

Reliance Asset Reconstruction Company Limited

April 23, 2019

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term Debt Programme	200	0	[ICRA]BBB+@; withdrawn
Short Term Bank Lines	100	0	[ICRA]A2@; withdrawn
Total	300	0	

**Instrument details are provided in Annexure-1*

@On rating Watch with Negative Implications

Rationale

The Rs. 100 crore Short-term Bank Lines ratings are withdrawn in accordance with ICRA's policy on withdrawal and suspension on receipt of No Objection Certificate (NOC) from the banker, and as desired by the company.

The Rs. 200 crore Long Term Debt Programme ratings are withdrawn in accordance with ICRA's policy on withdrawal and suspension as there is no amount outstanding against the aforementioned programme, and as desired by the company.

Outlook: Not applicable as ratings are being withdrawn

Key rating drivers

Key Rating drivers has not been captured as the rated instrument is being withdrawn.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	Parent / Investor: ICRA has factored in the implied support of the primary sponsor Reliance Capital Limited (49% ownership), as the sponsor has demonstrated operational and capital support in the past. In addition, ICRA notes the shared brand name, and the associated franchise risk to the primary sponsor.
Consolidation / Standalone	ICRA has factored in the stand-alone financials of RARC.

About the company

Reliance ARC (RARC) was incorporated in 2008, with RCL holding a 49% stake and Corporation Bank and Indian Bank holding 11.50% stake each. The company has, over the years, focused on acquiring and resolving retail and SME assets which formed ~93% of its total AUM as on March 31, 2018.

During FY2018, the company reported a net profit of Rs. 9.04 crore on a total income of Rs. 42.73 crore as compared with a net profit of Rs. 9.02 crore on a total income of Rs. 37.77 crore for FY2017. In H1FY2019, RARC reported a PAT of Rs 6.41 crore (as per Ind-AS) in H1FY2019 as against Rs 3.51 crore (as per iGAAP, excluding fair valuation and other Ind-AS adjustments) in H1FY2018.

Reliance Capital Limited

Reliance Capital Limited (RCL) is a part of the Reliance group. RCL's subsidiaries have a significant presence across various financial services businesses like Asset Management, Life Insurance, General Insurance, Commercial & Home Finance, Broking & Distribution of financial products and Proprietary Investments. RCL started its commercial finance business in May 2007 with a focus on secured lending and mortgage and SME loans form the bulk of its commercial finance business portfolio currently. In March 2017, RCL de-merged its commercial finance business into Reliance Commercial Finance Limited, its wholly owned subsidiary, and RCL is in a process to become a core investment company with investments in group as well as non-group entities.

RCL's reported a consolidated PAT of Rs. 246 crore in Q3FY2019, as against Rs. 309 crore in Q2FY2019, and Rs 39 crore in Q3FY2018. For 9MFY2019, PAT stood at Rs. 850 crore, as against a loss of Rs. 478 crore (Rs. 881 crore profit as per iGAAP) due to impact of ECL provisioning and fair valuation of investments as per Ind-AS.

Key financial indicators (standalone)

	FY2017	FY2018	H1FY2019
Accounting Standard	iGAAP	iGAAP	Ind-AS
Total Income	37.77	42.73	23.84
Profit after tax (PAT)	9.02	9.04	6.41
Net Worth	144.54	149.97	181.58
Assets under management	1,829	1,864	2,132*
Total assets	291.56	277.89	379.49
Return on average total assets (PAT/ATA)	3.27%	3.07%	3.84%
Return on average net worth (PAT/Avg. net worth)	6.44%	6.14%	7.74%
Gearing	1.00	0.82	0.91
CRAR	48%	52%	48%*

* as on December 31, 2019

Source: Reliance Asset Reconstruction Company Limited, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Apr-19	FY2019			FY2018	FY2017	
						Mar-19	Mar-19	Jul-18	Jun-17	May-16	Apr-16
1	Long term debt programme	Long term	200*	-	[ICRA] BBB+@; withdrawn	[ICRA] BBB+@	[ICRA] A@	[ICRA] A+ (stable)	[ICRA] A+ (stable)	[ICRA] A+ (stable)	[ICRA] A+ (stable)
2	Short term bank lines	Short term	100	69.5	[ICRA] A2@; withdrawn	[ICRA] A2@	[ICRA] A1@	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

*Amount unutilised; @Rating watch with negative implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long term debt programme	-	-	-	200.00	[ICRA]BBB+@
-	Short term bank lines – Overdraft	-	-	-	100.00	[ICRA]A2@

Source: Reliance Asset Reconstruction Company Limited

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