

Repc Micro Finance Limited (Revised)

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BBB+; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable (Triple B Plus; Outlook: Stable) assigned to bank facilities of Repco Micro Finance Limited (RMFL) with immediate effect. The above action has been taken at the request of RMFL and 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE.

The rating assigned to the long-term bank facilities of Repco Micro Finance Limited (RMFL) continues to factor in the benefits derived by RMFL from being part of the Repco group including nomination of management team, adequate loan appraisal and collection system in place, comfortable capitalisation levels and healthy profitability with further improvement in FY24 (refers to April 01 to March 31) and 9MFY25 (refers to April 01 to December 31). However, the rating is constrained by moderate scale of operations with a geographically concentrated loan portfolio, moderate resource profile and moderate asset quality, however, this has remained relatively stable in 9MFY25 and the inherent risks associated with the microfinance industry, including socio-political and regulatory risks.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes the entity shall sustain its financial risk profile with comfortable capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Benefits derived from being part of the Repco group including nomination of management team

RMFL derives significant benefits in the form of managerial, financial and operational support from Repco Bank and Repco Home Finance Limited (RHFL, rated 'CARE AA-; Stable/ CARE A1+'). This is likely to aid RMFL in expanding the branch network to new geographies in which Repco Bank/RHFL has a presence. Repco Bank and RHFL have demonstrated their financial support by way of fresh infusion of equity capital in RMFL at periodical intervals and the support by way of equity infusion is expected to continue. Repco Bank has extended term loan of ₹300 crore and overdraft limit of ₹200 crore. Being a subsidiary of Repco Bank, RMFL has been able to mobilise funds from commercial banks at a relatively lower rate of interest. Supported by the group's strong resource-raising ability, RMFL is expected to mobilise funds from different avenues by widening the lenders' base. RMFL's board comprises of 11 directors with five independent directors as well on the board. The board has nominees from Repco Bank and Repco Home Finance Limited (RHFL) as well. The day-to-day operations are managed by a team of professionals headed by key management people who have vast experience in the banking industry. Although the operations are managed by RMFL's management team, strategic decisions and business plans are approved by the board. A G Venkatachalam is RMFL's managing director, and manages the day-to-day operations. He has over three decades of rich experience in banking and micro-finance through capacities.

Adequate loan appraisal and collection system

RMFL operates under the self-help group (SHG) lending model in which the group undergoes training programmes in activities. The group also undergoes training regarding the loan process, product details, group formation and group liability. RMFL's field officers complete the loan application process and submit the documentation to the branch manager and the KYC details. The branch manager then meets the group in the centre meeting to assess its integrity and repayment capacity. The credit bureau check is done by the loan officer at the branches. Once the credit bureau check is completed for households, relevant documents including the KYC details of each group member are uploaded on the loan sanction workflow (LSW). The loan officer also does income assessment for the household. After checking the eligibility and verifying details, the loan is sanctioned by the credit officer at the head office (HO). Loans are disbursed directly to the customer bank account. Every borrower is given the repayment schedule indicating the due dates and the loan card for the loan account. The portfolio is monitored on an on-going basis by post disbursement verification of assets created of the loan amount. The monthly repayment is done by the group members at the branches. At the end of each day, the collected amount is deposited in the designated bank branch and updated in the system. This facilitates generation of reports on the same day and assists in the reconciliation process as well. RMFL has adequate

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

structure to monitor the operations at different levels. It has defined credit appraisal, collection and monitoring systems. The company has an inspection team and an internal audit team, where the internal auditors conduct operational audits quarterly. At present, the company uses in-house MIS for the day-to-day operations. The details of the customers are entered the MIS. The system generates reports such as PAR report, disbursement report, cash, status and audit report, among others. RMFL also has a data centre and disaster recovery site.

Comfortable capitalisation levels

Supported by healthy internal accruals, capital adequacy levels remain comfortably above the regulatory requirements. As on December 31, 2024, CAR and Tier-I CAR at 32.56% and 30.95%, respectively. Gearing stood at 2.01x as on December 31, 2024 (December 31, 2023: CAR (%) -27.81%, Tier-I CAR (%) -26.69% and overall gearing -2.43x).

Healthy profitability with further improvement seen in FY24 and 9MFY25

RMFL charges interest rate in the range of 22-23% currently post the removal of lending rate cap. The company reported profit after tax (PAT) of ₹68 crore on total income of ₹247 crore in FY24 against ₹46 crore on a total income of ₹178 crore in FY23. The company's net income margin (NIM) increased from 12.44% in FY23 to 14.53% in FY24. NIM increased with the increase in interest rates. Opex/ average total assets stood higher at 5.25% in FY24 against 4.69% in FY23. However, credit cost stood lower at 1.18% in FY24 (FY23: 1.55%). As a result, return on total assets (ROTA) stood at 5.82% in FY24 against 4.21% in FY23. In 9MFY25, the company reported PAT of ₹63 crore on a total income of ₹222 crore. ROTA (annualised) stood at 6.52% in 9MFY25.

Key weaknesses

Geographically concentrated loan portfolio

The company operates through 121 branches with presence in four states. However, it is majorly concentrated in Tamilnadu with 118 branches in the state and forms 99% assets under management (AUM) as on December 31, 2024. Although strong presence in a particular region helps the company understand the dynamics of the particular region, the single-state exposure would lead to socio-political risks and geographical concentration risk.

Asset quality remained relatively stable in 9MFY25, however, continues to remain moderate

The company's asset quality improved in FY24 as gross non-performing assets (GNPA) stood at 2.72% as on March 31, 2024, against 4.95% as on March 31, 2023. This stood stable at 2.72% as on December 31, 2024, although moderation was witnessed in Q3FY25. However, it may be noted the company had made write-offs of ₹27.27 crore in 9MFY25. Net NPA continues to remain nil as on December 31, 2024.

Moderate scale of operations with decline in AUM in Q3FY25

AUM witnessed increase of 22% in FY24 and stood at ₹1,331 crore as on March 31, 2024 (March 31, 2023: ₹1087 crore). However, with stress witnessed in MFI segment, the company took a conscious decision to slowdown disbursement in the segment leading to decline in AUM to ₹1,297 crore as on December 31, 2024.

Moderate resource profile; however, cost of borrowings is the lowest in the same rating category

The company's cost of borrowings is one of the lowest in the same rating category. RMFL's major source of funding continues to be bank borrowings which constituted 91.8% of the total borrowings as on December 31, 2024, and the remaining is constituted by term loan from NBFCs. The company has overdraft limit of ₹200 crore with Repco bank.

Inherent industry risks

The microfinance sector continues to be impacted by the inherent risk involved, including socio-political intervention risk and risks emanating from unsecured lending and marginal profile of borrowers who are vulnerable to economic downturns.

Liquidity: Adequate

The company's asset liability management (ALM) profile remains adequate with no cumulative mismatches in the time buckets in ALM profile upto one year as on September 30, 2024. ALM is adequate with availability of tenor matching facilities in line with the loans. The company had ₹11 crore as bank balance and unavailed lines of credit amounting to ₹283 crore as on September 30, 2024. Support from Repco Bank in terms of the extending facilities to RMFL on a need-basis and availability of an overdraft limit of ₹200 crore from Repco Bank also provides comfort.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Microfinance institutions

Repco Micro Finance Limited (RMFL) was incorporated in 2007 as Repco MSME Development & Finance Limited and registered under Companies Act, 1956. The company got registered with RBI in 2010 and commenced microfinance operations in the same year. Later, it was converted into NBFC-MFI in December 2013. The company is promoted by Repco Bank (Repatriates Cooperative Finance & Development Bank Limited), a Government of India Enterprise. As on December 31, 2024, Repco Bank holds 68% stake and Repco Home Finance Limited (RHFL, rated CARE AA-; Stable/ CARE A1+, Repco Bank holds 37% in RHFL) holds 32% in RMFL.

RMFL is engaged in the activity of extending loans to economically backward women through Women Self Help Groups (SHG) for income generation purposes. The company's main objective is to assist the poor women for their upliftment, promoting entrepreneurship and providing micro credit/ finance in different loan cycle at reasonable rates of interest.

Brief Financials (₹ crore)- Standalone	31-03-2023 (A)	31-03-2024 (A)	31-12-2024 (UA)
Total operating income	178	247	222
PAT	46	68	63
Interest coverage (times)	2.16	2.14	2.23
Total Assets	1049	1301	1283
Net NPA (%)	1.21	0.00	0.00
ROTA (%)	4.51	5.82	6.52

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long term	-	-	-	February 2026	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	-	CARE BBB+; Stable and withdrawn	-	1)CARE BBB+; Stable (29-Mar-24)g 2)CARE BBB+; Stable (04-Sep-23)	1)CARE BBB+; Stable (09-Jan-23)	1)CARE BBB+; Stable (01-Feb-22) 2)CARE BBB+; Stable (05-Jan-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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