Press Release

Regency Fincorp Limited

November 24, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Proposed Long Term Bank Facilities	10.00	IVR BB; Stable Outlook (IVR Double B with Stable Outlook)	Assigned	Simple
Total	**10.00 (Rs. Ten Crore Only)**	**Rupees Ten Crore Only**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BB with a Stable Outlook & short-term rating of IVR A4 for the proposed bank loan facilities of Regency Fincorp Limited (RFL).

The rating draws comfort from its extensive experience of the promoters, significant increase in operations and increase in CAR through proposed debt conversion. However, these strengths are partially offset by growing yet small scale of operations, concentration towards lending to NBFCs and competitive nature of the industry.

IVR has principally relied on the standalone audited financial results of RFL up to 31 March 2022, half-yearly results of FY23 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the firm'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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Management:**

Although the NBFC has been operational only from 2016, the managing director of the company i.e., Mr. Gaurav Kumar has more than 20 years of experience in the capital markets & real estate segment.

- **Significant increase in operations:**

The Company's consistent growth can be seen from their improving revenue trend, i.e., INR. 3.61 Crore in FY20 to INR. 5.46 Crore in FY22 which is a growth of almost 51% in 2 years. Increase in the wholesale particularly SME segment of borrowers and increased network through same branch office has helped increasing revenues and in controlling operational expenses. This has resulted in the loan book growing from Rs. 33.79 crore in FY21 to Rs. 85.01 crore in FY22

Key Rating Weaknesses

- **Growing yet small scale of operations**

The company has a very short period of operational record since it was taken over by the current management only in 2016 and became operational in 2018. The company’s loan portfolio stood at Rs. 85.01 crore in FY22 as compared to Rs. 33.79 crore in FY21. Although the loan portfolio has grown significantly since FY18, the scale is still small.

- **Concentration towards lending to NBFCs**

The company provides funding to various clients across asset classes such as , SME, and enterprise finance etc. However, from previous year company is adding retail segment to its customer base of Wholesale segment only. Given the difficult operating environment the NBFC sector has been facing since the beginning of FY21, which has aggravated the liquidity issues of NBFIs with the resultant impact on asset quality and profitability. Hence the company's portfolio remains exposed to these challenges.

- **Competitive Nature of Industry**

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 analysed RFL's credit profile by considering the standalone financial statements of the firm.

Applicable Criteria:

Rating Methodology for Financial Institutions & NBFC/HCFC

Financial Ratio interpretation (Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

Liquidity is marked adequate by adequate Capital adequacy ratio of 28.09% on March 31, 2021, and 21.39% as on March 31, 2022, which is well above the stipulated regulatory norm of 15%. Company's collection efficiency for the last 7 months has been ~98.00%. The Company has cash & cash equivalents of INR. 1.31 Crore as on March 31, 2022. Overall, liquidity position is expected to be adequate.

About the Firm

Regency Fincorp Limited is a non-deposit taking NBFC registered with the RBI. Regency Fincorp Limited Was incorporated on 29 March 1993. They provide 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. Through their products and services, they aim at empowering the economically active poor households and MSMEs to grow their businesses and thus improve their overall quality of lives.

Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Income	5.37	5.46
Interest Expenses	2.42	2.79
PAT	0.42	0.55
Total Debt	27.84	76.71
Tangible Net worth	9.49	12.74
Total Loan Assets	33.78	84.65
PAT Margin (%)	7.79	10.13
Overall Gearing Ratio (x)	2.93	6.02
Gross NPA (%)	0.77%	0.44%
Net NPA (%)	0.77%	0.44%

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (24 November 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Proposed Fund Based Bank Facility – Term Loan	Long Term	10.00	IVR BB; Stable Outlook	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Ms. ABHIJEET	Name: Mr. Om Prakash Jain
Tel: (011) 24601142	Tel: (011) 24601142
Email: abhijeet.kumar@infomerics.com	Email: opjain@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	10.00	IVR BB; Stable Outlook

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-Fincorp-nov22.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 Complexity Level of Rated Instruments/Facilities.