January 18, 2017

Religare Enterprises Limited

Instrument*	Amount (Rs. crore)	Rating Action
Commercial Paper/Short-Term Debt programme	700	[ICRA]A1+; reaffirmed

**Instrument details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned earlier to the Rs. 700 crore commercial paper and short-term debt programme of Religare Enterprises Limited (REL)[†].

Rationale

The rating factors in REL's experienced management team, its adequate capitalisation (consolidated networth of Rs. 2918 crore as on September 30, 2016), and the demonstrated support from the promoters.

ICRA takes note of the company's proposed restructuring plan which entails the merger of a majority of its subsidiaries into REL, except the lending (NBFC and HFC), insurance, broking and capital markets businesses. ICRA expects the restructuring to result in a substantial reduction in REL's debt, which currently is largely from its subsidiaries.

Being a core operating company, REL's income is in the form of dividends from operating subsidiaries and interest income on investments. Currently, Religare Finvest Limited (RFL, rated [ICRA]AA-(stable)/[ICRA]A1+) is the only dividend paying subsidiary of REL; RFL reported losses in H1FY2017 on account of a large write-off, which is likely to result in a pressure on REL's income in FY2017. ICRA notes that the health insurance business would need fresh capital of around Rs. 125 crore over the next two years, to fund its targeted business growth. Given REL's low internal capital generation, it would need to raise funds in order to support its subsidiaries and also refinance its external debt. Overall, the group's ability to improve earnings and generate adequate cash flows and REL's ability to raise funds as and when required would be the key rating sensitivities.

Key rating drivers

Credit Strengths

- Experienced management team
- Large branch network and wide range of product offerings across the group offer potential for growth
- Demonstrated track record of support from the promoters, in the form of equity infusion and capital raising

Credit Weakness

- To improve the consolidated earnings profile of the group, given that most operating companies are yet to generate adequate returns to distribute dividends
- To raise capital to fund the requirements of the subsidiaries, in the absence of adequate internal capital generation

Description of key rating drivers highlighted above:

The Religare group has a wide range of product offerings, ranging across capital market related services, insurance, loans against shares, SME loans, and wealth management products. It also has a strong franchise network spread across the country, with 158 branches, and 1,152 business partners, as on March 31, 2016.

REL's standalone asset book consists entirely of investments (93%) and loans (6%) to subsidiary companies. Thus, the only source of income for the company is through dividend from subsidiaries, interest income from its

[†]For complete rating scale and definitions, please refer to ICRA website (www.icra.in) or any of the ICRA rating publications.

loan book or sale of investments. REL's dividend income in FY2017 is likely to be low, given that RFL, the only dividend paying subsidiary, reported losses in H1FY2017.

A majority of REL's debt is from its own subsidiaries and with the proposed restructuring plan, this debt will be adjusted and gearing will reduce significantly from the current level (0.8x, as on September 30, 2016).

Analytical approach:

For arriving at the ratings, ICRA has considered the consolidated business risk profile and financial metrics for REL and its subsidiaries.

Links to applicable Criteria:

http://www.icra.in/Files/Articles/Rating%20Methodology%20NBFC%20April%202016.pdf

Company Profile

REL is a non-deposit taking, systemically important Core Investment Company (CIC-ND-SI), promoted by Mr. Malvinder Singh and Mr. Shivinder Singh, the erstwhile promoters of Ranbaxy Laboratories Limited. REL has a well-diversified business profile with subsidiary companies engaged in the business of lending (constituting 57% of revenues for FY2016), investment management & advisory (19%), insurance (9%), broking (6%) and others (9%). REL is listed on the Bombay Stock Exchange and the National Stock Exchange.

Recent Results

For FY2016, REL reported a consolidated net loss of Rs. 48 crore as compared with profit of Rs 154 crore for FY2015. On a standalone basis, REL reported a net profit of Rs. 84 crore for FY2016 as compared with a net loss of Rs.104 crore for FY2015.

For H1FY2017, REL reported a consolidated net profit of Rs. 10 crore as compared with a net profit of Rs. 100 crore for H1FY2016. On a standalone basis, REL reported a net loss of Rs. 65 crore for H1FY2017 as compared with a net profit of Rs. 24 crore for H1FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	January 2017	FY2015	FY2015	FY2014
					December 2015	June 2015	
1	Commercial Paper/Short Term Debt programme	Short Term	700	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

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 websitewww.icra.in

Annexure-1

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (in Crores)	Rating assigned along with Outlook
Commercial Paper/Short Term Debt programme				700*	[ICRA]A1+
Total				**700**	

There is no amount outstanding against the ICRA rated Commercial Paper/Short Term Debt Programme.

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