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Religare Housing Development Finance Corporation Limited (RHDFCL)

September 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures (NCDs)	100.00	IVR BBB-/Stable (IVR Triple B minus with Stable outlook)	-	Assigned	Simple
Total	100.00 (Rupees One Hundred Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics ratings has assigned its ratings to the proposed NCDs of RHDFCL as it derives comfort from established track record of operations, strong capitalisation and strategic tie ups with co-lending partners. However, the ratings are constrained by consistent degrowth in AUM due to funding constraints, average, albeit improving asset quality and weak profitability.

The Stable Outlook reflects Infomerics expectations of RHDFCL ability to maintain steady growth in loan book with expected funding tie-up and expectations of improving asset quality over FY25-FY27.

Key Rating Sensitivities:

Upward factors

- Substantial and sustained growth in AUM while maintaining healthy capitalisation levels, adequate liquidity, healthy asset quality and profitability.
- Removal of its parent company (RFL) from “Prompt Corrective Action” framework resulting in improved fund-raising ability.



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Downward Factors

- Inability to tie up for the funds resulting in further decline in own AUM and/or deterioration in asset quality and/or further decline in profitability.
- Degrowth of AUM, profitability and asset quality from the current levels

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operations

RHDFCL is part of “Religare” group which has an established track record in the financial services industry. The group has presence in various business verticals viz., MSME lending through its NBFC, affordable housing loans through its HFC, Health Insurance and Retail Broking. On a standalone basis, has been operating for the last 15 years and has an established network. Religare Finvest Limited (RFL) is the parent company of RHDFCL, which holds 87.50% stake in the company.

Strong capitalisation

RHDFCLs loan book is majorly funded by equity and has no external term debt. Hence, RHDFCL has a strong capitalisation with total CRAR of 134.29%, tangible Networth of Rs 215.11 crore and gearing of 0.06x in FY24 (refers to period 1st April 2023 – 31st March 2024). Further, the company plans to raise ~ Rs 100.00 crore through NCDs in FY25 and the proceeds will be utilised to grow their disbursements.

Growth in Managed loan book backed by Co-lending tie ups

RHDFCL has entered into co-lending arrangement with 1 HFC and 2 NBFCs, wherein it would originate loans, of which 80% would be funded by these HFC/NBFCs and the balance would be funded by RHDFCL. RHDFCL manages the loans including collections and generates interest spread, fee income on the off-book AUM. This arrangement allows RHDFCL to grow its AUM and also improve profitability in the short to medium term as they were unable to grow its on book loan portfolio given the funding constraints.



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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 lakhs. Housing loans accounted for the majority (~70%) of RHDFCL's AUM, as on March 31, 2024, with loan against property (LAP) and negligible portion of builder loans accounting for the balance (30%). The affordable housing segment has good growth opportunity. RHDFCL's loan book is granular in nature and secured; thus, the expected loss in case of default is expected to be low.

Key Rating Weaknesses

Consistent degrowth in AUM due to funding constraints

Majority of RHDFCL's AUM growth was funded by equity. Given that the parent company, RFL was put under "Prompt corrective action" by RBI in January 2018 due to corporate governance issues it could not provide any capital support and the funding was constrained. In March 2023, RFL completed the OTS of its secured and unsecured debt with its 16 secured lenders by payment of Rs 2,178.00 crore. RFL had availed Rs 250 crore subordinated unsecured term loan from ICICI Bank, which was also settled on February 26, 2024. Consequently, RFL has become an external debt free company with no subsisting default. RFL is still placed under RBI's Prompt Corrective Action framework (PCA), due to which it cannot make any incremental disbursements or investments (except investments in government securities).

Given the funding constraints, the AUM of RHDFCL has witnessed degrowth since 2017 and currently stood at Rs 282.15 crore as on 31 March 2024 (Rs 316.55 crore in FY23 and Rs 396.85 crore in FY22). Also, given the parent company's/promoter's level issues, RHDFCL was also not able to raise any external debt. The management has informed that RFL has submitted its proposal before RBI for removal from "Prompt corrective action" framework.

Average asset quality albeit improving

RHDFCL provides affordable housing loans, loans for construction of houses, loan against properties and used to also provide builder loans which it has discontinued since June 2018, and the loan book has run down to 1.05% of total AUM as on 31 March 2024. However, given



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the legacy issues in the builder loans, the asset quality remains average. RHDFCLs asset quality improved with GNPA reducing to 4.28% in for FY24 from 4.69% in FY23 and 8.64% in FY22. GNPA looks elevated due to degrowth in the loan book. However, in absolute terms, GNPA of the company has decreased from Rs 29.97 crore in FY22 to Rs 12.28 crore in FY23 and further to Rs 9.17 crore in FY24.

Weak profitability

RHDFCLs profitability remains weak with company reporting PAT of Rs 0.15 crore on a total income of Rs 43.32 crore for FY24 (PAT of Rs 2.11 crore and Total income of Rs 52.03 crore in FY23) given that the company operates through 26 branches across 10 states, the operating costs are fixed while the disbursements are declining, the company is not able to achieve operational efficiencies. This has resulted in high cost to income ratio and low and declining profitability. ROTA declined to 0.07% in FY24 from 0.67% in FY23. The ability of the company to improve its profitability by achieving operational efficiency by growing its disbursements will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

Liquidity: Adequate

RHDFCLs liquidity remains adequate with no debt from external lenders, low gearing and healthy networth and capitalisation levels. Company also has cash and cash equivalents of



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Rs 10.56 crores as on 30 June 2024 against total debt repayment of Rs 10.00 crore in FY25. RHDFCL also has adequately matched ALM with no negative cumulative mismatches across various buckets.

About the 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 the current name.

Financials (Standalone)*:

Rs in crore

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	52.03	43.32
PAT	2.11	0.15
Total Loan assets	255.54	210.37
Tangible Networth	216.52	215.11
Total debt	53.07	11.01
<u>Ratios</u>		
NIM (%)	12.47	13.54
ROTA (%)	0.67	0.07
Interest Coverage (Times)	1.26	1.03
Total CRAR (%)	124.55	134.29
GNPA [Stage III] (%)	4.69	4.28
NNPA [Stage III] (%)	2.70	2.91
Overall Gearing (Times)	0.25	0.06

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr N o.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) Rating(s) assigned 2023-24	Date(s) Rating(s) assigned 2022-23	Date(s) Rating(s) assigned 2021-22
1.	Proposed NCDs	Long Term	100.00	IVR BBB- /Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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Annexure 1: Instrument/Facility Details

Instrument	ISIN	Date of Issuance	Maturity Date	Coupon (%)	Amount (Rs in Crores)	Listing Status	Rating
Proposed NCDs	-	-	-	-	100.00	Unlisted	IVR BBB-/Stable
	Total				100.00		

Annexure 2: Facility wise lender details – Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Draft Term sheet for the proposed NCDs of Rs 100.00 crore

Instrument	Secured, unlisted, rated, redeemable Non-Convertible Debentures
Issuer	Religare Housing Development Finance Corporation Ltd
Investor	Neo Group
Amount	Upto Rs 100.00 crore
Tenor	30 months
Coupon	12.50% p.a. to be paid monthly



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Security	First ranking, pari-passu charge over the loan assets and other current assets in the form of cash and cash equivalents of the borrower through deed of hypothecation to the extent of 125% of outstanding NCDs Corporate guarantee from the holding company – Religare Enterprises Ltd
Financial Covenants	1) CRAR to be always above 30% 2) Gross NPA shall not exceed 6% 3) NNPA should be less than 3.75% Covenants to be tested on quarterly basis.
Rating Covenant	The coupon rate to be increased by 0.5% in case of rating downgrade.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.