



Press Release
RORS Finance Private Limited
October 26, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 50.00 Cr. bank facilities of RORS Finance Private Limited (RFPL). The outlook is '**Stable**'.

Rating Rationale for downgrade

The downgrade in rating is primarily on account of modest growth in scale of operations over the last three years and modest earning profile. The growth in AUM levels of the company has remained muted over the last three years, and has witnessed a degrowth of 14 percent in FY23. The company reported an AUM of Rs. 34.82 Cr. as on March 31, 2023 as compared to Rs. 40.49 Cr as on March 31, 2022 (Rs 37.01 Cr FY21). RORS Finance Pvt Ltd (RFPL) reported a profit after tax (PAT) of Rs. 0.82 Cr. in FY2023 vis-a-vis Rs. 0.89 Cr. in FY2022 and Rs.0.74 Cr in FY 2021 on account of higher operating costs, write-offs and provisions. The operating expenses to earning assets moderated to 9.43 percent for FY23 as against 7.09 percent in FY22.

The rating continues to factor in company's experienced management team, improving asset quality and moderate capitalization and gearing levels. RFPL's gnpa and npa stood at 1.46 percent and 0.14 percent respectively as on March 2023 as against 2.25 percent and 0.91 as on March 31, 2022. The GNPA further reduced to 1.10 percent and NPA stood NIL as on Sept 2023. RFPL's CAR stood at 31.48 percent as on March 31, 2023 as compared to 25.44 percent as on March 31, 2022.

Going forward the ability of the company to profitably scale up while maintaining the asset quality and diversify its operations will be key monitorables.

About the company

Incorporated in 2010, RORS Finance Private Limited (RFPL) is a Karnataka based NBFC – MFI promoted by Mr. P Sathyanarayana Reddy. Mr. Reddy is a social worker and is engaged in micro-financing activities since 2005 through RORES Micro Entrepreneur Development Trust (RMEDT). In 2009, he took over an existing NBFC, Pace Finance Private Limited and changed the name to RORS Finance Private Limited. RFPL's focuses on urban and semi-urban poor economically active women involved in trading, production, petty business, skill and semi-skill activities, services and agri-allied livelihoods. RORS Finance Private Limited (RFPL) has adopted a JLG model of lending as well as provides loans to individuals. RFPL operates through a network of 16 branches spread across states of Tamil Nadu and Karnataka and has a borrower base of 10,663 borrowers as on Sept 30, 2023.

Standalone (Unsupported) Rating

None

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RFPL to arrive at

Key Rating Drivers

Strength

Experienced management and track record of operations

RFPL has been extending micro credit since 2010 to women engaged in income generating activities under Joint Liability Group (JLG) model. The company has geographical presence in the states of Tamil Nadu and Karnataka with its network of 16 branches and outstanding portfolio of Rs. 34.82 Cr as on March 31, 2023. RFPL is promoted by Mr. P S Reddy, a social worker, who has been engaged in extending micro finance to urban and semi-urban poor through the RORES Micro Enterprise Development Trust (RMEDT) since 2005. Prior to RFPL, Mr. P S Reddy has been associated with RMEDT and RORES NGO which operated as an NGO and was engaged in rural development programmes, since 1987. In 2010, Mr. P S Reddy ploughed the profits of RMEDT to begin RFPL. The board of RORS comprises of five members, Mr. P S Reddy and his wife Mrs. Revathi Reddy from the promoter group. Mrs. Reddy was associated with RMEDT since 2005 and holds the administrative operations of RFPL. The company benefits from established presence in the sphere of social development through its group company RMEDT. Mr. P S Reddy is adequately supported by two Independent directors, Mr. Mohandas Kudva, ex DGM Canara bank, Mr. V Nagaraja, Ex CGM Punjab National Bank and one additional Director Mr. V. Srinivasulu, senior employee of RFPL. Mr. Kudva has headed different functions in credit and risk assessment during his tenure with Canara Bank, while Mr. Nagaraja has over 37 years of experience in the field of risk management credit policy, merchant banking, inspection and audit, customer service, management of Regional Rural Banks and government business. Mr. V.Sreenivasulu at present looks after HR, operations, liaising with Banks, RBI, ROC and Statutory Auditors. Acuité believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

Moderate Asset Quality; albeit improving

RFPL's overall loan portfolio stood at Rs. 38.15 Cr as on Sep 30, 2023 (prov), the company has managed to maintain moderate asset quality as reflected in on-time portfolio at 97.73 percent as on March 31, 2023 (96.42 percent as on March 31, 2022) and scheduled collection efficiency at an average of ~91 percent for six months ended Sep 2023. RFPL's gnpa and npa stood at 1.46 percent and 0.14 percent respectively as on March 2023 as against 2.25 percent and 0.91 as on March 31, 2022. The GNPA further reduced to 1.10 percent and NPA stood NIL as on Sept 2023.

Acuité believes, going forward, the ability of the company to maintain stable asset quality in the light of continuously evolving economic scenario will be a key monitorable.

Weakness

Small scale of operations

RFPL has been in the micro finance lending space since 2010. The company has small scale of operations with an outstanding loan portfolio of Rs. 34.82 Cr as on March 31, 2023 as compared to Rs. 40.49 Cr as on March 31, 2022. The growth in AUM levels of the company has remained muted over the last three years, and has witnessed a degrowth of 14 percent in FY23. The company has maintained moderate profitability as reflected in its Return on Average Assets (RoAA) of 1.79 percent as on March 31, 2023 and Net Interest Margin (NIM) of 11.89 percent as on March 31, 2023. The dependency of the company to expand its operations is directly dependent on its ability to mobilize low cost debt, will be a key factor in the scalability of business. Another round of possible economic disruptions might also impair the scalability of business operations. Sustaining the current levels of loan portfolio along with maintaining asset quality will be a key credit monitorable.

Acuité believes, the ability of the company to mobilize additional funding through debt /sub debt and its ability to deploy the funds profitably while maintaining asset quality will be crucial to the credit profile of the company.

Geographically concentrated portfolio

RFPL has presence in two states with concentration in Tamil Nadu (~68 percent of the overall portfolio) and Karnataka (~32 percent) as on March 31, 2023. It has 11 branches in the state of Tamil Nadu and 5 branches in the state of Karnataka. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, unrest, political developments may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework.

Acuité believes that small scale of operations, coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile over the near to medium term

Rating Sensitivity

- Profitability and Liquidity Position
- Raising funds in the form of equity and debt.
- Diversification in geographical profile while maintaining asset quality

All Covenants

RFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

RFPL's collections efficiency for the month of Sep 2023 stood at ~99.8 percent. The company is in talks with various lenders to raise long term debt. The company's liquidity position is supported by unencumbered Cash and Bank Balance of Rs 5.59 Cr as on March 31, 2023. RFPL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated March 31, 2023.

Outlook: Stable

Acuité believes that RFPL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with the demonstrated ability to maintain asset quality and liquidity levels. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality and profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	42.04	49.38
Total Income*	Rs. Cr.	5.09	4.61
PAT	Rs. Cr.	0.82	0.89
Net Worth	Rs. Cr.	11.29	10.47
Return on Average Assets (RoAA)	(%)	1.79	1.90
Return on Average Net Worth (RoNW)	(%)	7.50	8.87
Total Debt/Tangible	Times	2.66	3.63

Net worth (Gearing)			
Gross NPA	(%)	1.46	2.25
Net NPA	(%)	0.14	1.12

*Total income equals to Net Interest Income

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Aug 2022	Term Loan	Long Term	2.41	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.11	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.92	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.72	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.58	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.74	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.77	ACUITE BBB- Stable (Reaffirmed)
07 May 2021	Term Loan	Long Term	1.86	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.53	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.75	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.08	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.58	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	6.15	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.42	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.74	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
		Long		ACUITE BBB- Stable

	Term Loan	Term	1.52	(Reaffirmed)
	Term Loan	Long Term	4.42	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.47	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.68	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.13	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.10	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.21	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.46	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE BBB- Stable (Reaffirmed)
21 May 2020	Term Loan	Long Term	2.27	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	4.00	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.84	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	0.29	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.25	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.17	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	0.29	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.33	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	0.88	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	2.38	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	4.06	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	3.00	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.25	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.00	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	5.00	ACUITE BBB- (Ratings Under Watch)
	Proposed Term Loan	Long Term	8.12	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	0.42	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	4.55	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.00	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	0.83	ACUITE BBB- (Ratings Under Watch)

	Term Loan	Long Term	0.45	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.63	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.32	ACUITE BBB- (Ratings Under Watch)
	Term Loan	Long Term	1.67	ACUITE BBB- (Ratings Under Watch)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	19.31	ACUITE BB+ Stable Downgraded
Canara Bank	Not Applicable	Term Loan	22 Sep 2021	Not available	22 Sep 2024	Simple	2.08	ACUITE BB+ Stable Downgraded
Union Bank of India	Not Applicable	Term Loan	24 Mar 2022	Not available	24 Mar 2025	Simple	2.72	ACUITE BB+ Stable Downgraded
State Bank of India	Not Applicable	Term Loan	30 Oct 2021	Not available	30 Oct 2024	Simple	2.10	ACUITE BB+ Stable Downgraded
UCO Bank	Not Applicable	Term Loan	14 Mar 2022	Not available	14 Mar 2025	Simple	2.57	ACUITE BB+ Stable Downgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	14 Mar 2023	Not available	14 Mar 2025	Simple	4.26	ACUITE BB+ Stable Downgraded
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BB+ Stable Downgraded
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.34	ACUITE BB+ Stable Downgraded
Usha Financial Services Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.75	ACUITE BB+ Stable Downgraded
Grow Money Capital Private Limited (Erstwhile Eclear Leasing & Finance Private Limited)	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.81	ACUITE BB+ Stable Downgraded
UC Inclusive Credit Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.46	ACUITE BB+ Stable Downgraded
FINSTARS CAPITAL LIMITED	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.71	ACUITE BB+ Stable Downgraded
Karnataka State Financial	Not Applicable	Term Loan	24 Nov 2022	Not available	24 Nov 2026	Simple	3.48	ACUITE BB+ Stable

Corporation								Downgraded
Ambit Finvest Pvt. Ltd.	Not Applicable	Term Loan	25 Sep 2023	Not available	25 Mar 2025	Simple	1.50	ACUITE BB+ Stable Downgraded
Karnataka State Financial Corporation	Not Applicable	Term Loan	16 Jan 2020	Not available	16 Jan 2024	Simple	0.63	ACUITE BB+ Stable Downgraded
Canara Bank	Not Applicable	Term Loan	26 Dec 2019	Not available	26 Dec 2023	Simple	0.67	ACUITE BB+ Stable Downgraded
Union Bank of India	Not Applicable	Term Loan	02 Aug 2021	Not available	02 Aug 2024	Simple	1.21	ACUITE BB+ Stable Downgraded

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About Acuité Ratings & Research

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