August 08, 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

Dear Sir(s),

We would like to inform you that Care Ratings Limited **("CARE")** has on August 07, 2023 (at 07:16 P.M.) reaffirmed the rating of CARE BB+ with the **revised outlook from Stable to Negative** to the long term bank facilities of Rs. 500 Crores of Religare Housing Development Finance Corporation Limited **("RHDFCL"),** step down subsidiary Company of Religare Enterprises Limited**.**

The rating action rationale published by CARE 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
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pseudonym=ef1494dbae0b561f618134e84226fbbc,
2.5.4.20=BF2DDFBC25A37A1B8998B137BFE4B3D1947DC9A155
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Reena Jayara
Company Secretary

Encl: a/a

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Religare Housing Development Finance Corporation Limited

August 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities (Proposed)	500.00	CARE BB+; Negative	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating action on the long-term bank facilities of Religare Housing Development Finance Corporation Limited (RHDFCL) reflects the expectation of weakening of the profitability of the entity over the medium term owing to recent significant increase in the borrowing rate by existing lenders from July 2023 onwards. The incremental interest rate will impact the profitability, which was already low with return on average total asset of 0.6% in FY23. This, along with already high operating cost (₹37.7 crore, 11.5% of average total reported assets in FY23), may put pressure of profitability over the medium term. The ability of the company to maintain profitability through raising incremental funds at optimal rate and reducing operating cost (through benefits of economies of scale with expected increase in scale of operation) will be key rating monitorable factor.

CARE Ratings Limited (CARE Ratings) notes that the company has protested with lenders for reinstatement of borrowing rates. In protest, the company delayed the incremental interest rate on these bank facilities (unrated by CARE Ratings) till August 04, 2023, which was due on July 31, 2023. However, the interest as per earlier borrowing rate was paid on time.

The company continues to have adequate liquidity with investment in liquid mutual fund of ₹1.5 crore and unutilised credit line of ₹39 crore from the ultimate promoter, Religare Enterprises Limited (REL), as on July 31, 2023.

The rating continues to factor in the company's comfortable capitalisation with a gearing of 0.25x. The rating also reflects the successful completion of a one-time-settlement (OTS) with 16 lenders of its parent, Religare Finvest Limited (RFL). Post OTS, RFL's standard assets are now sufficient to cover its outstanding unsecured debt (secured debt is nil), and thereby, limit any external funding requirements.

However, RFL is still placed under the Reserve Bank of India's (RBI's) Corrective Action Plan framework, due to which it cannot make any incremental disbursements or investments (except investments in government securities), which is one of the key constraining factors. CARE Ratings notes that REL, the holding entity of the Religare Group, plans to purchase 87.5% of equity stake of RHDFCL from RFL, pending regulatory approval. The rating is further constrained by the moderate scale of operations and weak resource profile, given that no additional debt has been raised since August 2017 owing to issues at the parent level.

Rating sensitivities

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

- Steady growth in the assets under management (AUM) funded through a diversified borrowing base while maintaining asset quality.
- Improvement in financial flexibility at the Religare group.

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

- Stretch in liquidity owing to asset liability management (ALM) mismatches.
- Delay in raising resources, leading to a further decline in the portfolio size.

Analytical approach: Standalone

Outlook: Negative

The outlook reflects the expectation of stressed profitability over the medium term constrained by rising borrowing cost and already high operating costs. The ability of the company to maintain profitability through raising incremental funds at optimal rate and reducing operating cost through benefits of economies of scale will be key rating monitorable factor.

Detailed description of the key rating drivers

Key strengths

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

Long track record of operations
The company has been operating for more than a decade post its acquisition by the Religare group in 2009. The average vintage of the senior management team is around five years and the Managing Director, Rahul Mehrotra, has 24 years of experience in the industry. Furthermore, in the past couple of years, despite issues at the parent level, the company has been able to maintain asset quality and collection efficiency. The credit cost to average total assets has remained below 0.5% over the last three years, while the net non-performing assets (NNPA) has reduced to 2.7% as of March 31, 2023, from 6.0% as on March 31, 2021. The investment in the security receipts of asset reconstruction company (net of provisions) has also reduced to ₹10.6 crore as on March 31, 2023, from ₹17.9 crore as on March 31, 2021. Since 2017, RHDFCL repaid close to ₹1,000 crore to lenders through collections only, without any refinancing.

Comfortable capitalisation level
With a reduction in debt through proceeds from the portfolio collection, the gearing level has reduced to 0.25x as on March 31, 2023, from 1.3x as on March 31, 2021. Correspondingly, the capital adequacy level (CAR) ratio has improved to 124.5% from 67.7% during the period. The comfortable capitalisation level provides comfort to absorb any unexpected losses. CARE Ratings expects the gearing to increase with debt-funded growth in the portfolio over the medium term but is expected to remain comfortable.

Key weaknesses

Moderate scale of operation and weak resource profile
The AUM has declined to ₹317 crore as on March 31, 2023, from ₹517 crore as on March 31, 2021, owing to the inability to raise resources to fund the disbursement. The company has not raised any additional debt since August 2017. However, CARE Ratings notes that the OTS for the secured debt of RFL has been completed in March 2023. Also, REL is expected to provide fund or non-fund-based support to RHDFCL for raising external debt. This is expected to help RHDFCL to achieve positive growth in the AUM over the medium term. The company has received a sanction of an unsecured loan of ₹50 crore from REL in March 2023. The company availed ₹11 crore up to March 31, 2023, and the balance will be drawn on a requirement basis.

Owing to moderate scale of operations, the company has high operating cost as it does not benefit from economies of scale. The opex as percentage of average total assets was 11.5% in FY23 increased from 8.2% in FY22. Furthermore, recent increase in the borrowing rate by existing lenders will pressurise the profitability over the medium term.

Ongoing promoter level issues
RFL, which holds an 87.5% equity stake in RHDFCL, was put under the Corrective Action Plan framework by the RBI in January 2018 due to corporate governance issues. In March 2023, RFL completed the OTS of its secured and unsecured debt with its 16 lenders by payment of ₹2,178 crore. Post OTS, the outstanding unsettled unsecured debt is ₹330 crore (secured debt is nil) as on March 31, 2023. However, RFL's assets (gross loan of ₹2,109 crore, of which ₹464 crore is standard as on March 31, 2023) are sufficient to cover its remaining unsettled debt. Therefore, no external support from the Religare group is expected to be directed towards RFL for settlement of its dues. However, RFL is still placed under RBI's Corrective Action Plan, which continues to constrain the rating.

REL has plans to buy the entire 87.5% equity stake of RHDFCL, currently held by RFL. In this regard, a share Purchase Agreement has been executed between REL, RFL, and RHDFCL on April 5, 2023. The conclusion of transfer is subject to the regulatory approval.

Liquidity: Adequate

The liquidity of RHDFCL is expected to remain adequate, supported by fund-based or non-fund-based support from the ultimate parent – REL. As on March 31, 2023, there were negative mismatches in the 6M-1Y time bucket, as all the outstanding external debt matures in the period. However, the liquidity is supported by a sanctioned credit line of ₹50 crore from REL in March 2023. CARE Ratings notes that RHDFCL will continue to get support from its ultimate parent, REL, in the form of guarantee, if required, for external debt or direct credit line to support the liquidity and to fund the growth in the portfolio.

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Housing Finance Companies
Non-Banking Financial Companies

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Housing Finance Company

RHDFCL is a housing finance company-non-deposit-taking (HFC-ND) with SARFAESI license. It was incorporated on June 30, 1993, with the name of 'Maharishi Housing Development Finance Corporation Limited'. The Religare group acquired it in May 2009 and changed its name to RHDFCL.

RHDFCL offers residential collateral-backed mortgage loans for home purchase or construction or extension and renovation along with loans against residential properties to its customers belonging to the low and medium-income groups.

The company provides loans for purchasing, improving, extending, and constructing houses under housing loans. As on March 31, 2023, the company has AUM of ₹317 crore with an average rate of interest (ROI) of 15%, loan-to-value (LTV) of 50%, and a ticket size of ₹10.7 lakh.

The existing lenders significantly increased interest rate on advances to RHDFCL effective from July 2023. RHDFCL has protested against the same and has requested the lenders for reinstatement of interest rate. Under protest, it delayed payment of incremental interest till August 04, 2023, which was due on July 31, 2023. The dispute is yet to be settled. The company had sufficient liquidity in the form of investment in liquid mutual funds of ₹1.5 crore and unutilised credit line of ₹39 crore from its ultimate parent – REL.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total income	82.5	61.0	52.0
PAT	9.1	4.1	2.1
Interest coverage (times)	1.3	1.3	1.3
Total assets	496.6	371.2	287.6
Net NPA (%)	6.0	3.6	2.7
ROTA (%)	1.6	1.0	0.6

A: Audited UA: Unaudited. Note: The above results are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various 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 along with Rating Outlook
Fund-based - LT-Term Loan (Proposed)		-	-	-	500.00	CARE BB+; Negative

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	500.00	CARE BB+; Negative	1)CARE BB+; Stable (12-Jul-23)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in