

Religare Broking Limited

April 04, 2018

Summary of rated instruments

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Short Term Bank Lines	600	[ICRA]A3, on watch with developing implications; Assigned
Commercial Paper programme	400	[ICRA]A3, on watch with developing implications; Assigned
Total	1,000	

Rating action

ICRA has assigned rating of [ICRA]A3 (pronounced ICRA A three) to the Rs. 400 crore commercial paper programme and Rs. 600 crore short term bank lines of Religare Broking Limited (RBL). The ratings are on watch with developing implications.

Rationale

The ratings for RBL are largely based on its parentage, with RBL being a wholly owned subsidiary of Religare Enterprises Limited. These limits were earlier rated as part of Religare Securities Limited (RSL). As part of the restructuring of the group, REL merged 11 of its subsidiaries (including RSL) with itself and subsequently the broking business (along with corresponding assets and liabilities) was transferred to RBL. Consequently, the ICRA rated debt was also transferred to RBL. The scheme was approved by NCLT on December 8, 2017 and is effective since December 29, 2017.

With the deterioration in the financial flexibility and liquidity profile of Religare group, challenges on incremental funding, and lack of management continuity there has been a delay in the implementation of the strategic plans for the group. ICRA will continue to monitor the developments and would take suitable rating action once more clarity emerges and hence the ratings continue to remain on watch with developing implications.

Key rating drivers

Credit strengths

Experienced management team; adequate risk management and operational systems: The company's management team is experienced and has a demonstrated track record in the line of securities business. The company has also set up adequate risk management and operational systems for its current scale of operations

Credit challenges

Uncertainty with respect to resolution of group related issues.: RBL is a wholly owned subsidiary of REL and has strong management and operational linkages with the Group. Any significant delay in the implementation of the strategic plans for the Religare group, may constrain RBL's own liquidity and growth in the near to medium term.

Low profitability: The company's reported net loss of Rs 17 crore in FY2017 due to substantial provision for diminution in the value of its investments in Religare Wealth Management Limited. Profitability is expected to remain low in the near term, due to moderate brokerage revenues and low fee based/interest income

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating methodology for brokerage houses](#)

About the company:

RBL is a wholly owned subsidiary of Religare Enterprises Limited. Post the restructuring at Group level, operational part (broking business) of RSL was transferred to RBL while investment portfolio was merged into REL.

For FY2017, RBL reported net loss of Rs. 17 crore on equity base of Rs 129 crore.

Key financial indicators (Audited)

Indicator	FY2017
Brokerage Income (net)	122
Fee income (other than broking)	66
Net interest income	-18
Other non-interest income	74
Operating income	383
Total operating expenses	216
Profit before tax	-7
Profit after tax	-17
Net worth	129
% Return on net worth	26.0%

Source: Company and ICRA research

CRAR: Capital to Risk Weighted Assets Ratio, NPA: Non-Performing

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
April 2018							
1	Short term bank lines	Short Term	600	600	[ICRA]A3 & -	-	-
2	Commercial Paper programme	Short Term	400	400	[ICRA]A3 & -	-	-

Source: Religare Broking Limited
&-watch with developing 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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated	Current Rating and Outlook
					(Rs. crore)	
NA	Commercial Paper programme	NA	NA	7-365 days	400.00	[ICRA]A3 &
NA	Overdraft 1	NA	NA	NA	25.00	[ICRA]A3 &
NA	Overdraft 2	NA	NA	NA	47.00	[ICRA]A3 &
NA	Overdraft 3	NA	NA	NA	9.50	[ICRA]A3 &
NA	Overdraft 4	NA	NA	NA	21.38	[ICRA]A3 &
NA	Cash credit 1	NA	NA	NA	75.00	[ICRA]A3 &
NA	Cash credit 2	NA	NA	NA	50.00	[ICRA]A3 &
NA	Proposed	NA	NA	NA	372.12	[ICRA]A3 &

Source: Religare Broking Limited
&-watch with developing implications

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