

April 05, 2022

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.: Updates- Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir(s),

We would like to inform you that the ICRA has revised the long-term bank lines rating and re-affirmed the short-term bank lines rating of Religare Housing Developments Finance Corporation Limited (RHDFCL), step down subsidiary company of Religare Enterprises Limited.

Details of rating actions are as under:

Sr. No.	Instruments	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
1.	Long-Term/Short Term Bank Lines	1,200	1,200	[ICRA]B+ (Negative) / [ICRA]A4; long-term rating downgraded from [ICRA]BB@ and short-term rating reaffirmed; removed from rating Watch with Negative Implications.
2.	Short-term Debt Programme	100	100	[ICRA]A4; reaffirmed and removed from rating Watch with Negative Implications


@ rating Watch with Negative Implications

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

The above is for your information and records please.

Thanking You,

Yours faithfully,
For Religare Enterprises Limited


Reena Jayara
Company Secretary
Encl: a/a



April 04, 2022

Religare Housing Development Finance Corporation Limited: Long-term rating downgraded and short-term rating reaffirmed; removed from Watch with Negative Implications

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]B+ (Negative)/ [ICRA]A4; long-term rating downgraded from [ICRA]BB@ and short-term rating reaffirmed; removed from rating Watch with Negative Implications
Short-term Debt Programme	100	100	[ICRA]A4; reaffirmed and removed from rating Watch with Negative Implications
Total	1,300	1,300	

*Instrument details are provided in Annexure-1; @ rating Watch with Negative Implications

Rationale

The downgrade in the long-term rating of Religare Housing Development Finance Corporation Limited (RHDFCL) factors in its reduced financial flexibility due to the longer-than-expected delay in the implementation of the Debt Resolution Plan (DRP) of Religare Finvest Limited (RFL). RHDFCL is an 87.5% subsidiary of RFL (rated [ICRA]D), which, in turn, is a wholly-owned subsidiary of Religare Enterprises Limited (REL). The delay in the implementation of the DRP at the RFL level has significantly impacted RHDFCL's fund flow and has consequently inhibited new business growth for the company. RHDFCL's loan book has declined continuously and stood at Rs. 368 crore as on December 31, 2021 (Rs. 452 crore as on March 31, 2021). Consequently, the asset quality indicators have deteriorated with gross non-performing advances (GNPAs) of 16.7% as on December 31, 2021 (10.6% as on March 31, 2021). Increase in absolute number of GNPA is on account of the clarification by the Reserve Bank of India (RBI) on IRAC norms vide its circular dated 12th November 2021¹. RBI has provided NBFCs time till September 2022 to augment the required systems and controls for implementing its instruction on NPA upgradation vide its circular dated February 15, 2022. Gross NPAs would have been at Rs. 41.3 crore as on December 31, 2021 as against Rs. 61.3 crore (Rs. 48.5 crore as on March 31, 2021) adjusting for the impact of the November 2021 circular.

The ratings also factor in the moderate profitability indicators with a return on average assets (RoA) of 0.1% for 9M FY2022 and 1.6% for FY2021 due to the high credit cost of 1.4% in 9M FY2022 and 0.4% in FY2021. While collections have been good in the past few months, supported by prepayments and foreclosures, the asset quality profile is expected to remain under pressure over the medium term given the increasing challenges in the operating environment and the reducing denominator. In past the company has repaid all the debt obligations on/before time using the inflow from the loan book and liquidity raised through loan sell downs.

An improvement in RHDFCL's credit profile remains contingent on the timely implementation of RFL's DRP and RHDFCL's subsequent ability to resume business operations while maintaining its asset quality. At the same time, a longer-than-expected

¹ RBI vide its circular dated November 12, 2021 has stipulated guidelines on NPA classification basis the day end position basis and upgrade from an NPA to standard category only after the clearance of all outstanding overdues

delay in the implementation of the DRP and hence the subsequent resumption of funding lines for R HDFCL can put further pressure on its already stretched liquidity profile.

Key rating drivers and their description

Credit strengths

Favourable growth potential, given the focus on affordable housing – Home loans accounted for the majority (~71%) of R HDFCL's portfolio mix as on December 31, 2021, with loan against property (LAP) and builder loans accounting for the balance 29%. ICRA notes that R HDFCL has 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 and low income) with credit underwriting largely based on assessed income, and the competitive operating environment. However, ICRA notes that R HDFCL's loan book is granular in nature and secure; thus, the expected loss in case of default is expected to be low.

Credit challenges

Stretched liquidity profile and curtailed business operations due to reduced financial flexibility – Given the ongoing challenges at the Group level, R HDFCL's financial flexibility has been impacted, which, in turn, has led to curtailed business operations. Negligible disbursements since FY2019 led to a further run-down of the on-balance sheet gross loan book to Rs. 368 crore as on December 31, 2021 from Rs. 452 crore as on March 31, 2021. The company has not been able to raise any fresh funding lines post FY2018 and its liquidity profile also remains stretched owing to mismatches in its asset-liability management (ALM) statement as on September 30, 2021.

However, the company had previously repaid all its debt obligations on/before time using inflows from the loan book and liquidity raised through loan sell-downs. It had assigned loans worth Rs. 42 crore and Rs. 18 crore in Q2 FY2021 and Q4 FY2021, respectively, and the funds arranged through assignment were mainly utilised towards servicing the debt obligations. It had also prepaid the term loan instalments. It would be imperative for R HDFCL to raise funds (either through sell-downs or support from ultimate parent – REL) to maintain its credit profile in the event of significant reduction in the expected inflows from the loan book. At the same time, R HDFCL's ability to raise fresh funds and subsequently restart its lending operations would remain contingent on the timely DRP implementation at the parent level.

Weak asset quality – R HDFCL's asset quality indicators have weakened further due to high delinquencies with the GNPA% at 16.7% as on December 31, 2021 (10.7% as on March 31, 2021). ICRA notes that a part of the increase was also on account of the denominator effect, given the reducing loan book. Nevertheless, following the Reserve Bank of India's (RBI) clarification on Income Recognition and Asset Classification (IRAC) norms there has been an uptick in the absolute numbers as well. RBI vide its circular dated February 15, 2022, has provided NBFCs time till September 2022 to augment the required systems and controls for implementing its instruction on NPA upgradation. Adjusting for the impact of November 2021 circular, the absolute gross NPAs were lower at Rs. 41.3 crore supported by the sale of NPAs to an asset reconstruction company (ARC). R HDFCL sold GNPA's of ~Rs. 23.86 crore (Rs. 14.36 crore net of provision) to an ARC in 9M FY2022 at a net loss (after provisioning) of ~Rs. 2 crore. ICRA notes that R HDFCL has not restructured any loans and its average collection efficiency (including prepayments and foreclosures) was 182% during July 2021 to December 2021. However, the asset quality profile is expected to remain under pressure over the medium term, given the limited disbursements and higher prepayments from better credit quality borrowers and hence a reducing base.

Modest profitability indicators – R HDFCL's operating profitability indicators have remained range-bound owing to the stable yield on advances of 14.4% in 9M FY2022 (15.1% in FY2021) on account of the relatively stable monthly collections from its existing loan book. The net interest margins improved due to some moderation in interest expenses with a sequential decline in borrowings and also the softening of systemic interest rates. However, due to the curtailment of business operations and the high absolute GNPA's of ~Rs. 61 crore as on December 31, 2021 (Rs. 48.5 crore as on March 31, 2021) and loss on sale of loans to an ARC, the credit costs increased to 1.6% in 9M FY2022 from 0.4% in FY2021, resulting in a decline in the overall

profitability indicators. Operating expense, in relation to average assets for 9M FY2022, also increased to 6.8% of total assets from 5.4% in FY2021 due to lower operating efficiency. The RoA and the return on equity (RoE) declined to 0.1% and 0.3%, respectively, in 9M FY2022 from 1.6% and 4.4%, respectively, in FY2021. Given the challenging operating environment and the pressure on the asset quality, the overall profitability indicators are expected to remain modest in FY2023 as well.

RHDFCL's legal actions have resulted into reversal of provisioning and resolution of long pending high value cases and retail cases which has led to increase in the profitability. PAT for 11M FY2022 is Rs. 5.4 crore against Rs. 0.4 crore for 9M FY2022 and Rs. 9.1 crore for FY2021.

Liquidity position: Stretched

RHDFCL's liquidity position is stretched. As on March 15, 2022, the company had cash & liquid investments of ~Rs. 8.46 crore and expects debt repayments of Rs. 34.9 crore during April 2022 to September 30, 2022. It expects inflows of Rs. 30.3 crore comprising of principal repayments of Rs. 8.9 crore and interest collection of Rs. 21.4 crore from advances during the same period. ICRA also notes that RHDFCL is in breach of covenants on certain borrowings and any acceleration of repayment by lender will stretch the liquidity further. RHDFCL is dependent on support from its ultimate holding company, REL, to make timely payments for its debt obligations and has a commitment of Rs. 150 crore for equity infusion from REL. Prepayments from advances and sell-down of portfolio can also support 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. REL acquired an 87.5% stake in RHDFCL in May 2009, which was later transferred to RFL. The remaining 12.5% stake is held by Maharishi Housing Development Trust and others. The company operates from RFL's branches and has a service-level agreement with the parent for the cost sharing of infrastructure and employees. RHDFCL is a housing finance company registered with National Housing Bank (NHB) and it primarily provides housing loans.

In FY2021, RHDFCL reported a net profit of Rs. 9.1 crore on a total asset base of Rs. 521.3 crore and a net worth of Rs. 211.0 crore compared to a net profit of Rs. 5.3 crore on a total asset base of Rs. 649.1 crore and a net worth of Rs. 201.8 crore in FY2020. As per the provisional financials for 9M FY2022, the company reported a net profit of Rs. 0.4 crore on a total asset base of Rs. 411.9 crore and a net worth of Rs. 211.3 crore. As on December 31, 2021, RHDFCL's gross loan book stood at Rs. 367.8 crore. Housing loans accounted for 71% of the portfolio while non-housing loans comprised the remaining 29%. The gross and net NPAs, as on December 31, 2021, were 16.7% and 11.8%, respectively (10.7% and 6.0%, respectively, as on March 31, 2021).

Key financial indicators

RHDFCL	FY2019	FY2020	FY2021	9M FY2022
	Audited	Audited	Audited	Provisional
Total income (Rs. crore)	130.0	101.8	82.5	45.8
Profit after tax (Rs. crore)	10.0	5.3	9.1	0.4
Net worth (Rs. crore)	196.9	201.8	211.0	211.3
Loan book^ (Rs. crore)	724.7	595.7	452.2	367.8
Total assets^ (Rs. crore)	819.1	649.1	521.3	411.9
Return on assets (%)	1.1%	0.7%	1.6%	0.1%
Return on net worth (%)	5.2%	2.7%	4.4%	0.3%
Gearing (times)	3.0	2.1	1.3	0.8
CRAR (%)	43.5%	57.0%	68.3%	85.3%
Gross NPA (%)	3.2%	6.8%	10.7%	16.7%
Net NPA (%)	2.1%	3.9%	6.0%	11.8%
Solvency (Net NPA/Net worth)	7.8%	11.0%	12.2%	19.3%

Source: RHDFCL, ICRA Research; All ratios as per ICRA's calculations; ^Gross value

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Apr 04, 2022	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020	
					May 17, 2021	Aug 18, 2020	Apr 08, 2020	Jul 19, 2019	May 17, 2019
Short-term Debt Programme	Short Term	100	-	[ICRA]A4	[ICRA]A4@	[ICRA]A4@	[ICRA]A4@	[ICRA]A4@	[ICRA]A4@
Bank Limits	Long Term/ Short Term	1,200	139.86*	[ICRA]B+ (Negative)/ [ICRA]A4	[ICRA]BB@/ [ICRA]A4@	[ICRA]BB@/ [ICRA]A4@	[ICRA]BB@/ [ICRA]A4@	[ICRA]BB@/ [ICRA]A4@	[ICRA]BB@/ [ICRA]A4@

@ On Watch with Negative Implications; *As on March 15, 2022

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: www.icra.in

Annexure-1: Instrument details

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]B+ (Negative)/ [ICRA]A4
NA	Short-term Debt Programme	Not placed	NA	7-365 days	100	[ICRA]A4

Source: RHDfCL

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

Annexure-2: 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

Samarth Khare
+91 124 4545 833
samarth.khare@icraindia.com

Jesse Vishwanathan
+91 124 4545 324
jesse.vishwanathan@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



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

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.