RAR Fincare Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	75.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to long-term bank facilities of RAR Fincare Limited (RAR) derives strength from demonstrated financial support extended by promoter and benefits derived from being part of GRT Group. The company's promoters include G Rajendran who is the founder of GRT Group and his sons G R Ananthapadmanabhan and G R Radhakrishnan. The company receives strong financial & managerial support from the GRT group supported by experienced core management team. The rating derives further strength from good profitability indicators and strong capital position for the current scale of operations. The rating, however, remains constrained considering growing scale of operation with limited track record, client concentration risk and no track record of debt utilisation.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade

- Improvement in the scale of operations on a sustained basis while maintaining good asset quality and comfortable capital structure.

Negative factors: Factors that could, individually or collectively lead to negative rating action/downgrade

- Significant moderation in asset quality resulting in losses
- Increase in overall gearing levels above 2.5x.

Analytical approach

Standalone, factoring the support extended by promoters.

Outlook: Stable

The stable outlook reflects likely continuation of stable credit profile with comfortable capitalisation levels and healthy profitability levels.

Detailed description of key rating drivers:

Key strengths

Demonstrated financial support extended by promoter supported by experienced management team

RAR is promoted by G Rajendran and his family, who is also the founder of the GRT group. GRT group operates other businesses such as Jewellery retail store, renewable power plants, hospitality and educational institutions among others. The Group is promoted and managed by G. Rajendran and his sons, G.R. Ananthapadmanabhan and G. R. Radhakrishnan, who are also RAR's key promoters. The flagship company of the group is GRT Jewellers (India) Private Limited. Promoters have infused ₹149.75 crore as capital into the company since inception and CARE Ratings expects continuation of this support from promoters for the medium term.

Day to day operations of the company is managed by the CEO Mr. R Venkatasubramanian, who has more than four decades of experience in the banking business along with well experienced senior bankers in other key positions. The management team is supported by the board of the company consisting of eight directors, including three independent directors (with lending

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

background) and two women directors. The promoters are involved in major decisions and review the performance of the company on an ongoing basis.

Growing scale of operation with limited track record

The company was incorporated in 2019 and received the licence to conduct non-banking financial company (NBFC) business in 2022. Hence, overall track record in NBFC operations remains limited for the company. The company's assets under management (AUM) grew from ₹9.82 crore as on March 31, 2022, to ₹130.83 crore as on March 31, 2024, and hence, seasonality of the loan portfolio is also limited. The company's AUM stood at ₹157.42 crore as on December 31, 2024. The company rely on its BC partners for the retail book which constitute ~6% of the overall book as on December 31, 2024, and the wholesale book is sourced through own sources and references. While the current wholesale book is majorly focused towards NBFC sector, the company is planning to focus on the MSME sector also going forward. The company's ability to grow its book while maintaining good profitability and asset quality remains to be seen.

Healthy profitability indicators

The company reported losses in FY21 and FY22 primarily considering setting up the business without significant operations. Full-scale operations majorly started in FY23 after receiving NBFC license in February, 2021 and the company reported profit after taxation (PAT) of ₹2.26 crore in FY23. In FY24, due to significant growth in operations, the company has reported a PAT of ₹8.16 crore. Net interest margin (NIM) stood at 14.62% in FY24 (PY: 13.05%) with absence of borrowings. The company's opex stood at 3.63% in FY24 (PY:5.43%). The company's credit cost stood at 0.87% in FY24 (PY:1.08%), which includes only standard asset provisioning. Thus, with good NIM and low credit cost, the company reported a return on total assets (ROTA) of 7.54% in FY24 against 5.11% in FY23. In 9MFY25, the company reported PAT of ₹10.44 crore, with a NIM of 13.88% and a ROTA of 8.82%. CARE Ratings expects profitability to remain healthy in the medium term.

Strong capital position

Capital adequacy ratio (CAR) remained comfortable at 110.42% as on March 31, 2024, against a CAR of 107.93% as on March 31, 2023. Promoter have infused capital of ₹61 crore in FY23 and ₹55 crore in FY24 and gearing stood at Nil as on March 31, 2024, and December 31, 2024. The company's tangible net worth stood at ₹139 crore as on March 31, 2024, against ₹75 crore as on March 31, 2023. The company's promoters further infused ₹20 crore into the company in 9MFY25 and with that its tangible net worth stood at ₹169 crore as on December 31, 2024. The CAR (%) continues to remain comfortable at 102.19% as on December 31, 2024, with Nil gearing. The present capitalisation levels are sufficient to fund growth envisaged by the management in the near term with minimal external borrowings. CARE Ratings expects capital position to remain comfortable in the medium term.

Key weaknesses

Client concentration risk, however, asset quality metrics remains stable

RAR's majority loan book of RAR is wholesale in nature and lends majorly to other NBFCs. Top 20 customers constitute 51% of the loan portfolio as on March 31, 2024. The company has been maintaining nil non-performing assets (NPA) till March 31, 2024. Gross NPA (GNPA) and net NPA (NNPA) stood at 0.34% and nil respectively as on December 31, 2024. Exposure to micro-financing institutions (MFI) constitute ~33% of overall AUM as on December 31, 2024. CARE Ratings observes that the company's ability to keep its asset quality under control remains critical, since slippage in high ticket loans, may have a significant impact on asset quality and profitability. However, the company is taking adequate steps to diversify the portfolio by stepping into non NBFC customers which includes MSME and Corporate entities.

No track record of debt utilisation

The company's loan portfolio is fully supported by its own capital base. Thanks to this strong capital foundation, the company has not needed to borrow any external funds till now. However, the ability of the company to raise debt to grow its portfolio remains critical going forward. The company has recently received a sanction of working capital limits of ₹25 crore from a bank. Though there is no track record of debt utilisation in this entity, the group has experience of raising debt across businesses and that provides comfort. The company has a debt pipeline for raising funds which can fulfil its requirement for the near term.

Liquidity: Adequate

RAR's asset liability maturity (ALM) stood adequate, with no negative cumulative mismatches across time buckets as on December 31, 2024. The company had cash and cash equivalents of ₹18 crore (including investments in mutual funds) as on December 31, 2024. Liquidity is adequate with majority portfolio having a tenor of less than two years and the company not having any external borrowings.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

RAR was incorporated on July 09, 2019, and began its operation from FY22 post receiving NBFC licence from the Reserve Bank of India. The company is being promoted by promoters of the GRT group, which is a well-diversified conglomerate with interests in jewellery, hotels, education, and real estate renewable energy among others.

The company offers loans to smaller NBFCs and corporates in the form of term loans for on-lending, business loans for MSMEs for their capex requirements and other retail loans such as micro loan against property, and loan to salaried people, among others. As on December 31, 2024, the company's loan portfolio stood at ₹157 crore.

Brief Financials (₹ crore)	31-03-2023	31-03-2024	31-12-2024
Standalone	A	A	UA
Total operating income	6.00	16.36	18.61
PAT	2.26	8.16	10.44
Interest coverage (times)	NM	NM	NM
Total Assets	76.28	140.25	175.43
Net NPA (%)	0.00	0.00	0.00
ROTA (%)	5.11	7.54	8.82

A: Audited UA: Unaudited; NM: Not meaningful; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	-	-	-	-	75.00	CARE BBB+; Stable

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	75.00	CARE BBB+; Stable				

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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