, 2023**

### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility (Term Loan- Proposed)	50.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	Assigned	Simple
<b>Total</b>	50.00	<b>Rupees Fifty Crores</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable outlook for the bank loan facilities of Regency Fincorp Limited (RFL).

The rating assigned to the Regency Fincorp Limited is on account of extensive experience of management in the same line of business, comfortable asset quality and continuous Improvement in Capital Adequacy Ratio (CAR). However, these strengths are partially offset by geographical concentration and modest scale of operations, moderate profitability margins and competitive nature of industry.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the RFL's business & financials risk profile will be maintained over the over the medium term.

IVR has principally relied on the standalone audited financial results of Regency Fincorp Limited up to FY23, H1FY24, three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

### Key Rating Sensitivities:

#### Upward Factors

- A significant increase in the scale of operations, without a significant impact on the asset quality.
- Diversification of the funding source base while keeping adequate capitalization and operating buffers, and the maintenance of adequate liquidity, all on a sustained basis would lead to a positive rating action.

#### Downward Factors

- Inability to increase the scale of operations and/or significant deterioration in the asset quality, along with a substantial increase in leverage, all on a sustained basis, could result in a negative rating action.
- Deterioration in the profitability and cash accruals leading to deterioration in debt coverage indicators and overall financial risk profile.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Extensive experience of Management:**

The company is promoted by Mr. Gaurav Kumar (Managing Director) who has more than two decades of experience in credit and risk analysis. The company has various products, such as, SME, Personal and Group Loan. Presently, Ms. Sahara Sharma oversees the financial, operational, legal & administrative activities of the company, along with Nancy Sharma, who is the CFO of the company, supported by experienced key personnel.

##### **Comfortable Asset Quality:**

RFL's asset quality has remained comfortable with Gross NPA% and Net NPA% at 0.97% and 0.83% respectively as on March 31, 2023, which improved further to 0.63% and 0.53% respectively as per H1FY24 results. The company follows 90+ dpd NPA recognition norm in the books of accounts and have comfortable NPA%. As on March 31, 2023, only 0.68% and 0.29% of the total portfolio aged more than 90 dpd to 180dpd and 180+ dpd, respectively.

##### **Continuous Improvement in Capital Adequacy Ratio**

The overall CRAR improved to 39.57% in H1FY24 owing to infusion of equity, conversion of USLs to equity; earlier CAR was 13.71% as on March 31st, 2023. CRAR has been currently maintained above the minimum required CRAR limit of 15% for NBFCs as per regulatory requirements.

#### Key Rating Weaknesses

##### **Geographical Concentration and Modest Scale of Operations**

The scale of the operations of the company remains modest as reflected by its loan portfolio of Rs. 99.60 crore as on March 31, 2023, against Rs. 85.45 crore on March 31, 2022. In H1FY24, the total loan asset stood at Rs. 117.84 crore. In terms of geographical presence, the entity is operating currently in four states i.e., Delhi, Punjab, Chandigarh & Gujarat. Delhi, Punjab is the main region of operations for the company which accounts for more than 95% of the total loan portfolio as per FY23. There is high concentration towards these regions, the company is exposed to the risk of geographical concentration.

##### **Moderate Profitability:**

The PAT(after deferred tax) has shown improvement, however, remained moderate in FY23 at Rs.0.93 crore as against Rs.0.55 crore in FY22. As per H1FY24 (unaudited), the company reported PAT of Rs. 0.69 crore. Going forward, if the asset quality levels deteriorate, the profitability is expected to be impacted. The company reported net interest margin (NIM) of 4.28% in FY23 as against 4.11% in FY22. ROTA stood at 0.94% in FY23 as against 0.85% in FY22.



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### Competitive Nature of Industry

The company is exposed to stiff competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket size is highly fragmented with unorganized lenders also vying for the same set of borrowers.

**Analytical Approach:** For arriving at the ratings, IVR has analyzed RFL's credit profile by considering the standalone financial statements of the company.

### Applicable Criteria:

[Rating Methodology for Non-Banking Finance Companies](#)  
[Financial Ratios & Interpretation \(Financial Sector\)](#)  
[Criteria for assigning rating outlook](#)

### Liquidity – Adequate

Liquidity is marked improved CAR of 39.57% as on Sep,2023 (had CAR of 13.71% in FY23) is well above the stipulated regulatory norm of 15%. The average collection efficiency on current demand for the last 12 months ended September,2023 is ~ 99%. Apart from it, the company had cash and cash equivalents of about Rs. 0.21 crore as on March 31st, 2023 and Rs 6.60 Crs as on Sep,2023. Overall, liquidity position is expected to be adequate.

### About the Company

Regency Fincorp Limited, incorporated in 1993, is a non-deposit non- systemic important NBFC registered with the RBI. It provides customer-centric financial services, mainly in the form of micro-credit, to the under-served and un-served women population and MSMEs of the country. The credit extended is utilized majorly in agriculture and allied activities as well as in small businesses and also give personal loan and consumer durable loan.

### Financials (Standalone):

For the year ended*	31-03-2022	31-03-2023	(Rs. crore)
	Audited	Audited	H1FY24 Prov.
Total Operating Income	5.46	13.52	7.50
PAT	0.55	0.93	0.69
Total Debt	76.71	89.73	84.90
Tangible Net worth	12.74	13.66	46.62
Total Loan Assets	85.46	99.60	117.84
Overall Gearing Ratio (x)	6.02	6.57	1.58
GNPA (%)	2.14	0.97	0.63
NNPA (%)	1.90	0.83	0.54
CAR (x)	12.74	13.66	39.57

Financials as per Infomerics standards

Status of non-cooperation with previous CRA : NA



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Any other information: Nil

### Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount Outstanding (Rs. crore)	Rating	17 May 2023	Date(s) & Rating(s) assigned in 2022-23 24 Nov, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based (Proposed)	Long Term	50.00	IVR BBB-/ Stable; Assigned	Withdrawn <sup>^</sup>	IVR BB/Stable	-	-

<sup>^</sup> Plain withdrawn without rating

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facilities – Term Loan (Proposed)	-	-	-	50.00	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-regency-dec23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)