

October 24, 2025

Repco Micro Finance Limited: Rating upgraded to [ICRA]A- (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based bank facilities	600.00	600.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Total	600.00	600.00	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in Repco Micro Finance Limited's (RMFL) track record of maintaining a prudent financial risk profile over the years. It also considers the company's relatively stable asset quality amid the significant ongoing concerns in the microfinance industry. RMFL's 90+ days past due (dpd) stood at 2.3% of the loan portfolio as of September 2025 (1.6% as of March 2025) vis-à-vis 2.7% as of March 2024. Its capital profile has remained comfortable over the years, largely supported by healthy internal accruals. The gearing improved to 1.7 times as of June 2025 from 2.3-2.6 times during FY2021-FY2024. The capital-to-risk weighted assets ratio (CRAR) rose to 35.4% as of June 2025 from the range of 27.0-30.7% during FY2021-FY2024. Moreover, the profitability (PAT/AMA¹) improved to 5.9% and 6.5% in FY2025 and Q1 FY2026, respectively, from 5.5% in FY2024 (4.1% in FY2023). This was supported by the higher interest margins on the back of healthy business yields and competitive cost of funds while incremental credit costs have remained under control.

RMFL continued to hold 100% provision on stage 3 accounts and the net stage 3 was nil while the overall provisions stood at 4.0% of the loan book as of June 2025. Loan write-offs (as a percentage of closing portfolio) stood at 2.0%, 2.0% and 0.2% (annualised) in FY2024, FY2025 and Q1 FY2026, respectively. The rating continues to factor in the company's track record in the microfinance industry and the support from the promoters – Repco Bank (RB) and Repco Home Finance Limited (RHFL; rated [ICRA]AA- (Stable)/[ICRA]A1+). It has received equity support from the shareholders when required and has a credit line of Rs. 500 crore from RB.

The rating considers RMFL's moderate scale (~Rs. 1,407 crore as of September 2025) and the geographically concentrated operations with Tamil Nadu and the Union Territory (UT) of Puducherry accounting for ~100% of the loan book, though it has opened branches in Andhra Pradesh, Karnataka and Kerala in recent years. RMFL's active borrowing member base has declined steadily since March 2020 because of post-Covid-19 pandemic loan write-offs and the ineligibility of some members for microfinance loans due to the regulatory guidelines. ICRA notes that it would be crucial for the company to acquire new customers, which would support a sustainable member-base-driven portfolio growth. The rating also takes cognisance of the risks associated with the unsecured nature of the loans, the marginal borrower profile and other socio-political and operational risks inherent in the microfinance business.

The Stable outlook factors in RMFL's comfortable capitalisation and healthy profitability indicators, which are expected to support its near-to-medium term growth plans.

¹ Profit after tax/Average managed assets; Q1 FY2026 ratio is annualised

Key rating drivers and their description

Credit strengths

Extensive track record and support from shareholders – RMFL was incorporated as a non-banking financial company (NBFC) in 2010 and obtained a microfinance licence in 2013. Before incorporation as an NBFC², the Repco Group operated in the microloan sourcing field from 2005 until these operations were transferred to RMFL in 2016. As of June 2025, RB and RHFL continued to hold a 68% and 32% stake, respectively, in RMFL.

The shareholders have demonstrated support in the past by extending financial, managerial, and operational aid to the company. RMFL has received equity support from the shareholders as required with Rs. 50 crore infused during FY2019-FY2022. It has a sanctioned funding line of Rs. 500 crore from RB, of which 50% was outstanding as of September 2025. Nevertheless, ICRA notes that RMFL has been steadily reducing its dependence on RB for its funding requirements. The company benefits from managerial and operational support from the Repco Group for its existing business, future growth and geographical expansion. The board has five representatives from the Repco Group and five independent directors; also, some of the key management personnel are on deputation from RB.

Comfortable capitalisation profile – RMFL's capitalisation profile remains comfortable with a CRAR of 35.4% as of June 2025, improving from 27.0-30.7% during FY2021-FY2024. Also, the gearing improved to 1.7 times as of June 2025 from 2.3-2.6 times during FY2021-FY2024, supported by rising internal accruals. RMFL has been receiving equity support from the shareholders (Rs. 50 crore infused during FY2019-FY2022), which has also boosted its capitalisation profile. The capitalisation profile is expected to remain comfortable in the near-to-medium term, with the gearing expected to stay below 4 times, considering the growth plans over the medium term.

Adequate asset quality performance – RMFL's 90+ dpd was 2.3% of the loan portfolio as of September 2025 (1.6% as of March 2025) compared to 2.7% as of March 2024, supported by the write-off of certain loans impacted during the pandemic while incremental slippages from the book sourced after the pandemic have stayed under control. The 0+ dpd remained under control as it stood at 3.1% as of September 2025 (3.3% as of March 2025) compared to 3.0% as of March 2024. The company wrote off 2.0%, 2.0% and 0.2% (annualised) of the closing assets under management (AUM) in FY2024, FY2025 and Q1 FY2026, respectively. ICRA notes that the total provision was comfortable at 4.0% of the loan book while RMFL continued to maintain its stage 3 provision coverage at 100% as of June 2025.

Healthy profitability indicators³ – RMFL's net profitability improved to 5.9% and 6.5% in FY2025 and Q1 FY2026, respectively, from 5.5% in FY2024 (4.1% in FY2023), supported by better net interest margins (14.7% during FY2025-Q1 FY2026 vis-à-vis 13.3% in FY2024) and controlled credit costs of 1.7% and 1.3% in FY2025 and Q1 FY2026, respectively, vis-à-vis 1.1% in FY2024. The interest margins were supported by improved business yields and controlled cost of funds while credit costs remained under control, supported by limited incremental slippages. Operating expenses remain elevated on account of higher employee and branch expansion costs. Going forward, RMFL's ability to maintain credit costs in the current industry scenario would be a key monitorable.

Credit challenges

Moderate scale and geographically concentrated operations – RMFL obtained an NBFC-microfinance institution (NBFC-MFI) licence in 2013 and has a track record of over 11 years. Its portfolio grew by a cumulative annual growth rate of ~5% during

² As a not-for-profit entity, namely Repco Foundation for Micro Credit

³ Q1 FY2026 ratios are annualised

FY2021-FY2025. Further, it remained flat (~1% growth) in FY2025 and rose by ~9% (annualised) in H1 FY2026 to Rs. 1,407 crore as of September 2025 (Rs. 1,331 crore as of March 2024).

As of March 2025, the company had 1,080 employees, including field-level personnel. RMFL's active borrowing member base has declined steadily since March 2020 because of loan write-offs and member attrition due to the revised MFI guidelines. However, it continued to onboard new customers and the borrower base remained steady at 2.7 lakh since December 2023. ICRA notes that it would be crucial to acquire new customers, which would support a sustainable member-base-driven portfolio growth.

As of June 2025, RMFL's operations were spread across Tamil Nadu, Puducherry, Kerala and Karnataka, Andhra Pradesh with 130 branches in 41 districts. Tamil Nadu accounted for 99.1% of the portfolio as of June 2025. The company's operations are projected to remain concentrated in Tamil Nadu, as its diversification in other states, including Andhra Pradesh, Kerala and Karnataka, is expected to be in a phased manner.

Ability to manage risks associated with microfinance sector – The microfinance industry is prone to socio-political and operational risks, which could negatively impact the financial performance of entities in this sector. The sector is currently experiencing asset quality stress largely due to the overleveraging of microfinance borrowers from multiple microfinance lenders. Though RMFL's asset quality is relatively better, its ability to manage this challenge in the current scenario remains monitorable. Further, its ability to manage the risks arising out of the marginal profile of its borrowers, who have limited ability to absorb income shocks, the unsecured nature of lending, and the political, communal and other risks in its portfolio, would be crucial. Additionally, in line with the industry, the company's ability to onboard borrowers with a good credit history, along with the recruitment and retention of employees, would be key monitorable issues.

Liquidity position: Adequate

As of September 2025, RMFL had on-balance sheet liquidity of Rs. 16.6 crore and sanctioned but unutilised lines of Rs. 150.0 crore from commercial banks. Further, the company had unutilised credit lines of Rs. 148.5 crore from RB. These, along with the collections from advances, are expected to be adequate for its debt repayment obligations (including interest) of Rs. 269.3 crore during October 2025-March 2026.

As of March 2025, RB accounted for 21% (12% as of March 2024) of the company's overall borrowings with term loans from banks and financial institutions (FIs) comprising the rest. RMFL had funding lines from 13 other banks/FIs as of September 2025.

Rating sensitivities

Positive factors – The rating could be impacted positively if RMFL demonstrates a sustained portfolio growth and diversifies its geographical presence while maintaining good asset quality.

Negative factors – Pressure on the rating could arise in case of a deterioration in the asset quality (90+ dpd > 5%) or/and a decline in the return on managed assets (RoMA) to less than 3% on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's credit rating methodology for non-banking finance companies
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of RMFL

About the company

Repco Micro Finance Limited (RMFL) was incorporated in 2007 as Repco MSME Finance & Development Limited. It obtained NBFC registration from the Reserve Bank of India (RBI) in 2010 and became an NBFC-MFI in December 2013. As of June 2025, RB held 68% of the equity shares in the company with the balance being held by RHFL. RMFL extends loans to members of women self-help groups for income generation.

RMFL reported a net profit of Rs. 81 crore in FY2025 on a total asset base of Rs. 1,395 crore compared to Rs. 68 crore and Rs. 1,371 crore, respectively, in FY2024. Further, the company reported a net profit of Rs. 23 crore in Q1 FY2026 on a total asset base of Rs. 1,361 crore.

Key financial indicators (Ind-AS)

Repco Micro Finance Limited	FY2024	FY2025	Q1 FY2026
Total income	247	294	72
Profit after tax	68	81	23
Total managed assets	1,371	1,395	1,361
Return on managed assets	5.5%	5.9%	6.5%
Gearing (reported; times)	2.3	1.9	1.7
Gross stage 3	2.7%	1.6%	2.0%
CRAR	27.7%	32.8%	35.4%

Source: Company, ICRA Research; Amount in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Oct-24-2025	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based bank facilities	Long term	600.00	[ICRA]A-(Stable)	May-08-2024	[ICRA]BBB+(Stable)	Jun-30-2023	[ICRA]BBB+(Stable)	Apr-29-2022	[ICRA]BBB (Stable)
				Feb-10-2025	[ICRA]BBB+(Stable)				

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term fund-based bank facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund-based bank facilities	NA	NA	NA	600.00	[ICRA]A- (Stable)

Source: RMFL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

A M Karthik

+91 44 4596 4308

a.karthik@icraindia.com

R Srinivasan

+91 44 4596 4315

r.srinivasan@icraindia.com

Richardson Xavier J

+91 44 4596 4310

richardson.xavier@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar

+91 098 2108 6490

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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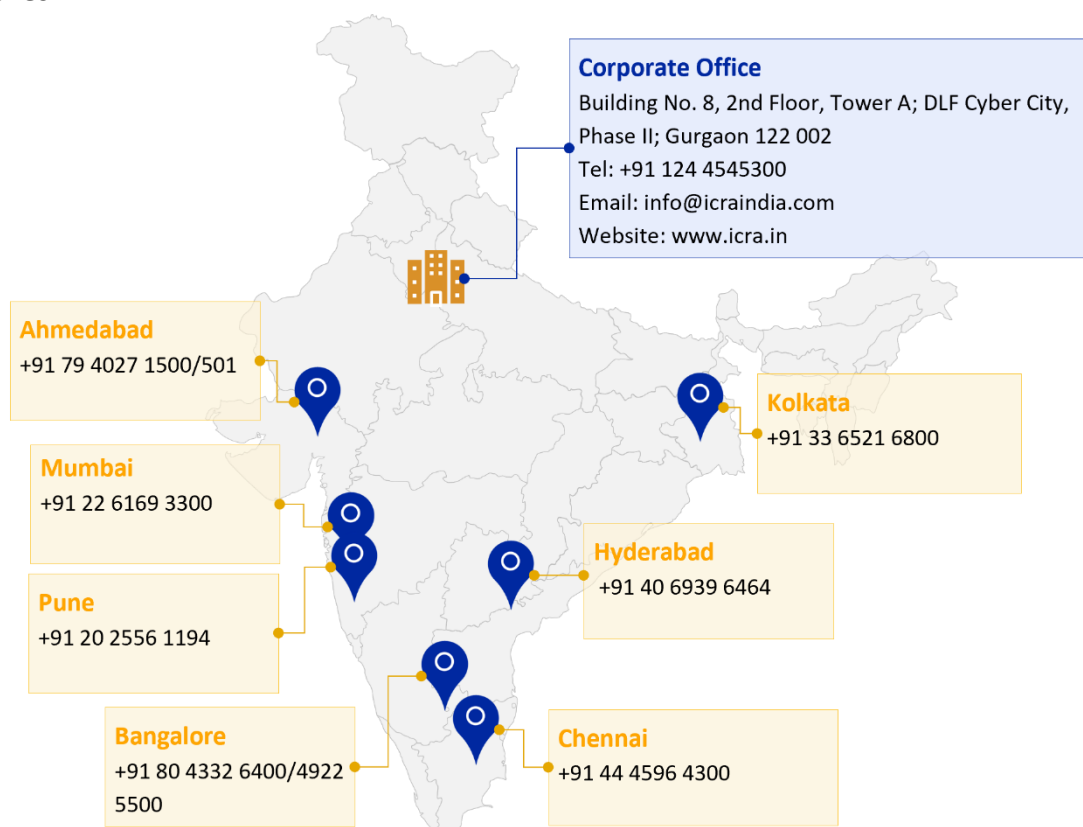


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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