RELIGARE
Values that bind

April 04, 2023

The National Stock Exchange of India Ltd
Corporate Communications Department
"Exchange Plaza", 5th Floor,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400051

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

Scrip Symbol: RELIGARE

Scrip Code: 532915

Sub.: Disclosure under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Religare Enterprises Limited ("REL/the Company")

Dear Sir(s),

We would like to inform you that ICRA Limited **("ICRA")** has upgraded the long-term bank lines rating and re-affirmed the short-term bank lines rating of Religare Housing Development Finance Corporation Limited **("RHDFCL"),** step down subsidiary Company of REL.

The details of rating actions are as under:

Instrument	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Long-term/Short-term bank lines	1,200	1,200	[ICRA]BB- (Stable)/ [ICRA]A4; long-term rating upgraded from [ICRA]B+ and short-term rating reaffirmed; Outlook revised to Stable from Negative
Short-term debt programme	100	100	[ICRA]A4; reaffirmed

The rating action rationale published by ICRA is attached for reference.

This is for your information and records.

Thanking You,

Yours faithfully,
For Religare Enterprises Limited

REENA
JAYARA

Digitally signed by REENA JAYARA
DN: c=IN, o=PERSONAL, title=2484,
pseudonym=ef1494dbae0b561f618134e84226fbbc,
2.5.4.20=BF2DDFBC25A37A1B8998B137BFE4B3D1947DC9A15514ECA434943CD0B27D794E, postalCode=110029,
st=Delhi,
serialNumber=ade2c2979fa01b7796d71440fdc8e7a389c4b99ee67a182722a6ecf817871c0a, cn=REENA JAYARA
Date: 2023.04.04 13:27:27 +05'30'

Reena Jayara
Company Secretary

Encl: a/a

April 03, 2023

Religare Housing Development Finance Corporation Limited: Long-term rating upgraded and short-term rating reaffirmed; outlook revised to Stable from Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term bank lines	1,200	1,200	[ICRA]BB- (Stable)/[ICRA]A4; long-term rating upgraded from [ICRA]B+ and short-term rating reaffirmed; Outlook revised to Stable from Negative
Short-term debt programme	100	100	[ICRA]A4; reaffirmed
Total	**1,300**	**1,300**	

**Instrument details are provided in Annexure I*

Rationale

The upgrade in the long-term rating and the revision in the outlook factor in the developments within the Religare Group with the completion of a one-time settlement (OTS) at the parent (Religare Finvest Limited; RFL) level. Religare Housing Development Finance Corporation Limited (RHDFCL) is an 87.5%-subsidiary of RFL (rated [ICRA]D), which is a wholly-owned subsidiary of Religare Enterprises Limited (REL). Earlier, the delay in the implementation of the debt resolution plan (DRP) at the RFL level had significantly impacted RHDFCL's financial flexibility and fund flow and consequently inhibited its new business growth. The company's ability to revive its lending relationships and hence grow the business volumes would be imperative for improving its credit profile.

The ratings also factor in RHDFCL's declining scale of operations with negligible new business and the rundown of the loan book to Rs. 301.4 crore as on December 31, 2022 from Rs. 347.0 crore as on March 31, 2022. Further, the asset quality indicators have weakened with gross non-performing advances (GNPAs) of 10.0% as on December 31, 2022 (8.5% as on March 31, 2022) because of the rundown in the portfolio and the adoption of the Reserve Bank of India's (RBI) new Income Recognition and Asset Classification (IRAC) norms for NPA recognition. While collections were good in the past year, with prepayments and foreclosures resulting in a reduction in the absolute GNPAs to Rs. 24.7 crore (GNPA% of 8.3%) as on February 28, 2023, RHDFCL's ability to recover from the existing delinquent loans and maintain adequate credit underwriting standards for incremental disbursements will be monitorable.

The ratings also factor in the modest profitability indicators with a return on average managed assets (RoMA) of -0.6% for 9M FY2023 (0.8% for FY2022) due to high operating expenses and credit costs. ICRA notes the improvement in the profitability indicators in 11M FY2023 (profit after tax (PAT) of Rs. 1.2 crore) on the back of better collections. The company's ability to grow the business volumes profitably while improving its asset quality indicators will remain a monitorable, going forward.

Key rating drivers and their description

Credit strengths

Favourable growth potential, given the focus on affordable housing – RHDFCL is a housing finance company focusing on retail affordable housing finance loans with an average ticket size of about Rs. 11 lakh. Home loans accounted for the majority (~70%) of RHDFCL's AUM as on December 31, 2022, with loan against property (LAP) and builder loans accounting for the balance (30%). ICRA notes that RHDFCL resumed disbursements in November 2021, though any meaningful scale-up in the business remains to be seen.

While the affordable housing segment has good growth opportunity, the inherent risks associated with this segment are also relatively high, given the target borrower profile (self-employed, low income) with credit underwriting largely based on assessed income along with the competitive operating environment. However, ICRA notes that RHDFCL's loan book is granular in nature and secured; thus, the expected loss in case of default is expected to be low.

Credit challenges

Moderate scale of operations; portfolio degrowth impacting reported asset quality indicators – RHDFCL's asset quality indicators improved in FY2022 with GNPA of 8.5% as on March 31, 2022 compared to 10.5% as on March 31, 2021 due to improved collections and the sale of NPAs of Rs. 23.9 crore to an asset reconstruction company (ARC). Subsequently, the GNPA increased in 9M FY2023 to 10.0% as on December 31, 2022 because of the adoption of the RBI's new IRAC norms for NPA recognition. ICRA notes that a part of the increase in the percentage was also on account of the denominator effect due to the declining loan book. ICRA notes that RHDFCL has not restructured any loan and its average collection efficiency (including prepayments and foreclosures) was 228% in 9M FY2023. While collections were good in the past year, with prepayments and foreclosures resulting in a reduction in the absolute GNPAs to Rs. 24.7 crore (GNPA% of 8.3%) as on February 28, 2023, RHDFCL's ability to recover from the existing delinquent loans and maintain adequate credit underwriting standards for incremental disbursements will be a key rating monitorable. In this regard, ICRA notes that the company sold NPAs of Rs. 10.3 crore (Rs. 7.5 crore, net of provisions) to an ARC, resulting in a further reduction in the GNPAs to Rs. 14.6 crore in March 2023.

Low financial flexibility and liquidity; ability to raise fresh debt imperative for business growth – RHDFCL's financial flexibility has been impacted because of challenges at the Group level, which led to curtailed business operations. Negligible disbursements since FY2019 led to a further rundown of the on-balance sheet gross loan book to Rs. 301.4 crore as on December 31, 2022 from Rs. 347.0 crore as on March 31, 2022 (Rs. 724.7 crore as on March 31, 2019). The company has not been able to raise any fresh funding lines since FY2018 and its liquidity profile also remains stretched owing to mismatches in its asset-liability management (ALM) statement as on December 31, 2022. However, in the past including FY2023, RHDFCL had repaid all its debt obligations on/before time using the inflow from the loan book, liquidity raised through loan sell-downs, and liquidity support from the ultimate promoter company, i.e. REL. ICRA notes that the company has received Rs. 50 crore as an inter-corporate loan (ICL) sanction from REL in February 2023 for liquidity management. Going forward, RHDFCL's ability to raise fresh funds, post the completion of the OTS at the RFL level, and restart its lending operations will remain a key monitorable.

Modest profitability indicators – RHDFCL's yield remained range-bound at 14.5-15% over the last two years due to limited fresh disbursements and relatively stable monthly collections from its existing loan book. Although the cost of funds reduced to 9.6% in FY2022 from 10.8% in FY2021 in the absence of fresh borrowings, it increased to 10.5% in 9M FY2023 because of the base effect (high-cost borrowings were repaid in 9M FY2023). The net interest margin (NIM) looked optically higher at 8.5% in 9M FY2023 compared to 7.5% in FY2022 (6.8% in FY2021) due to the reduction in the gearing. The operating expenses increased to 8.6% in 9M FY2023 from 6.8% in FY2022 (5.0% in FY2021) due to lower operating efficiency and the rundown of the portfolio. The credit costs reduced to 0.1% in FY2022 (despite the loss on the sale of loans to the ARC) from 0.3% in FY2021 on account of the writeback of provisions and recovery from bad debts. Further, the credit costs increased in 9M FY2023 due to write-offs and mark-to-market on security receipts. Overall, the increase in operating expenses and higher credit costs resulted in the company reporting a net loss in 9M FY2023. The profitability indicators have weakened with RoMA and RoNW of -0.6% and -1.1%, respectively, in 9M FY2023 compared to 0.8% and 1.9%, respectively, in FY2022 (1.4% and 4.4%, respectively, in FY2021). ICRA notes that RHDFCL reported a marginal improvement in its profitability with a PAT of Rs. 1.2 crore in 11M FY2023 compared to a net loss of Rs. 1.8 crore in 9M FY2023 (PAT of Rs. 4.1 crore in FY2022). Overall, the company's ability to grow its business volumes profitably while improving its asset quality indicators will remain a monitorable, going forward.

Liquidity position: Stretched

RHDFCL's liquidity position is stretched owing to negative cumulative mismatches in its ALM. In FY2023, RHDFCL had repaid all its debt obligations on/before time using the inflow from the loan book, liquidity raised through loan sell-downs, and liquidity support from the ultimate promoter company, i.e. REL. As per the dynamic liquidity statement as on December 31, 2022, the company has unencumbered cash and liquid investments of Rs. 4 crore against scheduled debt obligations of Rs. 52 crore and scheduled collections of Rs. 51 crore till June 30, 2023. Factoring in the expected collections from advances, the liquidity profile is stretched for meeting the debt obligations in a timely manner. RHDFCL is dependent on support from its ultimate holding company, REL, to make timely payments for its debt obligations and has received Rs. 50 crore as an ICL sanction from REL for liquidity management. Further support from REL is expected if required. RHDFCL has an outstanding debt of Rs. 42.5 crore post March 2023, of which Rs. 2.5 crore will be repaid in the month of July 2023, Rs.20 crore in December 2023 and remaining Rs. 20 crore in March 2024. While the company is dependent on support from its ultimate holding company, REL, for liquidity management, prepayments from advances and portfolio sell-down can also provide liquidity.

Rating sensitivities

Positive factors – An improvement in the credit profile of the Religare Group, and hence improved fund flow to RHDFCL to support its business operations, could lead to a rating upgrade.

Negative factors – Further weakening of the liquidity profile or a delay in liquidity support from REL would significantly impact RHDFCL's credit profile and could lead to a rating downgrade.

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	Standalone

About the company

RHDFCL was incorporated in June 1993 as Maharishi Housing Development Finance Corporation Limited. Religare Enterprises Limited (REL) acquired an 87.5% stake in RHDFCL in May 2009, which was later transferred to RFL. The remaining stake (12.5%) is held by Maharishi Housing Development Trust and others. RHDFCL is a housing finance company registered with National Housing Bank (NHB) and it primarily provides housing loans.

RHDFCL reported a profit after tax (PAT) of Rs. 4.1 crore in FY2022 on total managed assets of Rs. 443.6 crore as on March 31, 2022 compared to a PAT of Rs. 9.1 crore in FY2021 on total managed assets of Rs. 588.2 crore as on March 31, 2021. In 9M FY2023, the company reported a net loss of Rs. 1.8 crore on total managed assets of Rs. 377.1 crore as on December 31, 2022. Its net worth stood at Rs. 213.0 crore as on December 31, 2022 based on provisional financials (Rs. 214.8 crore as on March 31, 2022 and Rs. 211.0 crore as on March 31, 2021). The gross and net NPA stood at 10.0% and 6.2%, respectively, as on December 31, 2022 compared to 8.5% and 3.5%, respectively, as on March 31, 2022 (10.5% and 5.8%, respectively, as on March 31, 2021).

Key financial indicators

	FY2020	FY2021	FY2022	9M FY2023*
Total income	101.8	82.5	61.0	37.1
Profit after tax	5.3	9.1	4.1	(1.8)
Net worth	201.8	211.0	214.8	213.0
Gross loan book	602.6	460.0	353.3	306.7
Total managed assets	676.2	588.2	443.6	377.1

	FY2020	FY2021	FY2022	9M FY2023*
Return on average managed assets	0.7%	1.4%	0.8%	-0.6%
Return on average net worth	2.7%	4.4%	1.9%	-1.1%
CRAR	57.0%	68.3%	94.4%	110.2%
Managed gearing (times)	2.2	1.6	0.9	0.6
Gross NPA^	6.7%	10.5%	8.5%	10.0%
Net NPA^	3.8%	5.8%	3.5%	6.2%
Solvency (Net NPA/Net worth)^	11.0%	12.1%	5.5%	8.5%

*Source: RHDFCL, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations; * Based on provisional financials; ^As per new RBI's new IRAC norms*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Apr 03, 2023	Apr 04, 2022	May 17, 2021	Aug 18, 2020	Apr 08, 2020
1	Short-term debt programme	ST	100	-	**[ICRA]A4**	**[ICRA]A4**	**[ICRA]A4@**	**[ICRA]A4@**	**[ICRA]A4@**
2	Long-term/Short-term bank lines	LT/ST	1,200	62.08	**[ICRA]BB-(Stable)/ [ICRA]A4**	**[ICRA]B+ (Negative)/ [ICRA]A4**	**[ICRA]BB/ [ICRA]A4@**	**[ICRA]BB/ [ICRA]A4@**	**[ICRA]BB/ [ICRA]A4@**

Source: ICRA Research

*ST – Short term, LT – Long term; * As on March 22, 2023; @ On Watch with Negative Implications*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term bank lines	Simple
Short-term debt programme	Very 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 (as on March 22, 2023)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/Short-term bank lines	NA	NA	NA	1,200	[ICRA]BB- (Stable)/ [ICRA]A4
Yet to be placed	Short-term debt programme	NA	NA	7-365 days	100	[ICRA]A4

Source: RHDFCL, ICRA Research

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

Manushree Saggar
+91-124-4545 316
manushrees@icraindia.com

Rajat Kher
+91 124 4545 833
rajat.kher@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91-22-61143406
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

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

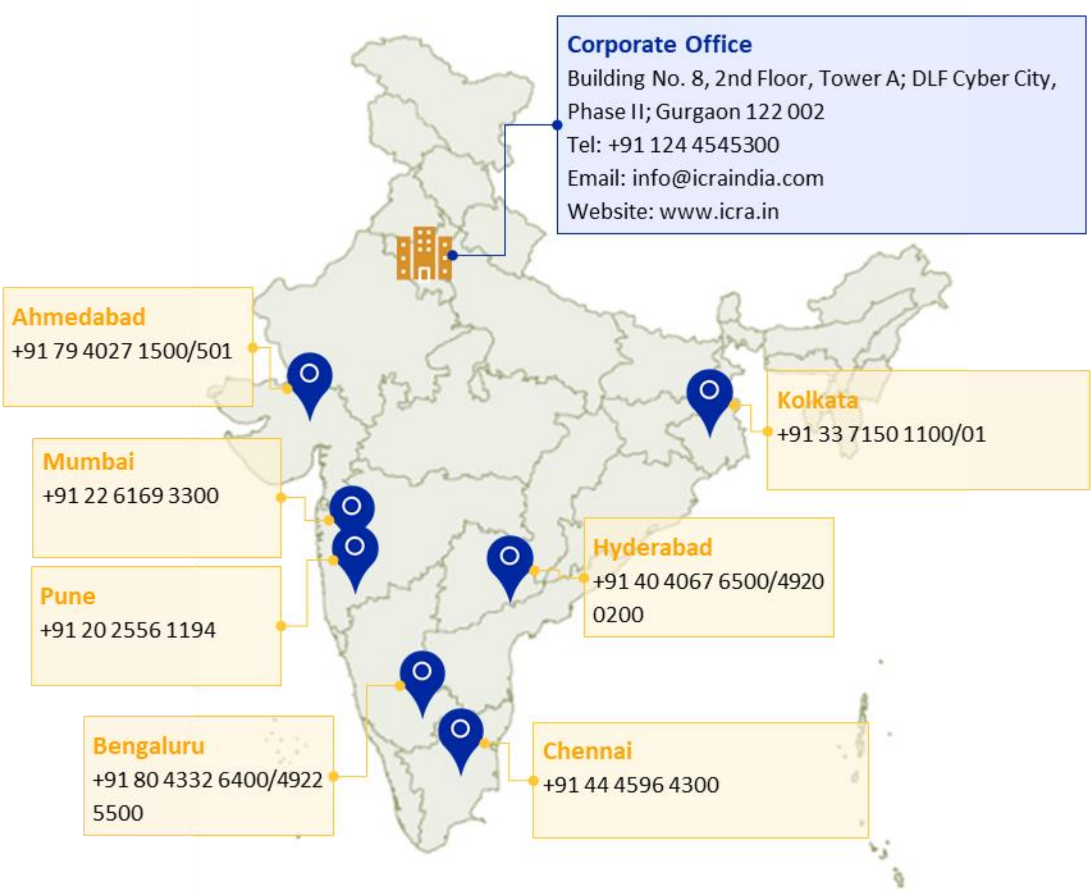
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.