

March 27, 2023^(Revised)

Religare Finvest Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bonds/NCD/LTD	120	120	[ICRA]D; reaffirmed
Long-term/Short-term fund-based bank limits	909.7	909.7	[ICRA]D/[ICRA]D; reaffirmed
Long-term/Short-term fund-based bank limits	8,090.30	-	[ICRA]D/[ICRA]D; reaffirmed and withdrawn
Total	9,220	1,029.7	

*Instrument details are provided in Annexure I

Rationale

The rating takes into account the sustained delays in the servicing of Religare Finvest Limited's (RFL) debt obligations till December 2022. In January 2018, RFL was put under the Corrective Action Plan (CAP) by the Reserve Bank of India (RBI), whereby it is prohibited from expanding its credit/investment portfolio other than investments in Government securities. From April 2019, RFL delayed/did not repay its bank loans on account of the proposed resolution plan.

Earlier, the company had proposed a revised Debt Resolution Plan (DRP) for its lenders for the restructuring of its debt. This was to revive its business and to ensure the proper alignment of its asset-liability profile, with its parent company, i.e. Religare Enterprises Limited (REL), continuing as its promoter. However, the RBI had advised that the restructuring of the company could not be implemented with REL continuing as its promoter since the company was declared as a 'fraud' exposure by the lenders. Subsequently, RFL proposed a one-time settlement (OTS) as an alternative way to revive the business. RFL, along with REL, entered into a Settlement Agreement on December 30, 2022 in connection with the OTS with 16 lenders (OTS lenders) for the full and final settlement of all the outstanding dues of their secured borrowings and two unsecured borrowings. Thereafter, RFL paid 82.7% of the settlement amount to the secured lenders by December 31, 2022 and completed the OTS by making the full and final payment of Rs. 400 crore on March 8, 2022. Business operations are expected to revive only after the settlement of the outstanding dues on the existing unsecured bank facilities and debentures and the removal of the CAP imposed by the RBI.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 8,090.30-crore bank facilities as these have been repaid with no amount outstanding against the same and based on the No Dues Certificates received from the OTS lenders, in accordance with ICRA's policy on withdrawal (click [here](#) for the policy).

Key rating drivers and their description

Credit challenges

Poor liquidity and reduced financial flexibility – Given the Group-related issues, delayed capital support from REL and challenges in raising incremental funding, RFL's liquidity position remains poor. The significant asset-liability mismatches have led to a delay in its debt repayments. RFL's financial flexibility remains adversely impacted by its weak asset quality profile and the lack of business growth in the last few years. ICRA notes that the company had entered into an OTS agreement on December 30, 2022 with 16 lenders (OTS lenders) for the full and final settlement of all the outstanding dues of their secured borrowings and two unsecured borrowings. It had already paid 82.7% of the settlement to the secured lenders by December 31, 2022 and completed the OTS by making the full and final payment of Rs. 400 crore on March 8, 2022.

Shrinking asset base with no fresh disbursements – RFL’s business operations have been curtailed since it was put under the CAP by the RBI in January 2018, whereby it is prohibited from expanding its credit/investment portfolio other than investments in Government securities. With no fresh disbursements in the last few years, RFL’s gross loan book declined to Rs. 3,569 crore as on December 31, 2022 from Rs. 3,981 crore as on March 31, 2022. The company would require capital support from the parent to fund fresh business and to stabilise its capitalisation profile, which has deteriorated.

Weak asset quality – RFL’s asset quality indicators remain weak with high gross non-performing advances (GNPA%) of 84.8% and net non-performing advances (NNPA%) of 2.3% as on December 31, 2022 (79.9% and 23.6%, respectively, as on March 31, 2022) primarily due to the significant delinquencies in the non-core asset book and partly due to the shrinking small and medium-sized enterprise (SME) loan book. The company’s ability to make collections from the remaining standard SME loan book and make further recoveries from the delinquent loan book would be important for improving its financial position.

Liquidity position: Poor

RFL’s liquidity position is currently poor owing to the misappropriation of funds by the erstwhile promoters and their associates and the challenges in raising incremental funds. It has negative cumulative mismatches across all the maturity buckets of its asset-liability profile. Moreover, as the standard assets (where inflows are coming and/or are eligible for sale) are far lower than the liabilities, the company would not be able to repay the entire balance debt without any capital support or settlement with the remaining unsecured lenders. Although RFL completed the OTS agreement with 16 lenders in March 2023, the repayment/settlement of the outstanding dues on the existing unsecured bank facilities and debentures will remain a monitorable.

Rating sensitivities

Positive factors – Timely debt repayment on a sustained basis could be a positive trigger.

Negative factors – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies ICRA's Policy on Default Recognition Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

RFL was originally incorporated as Skylark Securities Private Limited in 1995. It was converted into a public limited company, Fortis Finvest Limited, in 2004. In March 2006, the company changed its name to Religare Finvest Limited. RFL is a subsidiary of REL. The company’s on-balance sheet portfolio stood at Rs. 3,569 crore as on December 31, 2022 (Rs. 3,981 crore as on March 31, 2022). The company provides loans to SMEs in the form of loan against property (LAP) and working capital (WC) loans.

Key financial indicators

	FY2020	FY2021	FY2022	9M FY2023
	Audited	Audited	Audited	Provisional
Total income	433	296	174	99
PAT	-897	-576	-1,747	-530
Net worth	49	-525	-2,271	-2,781
Gross loan book	2,793	4,873	3,981	3,569
Total assets	5,404	7,558	6,884	5,318
Return on average assets	-14.5%	-8.9%	-24.2%	-11.6%
Return on average equity	-180.2%	241.9%	125.0%	28.0%
Gearing (times)	99.67	-8.64	-2.02	-1.07
CRAR	-40.82%	-78.3%	-199.5%	-186.0%
Gross stage 3	61.4%	70.0%	79.9%	84.8%
Net stage 3	28.5%	37.9%	23.6%	2.3%
Solvency (Net stage 3/Net worth)	1635.3%	-170.3%	-10.9%	NA

Source: Company, ICRA Research; All ratios are on annualised basis as per ICRA's calculations; Amount in Rs. crore

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)*	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	
				Mar 27, 2023	May 09, 2022	Mar 28, 2022	May 17, 2021	Apr 06, 2020	Jul 19, 2019	May 08, 2019
Long-term debt programme	Long term	120.00	80.00	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D
Long-term debt programme	Long term	-	-	-	[ICRA]D; withdrawn	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D
Long-term/Short-term fund-based bank limits	Long term/Short term	909.70	909.70	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D
Long-term/Short-term fund-based bank limits	Long term/Short term	8,090.30	-	[ICRA]D/ [ICRA]D; withdrawn	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D	[ICRA]D/ [ICRA]D

*As on December 31, 2022

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term bonds/NCD/LTD	Very Simple
Long-term/Short-term fund-based bank limits	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 December 31, 2022)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE958G08955	NCD	Oct 12, 2012	12.20	Oct 12, 2022	50.00	[ICRA]D
INE958G08963	NCD*	Jan 21, 2013	12.20	Jan 21, 2023	42.00	[ICRA]D
INE958G08989	NCD	Feb 25, 2013	12.00	Feb 25, 2023	8.00	[ICRA]D
INE958G08997	NCD	Mar 28, 2013	12.05	Mar 28, 2023	20.00	[ICRA]D
NA	Long-term/Short-term fund-based bank limits	Sep 2012 to Mar 2017	NA	Mar 2020 to Feb 2024	909.70	[ICRA]D/[ICRA]D
NA	Long-term/Short-term fund-based bank limits	Sep 2012 to Mar 2017	NA	Mar 2020 to Feb 2024	8,090.30	[ICRA]D/[ICRA]D ; withdrawn

Source: RFL

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

Annexure II: List of entities considered for consolidated analysis – Not applicable
Corrigendum:

Analytical Approach (pg-2): Updated the link for withdrawal and default recognition policy

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