

August 08, 2023

Religare Housing Development Finance Corporation Limited: Update on material event

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; outstanding
Short-term debt programme	100	100	[ICRA]A4; outstanding
Total	1,300	1,300	

*Instrument details are provided in Annexure I

Rationale

On August 03, 2023, Religare Housing Development Finance Corporation Limited (RHDFCL) reported non-payment of differential interest amount due to commercial dispute on interest rates on loans from Bank of India and UCO Bank in its no-default statement (NDS) for July 2023. This was on account of the revision in the interest rate by the respective lenders (which came into effect from July 2023), resulting in a differential interest of Rs. 9.7 lakh for Bank of India and Rs. 9.1 lakh for UCO Bank. ICRA notes that RHDFCL did not accept the revised interest rates and made a representation on July 13, 2023 for the reinstatement of the previous interest rates to the banks before the due date for interest servicing (July 31, 2023). However, the banks did not process the request before the due date. RHDFCL, nevertheless, serviced the interest as per the previously agreed rates on July 31, 2023. It also remitted the differential interest with respect to the revised rates, under protest, to the lender banks on August 4, 2023, as its representations were still under consideration with the banks.

As per its dynamic liquidity statement as on June 30, 2023, RHDFCL had unencumbered cash and liquid investments of about Rs. 6 crore as on June 30, 2023 (Rs. 3.43 crore as on July 31, 2023). Additionally, it has a sanctioned and unutilised inter-organize loan of Rs. 39 crore from Religare Enterprises Limited, which can be used for liquidity management.

Considering the current commercial dispute between RHDFCL and the lenders with respect to the interest rates on the loans and in accordance with ICRA's policy on default recognition, the payment of differential interest with a lag has not been treated as a default. The timely resolution of the disagreement on the interest rates with the lenders is crucial as any adverse stance taken by the lenders and/or regulators against the company would affect its credit profile. Hence, this will be a monitorable.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies ICRA's Policy on Default Recognition
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. 2.1 crore in FY2023 on total managed assets of Rs. 357.7 crore as on March 31, 2023 compared to a PAT of Rs. 4.1 crore in FY2022 on total managed assets of Rs. 443.6 crore as on March 31, 2022. Its net worth stood at Rs. 216.8 crore as on March 31, 2023 (Rs. 214.8 crore as on March 31, 2022). The gross and net non-performing assets (NPAs) stood at 4.6% and 2.6%, respectively, as on March 31, 2023 compared to 8.5% and 3.5%, respectively, as on March 31, 2022.

Key financial indicators

	FY2020	FY2021	FY2022	FY2023
Total income	101.8	82.5	61.0	52.0
Profit after tax	5.3	9.1	4.1	2.1
Net worth	201.8	211.0	214.8	216.8
Gross loan book	602.6	460.0	353.3	268.5
Total managed assets	676.2	588.2	443.6	357.7
Return on average managed assets	0.7%	1.4%	0.8%	0.5%
Return on average net worth	2.7%	4.4%	1.9%	1.0%
CRAR	57.0%	68.3%	94.4%	124.6%
Managed gearing (times)	2.2	1.6	0.9	0.5
Gross NPA[^]	6.7%	10.5%	8.5%	4.6%
Net NPA[^]	3.8%	5.8%	3.5%	2.6%
Solvency (Net NPA/Net worth)[^]	11.0%	12.1%	5.5%	3.2%

Source: RHDFCL, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations; [^]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	Type	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
				Aug 08, 2023	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@	[ICRA]A4@
2 Long-term/Short-term bank lines	LT/ST	1,200	62.08	[ICRA]BB-(Stable)/[ICRA]A4	[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: R HDFCL, 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

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