



INFOMERICS VALUATION AND RATING PVT. LTD.

Integrated Financial Omnibus Metrics Research of International Corporate Systems

Dec 11, 2023

Mr. Gaurav Kumar

Managing Director

Regency Fincorp Limited

T-4 B 3rd floor Centra Mall Industrial Area phase -1,

Chandigarh- 160002

Assignment of rating to the Bank facilities of Regency Fincorp Limited

Please refer to the Mandate contract dated **Oct 13, 2023**, on the captioned subject and your e-mail dated **Dec 11, 2023**, accepting our rating & use thereof.

1. Our Rating Committee has assigned the following ratings:

S.No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility (Term Loan- Proposed)	50.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	Assigned
	Total	50.00	Rupees Fifty Crores	

2. Details of the credit facilities are attached in **Annexure I**. Our rating symbols for long-term and short-term ratings and explanatory notes thereon are attached in **Annexure II**.
3. The press release/ rating rationale for the rating will be communicated to you shortly.
4. If the proposed long term / short term facility (if any) is not availed within a period of six months / three months respectively from the date of this letter, then the rating may please be revalidated from us before availing the facility.

Corporate Office : Kanakia Wallstreet, Office No.1105, B Wing, Off Andheri-Kurla Road, Andheri (East), Mumbai - 400093, India.
Phone : +91-22 62396023 E-mail: mumbai@infomerics.com Website: www.infomerics.com

Registered & Head Office : Flat No. 104/106/108/303, 1st Floor, Golf Apartments, Sujan Singh Park, New Delhi - 110003, (INDIA)
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CIN : U32202DL1986PTC024575



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5. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is **Dec 08 , 2023**).
6. A formal surveillance/review of the rating is normally conducted within 12 months from the date of initial rating/last review of the rating. However, INFOMERICS reserves the right to undertake a surveillance/review of the rating more than once a year if in the opinion of INFOMERICS; circumstances warrant such surveillance/review.
7. Further in terms of the mandate executed with us, you have undertaken to comply with the following: -
 - a) Inform INFOMERICS before availing any new bank facility/ies and/or of any changes in the terms, conditions and/or size of the facilities rated.
 - b) Furnish all material information and any other information in a timely manner as may be required by INFOMERICS, for monitoring the Rating assigned during the tenure of the bank facilities rated by INFOMERICS.
 - c) Co-operate with and enable INFOMERICS to arrive at and maintain a true and fair rating and in particular, provide INFOMERICS with true, adequate, accurate, fair, and timely information for the purpose.
 - d) Inform INFOMERICS, in writing and in a timely manner, of any other developments which may have a direct or indirect impact on the CLIENT's debt servicing capability including any proposal for re-schedulement or postponement of the repayment programs of the dues/ debts of the CLIENT with any lender (s)/ investor (s) within seven days from the date of such developments/ proposal.
8. **You shall provide us with a No Default Statement as at the last date of the month on the first date of succeeding month without fail.** The NDS shall be mailed every month nds@Infomerics.com and the mail id of the undersigned
9. **You shall provide the quarterly performance results/quarterly operational data (being submitted to Banks) to us within 6 weeks from the close of each calendar quarter for our review/monitoring.**
10. You shall furnish all material information and any other information called for by INFOMERICS in a timely manner, for monitoring the rating assigned by INFOMERICS. In the event of failure on your part in furnishing such information, to carry out continuous monitoring of the rating of the bank facilities, INFOMERICS shall carry out the review/annual surveillance on the basis of best available information throughout the life time of such bank facilities as per the policy of INFOMERICS.

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11. INFOMERICS reserves the right to withdraw/revise/reaffirm the rating assigned on the basis of new information. INFOMERICS is also entitled to publicise/disseminate such withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.
12. Please note that INFOMERICS ratings are not recommendations to buy, sell or hold any security or to sanction, renew, disburse or recall the bank facilities. INFOMERICS do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
13. In case you require any clarification, you are welcome to communicate with us in this regard.

Thanking you,

With Regards,

Raman Thakur
Manager Ratings

Tarun Jain
Rating Analyst

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 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 factor.

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ANNEXURE I

1. Long-term facilities

1. A Long Term Fund Based Facility – Term Loan

(Rs. Crore)

Sr. No	Lender	Type of Facility	Rated Amount	Remarks	Maturity
1.	Proposed	Term Loan (Proposed)	50.00	-	-
	Total		50.00	-	

ANNEXURE II

INFOMERICS Rating Scale for Long Term Instruments & Borrowing Programs

Rating Scale	Definition
IVR AAA	Securities with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such securities carry lowest credit risk.
IVR AA	Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.
IVR A	Securities with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such securities carry low credit risk.
IVR BBB	Securities with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such securities carry moderate credit risk.
IVR BB	Securities with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations
IVR B	Securities with this rating are considered to have high risk of default regarding timely servicing of financial obligations.
IVR C	Securities with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.
IVR D	Securities with this rating are in default or are expected to be in default soon

INFOMERICS may apply '+' (plus) or '-' (minus) signs for ratings assigned 'IVR AA' to 'IVR C' to indicate their relative standing within the category. INFOMERICS may assign rating outlooks for ratings from IVR 'AAA' to IVR 'B'.

The above rating scale also applies to rating of bank loans and other instruments

INFOMERICS Rating Scale for Short Term Instruments & Borrowing Programmes

Rating Scale	Definition
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IVR A1	Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such securities carry lowest credit risk.
IVR A2	Securities with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such securities carry low credit risk.
IVR A3	Securities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such securities carry higher credit risk as compared to instruments rated in the two higher categories..
IVR A4	Securities with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such securities carry very high credit risk and are susceptible to default.
IVR D	Securities with this rating are in default or expected to be in default on maturity.

INFOMERICS may apply '+' (plus) signs for ratings assigned from 'IVR A1' to 'IVR A4' to indicate their relative standing within the category.

The above rating scale also applies to rating of bank loans and other instrument.

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Annexure III
Regency Fincorp Limited
Dec 11, 2023

Facility wise lender names are:

Sr No.	Lender Name	Type of Facility	Nature	Rated Amount (Rs. Crore)
1.	Proposed	Term Loan (Proposed)	Long Term	50.00



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Regency Fincorp Limited

Dec 12, 2023

Ratings

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

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.



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- Deterioration in the profitability and cash accruals leading to deterioration in debt coverage indicators and overall financial risk profile.

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



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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.

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) H1FY24
	Audited	Audited	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



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CAR (x)	12.74	13.66	39.57
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Financials as per Infomerics standards

Status of non-cooperation with previous CRA : NA

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 [^]	IVR BB/Stable	-	-

[^] Plain withdrawan without rating

Name and Contact Details of the Rating Analyst:

Name: Mr. Raman Thakur Tel: (011) 45579024 Email: raman.thakur@infomerics.com	Name: Mr. Om Prakash Jain Tel: (011) 45579024 Email: opjain@infomerics.com
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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

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



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and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change 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
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: As per attached Annexure III

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