Religare Broking Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	500.00	CARE BBB / CARE A3+ (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Religare Broking Limited (RBL) have been put on 'Rating watch with positive implications' following the classification of Burman group (through four group entities namely M.B. Finmart Private Limited, Puran Associates Private Limited, VIC Enterprises Private Limited, and Milky Investment & Trading Company, collectively called as Burman group entities) as promoters of Religare Enterprises Limited (REL). REL through its exchange filing dated February 20, 2025, intimated the receipt of letter from Burman Group entities intimating the Board of REL regarding the change in control. Per the stated intent of the Burman group, CARE Ratings believes that this development is likely to benefit REL and its subsidiaries including RBL, in the form of better financial flexibility, access to competitive cost of funding and need-based capital support.

The Burman group entities held 21.10% stake in REL prior to the open offer and had acquired additional 3.99% stake from the open market on January 31, 2024, which were held in escrow account per SEBI (SAST) Regulations, 2011 and these shares did not carry voting rights. Consequently, through the open offer route, Burman group entities on February 17, 2025, acquired 0.07% stake, which in addition to the released shares from the escrow account on February 18, 2025, took the Burman Group's shareholding to 25.16% in REL. Following this, the Burman group entities have been classified as promoters of REL.

Ratings continue to factor in RBL's stable earnings profile and scale of operations with diversification in its revenue profile for 9MFY25. It also considers the company's long track record, seasoned management team and comfortable capital structure.

However, ratings remain constrained by moderate scale of operations, earnings vulnerability to market activities, competitive pressures and exposure to regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant improvement in overall credit profile of the Religare group.
- Improved market presence/ market share and improvement in profitability on a sustained basis

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Exposure towards group companies outside of broking business.
- Deterioration in the market share impacting broking income of the company.
- Moderation in the earnings and liquidity profile of the company.
- Weakening of the capital structure leading to increase in gearing (including non-fund-based debt) beyond 4x on a sustained basis.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has analysed the standalone credit profile of RBL, factoring its linkages with the incoming promoters, Burman Group entities through Religare Enterprises Limited (REL).

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Long track record of retail broking combined with seasoned management

RBL operates in the retail brokerage segment with an established network of own branches and authorized persons of over 1,400 touch points spread across 400 cities in India and a total active client base of ~2.5 lakhs (total client base of over 1 million). Its distribution strategy entails a combination of its own branches and a network of franchisees. The average daily turnover (ADTO) increased by 76% to ₹16,000 crore in FY24 and has been showing an increasing trend year-on-year.

The company's management is undertaking several initiatives to generate scale-based growth and regain the lost market share in the retail brokerage space and other allied services. In FY24, the company healthy growth in acquiring the new e-governance franchisees. In FY24, total franchisees for e-governance business have increased from 27,000 in FY23 to 44,000 in FY24 [Growth 63% YoY] and the total e-governance franchisee base as of December 31, 2024, increased to ~51,000. The company has embraced an asset-light growth strategy, minimising future investments in physical infrastructure, while enhancing its emphasis on technology, products, and marketing efforts.

The company is led by an experienced management team, each member boasting an average 2+ decades of experience in the financial services industry. This extensive expertise positions the company well for steady business growth based on its established operational track record.

With expected operational and managerial support from ultimate promoters i.e., the Burman Group, RBL will be benefitted in growing its broking and e-governance business through timely support in terms of capital infusion as and when needed.

Adequate capitalisation levels

As on March 31, 2024, the company's standalone tangible net worth stood at ₹231.33 crore against ₹192.70 crore as on March 31, 2023. Total borrowings (including non-fund-based debt) increased to ₹517.84 crore as on March 31, 2024, from ₹448.38 crore as on March 31, 2023, considering increased own funding requirements due to SEBI's regulation prohibiting the stockbrokers from creating bank guarantees (BGs) from client funds and to increase lending through margin trade funding (MTF) product. Of the total borrowings, fund-based borrowing comprises 65% and balance is non-fund based in the form of BGs. Total borrowings as of March 31, 2024, included ₹118 crore of unsecured short-term debt from group companies, which reflects support from the group.

As on December 31, 2024, the company on standalone basis reported a tangible net worth of ₹253.35 crore and a total borrowing (incl. non-fund based debt) of ₹313.92 crore (Fund based Debt: ₹134.29 crore). As on December 31, 2024, overall gearing (including non-fund-based debt) stood comfortably at 1.24x (March 31, 2024: 2.24x) and net gearing (total debt adjusted against bank balance lien marked for credit facilities) stood at 0.36x (March 31, 2024: 1.02x). The company's gearing stands adequate, however, capital remains vulnerable to volatility in earnings, given the nature of the business.

With classification of the Burman Group as the promoter of REL, RBL is expected to receive timely support in terms of availability of funds, which will further enhance its capital position and improve its risk appetite to sustain in capital market linked businesses.

Improving earnings profile and diversified income streams

RBL is a trading member of stock exchanges such as NSE, BSE, MCX among others. It has a basket of diversified products being offered, which includes broking services in all segments (equity, derivatives, commodities and currency), lending in the form of margin trade funding (MTF), third-party financial products distribution (insurance, mutual fund, bonds, corporate fixed deposits, IPO, among others) and e-governance services.

In FY24, standalone profitability improved significantly by 247% to ₹33.34 crore from a profit after taxes (PAT) of ₹9.61 crore in FY23. Top line grew by 28% and stood at ₹369.01 crore supported by an increase in brokerage income, interest income and e-governance business. Improvement in total income and cost-to-income ratio in FY24 led to improvement in return on net worth (RoNW), return on total assets (RoTA) and PAT margin, which stood at 15.73% (FY23: 5.17%), 2.82% (FY23: 1.00%) and 9.04% (FY23: 3.34%), respectively, in FY24.

In 9MFY25, the standalone PAT stood at ₹19.90 crore with a RoNW, RoTA and PAT Margin of 10.95%, 2.27% and 6.75%. While profitability for H1 FY25 benefited from favorable market prospects, for Q3 FY2025, it remained muted on account of multiple regulatory changes including the SEBI circular on derivative trading, continued selling by foreign institutional investors (FIIs), and persistent negative market sentiment. This led to a 20% - 25% decline in average daily turnover across both the cash and F&O segments for the quarter which impacted the revenue as well as PAT margin in Q3FY25. This is in line with the industry wide declined volumes, which is considering subdued market conditions and recent regulations to curb F&O speculative trades.

The company has been focusing on diversifying revenue stream to reduce its dependency on broking income, which is volatile as it is driven by the market activities. In 2021, brokerage revenue formed 68% of the total income, which has come down and remained in the range of 56% in FY23 and to 53% in 9MFY25. In 9MFY25 brokerage & depository revenue forms 57% of the total revenue followed by interest income which forms 28%, income from e-governance business which forms 11% and, balance by sources such as NPS-POP, commission income, and recovery of transaction fees, among others. Given the increasing scale of operations, cost-to-income ratio has improved in FY24 and stood at 86.7% against 92.1% in FY23; however, it is still on higher side as the company has to pay commission to its authorised partners (APs) on the turnover posted by their customers, which has gone up in FY24. However, the company witnessed slight increase in the cost-to-income ratio in 9MFY25 and this was again considering decline in topline in Q3FY25 and fixed nature of some of the expenses. With growing scale, sustainability of earning remains a key monitorable.

Key weaknesses

Moderate scale of operations

RBL's size continues to remain moderate given the company's market share. Its market share in cash segment declined marginally from 0.44% in FY23 to 0.38% in FY24, and in F&O segment also, the market share declined from 0.05% in FY23 to 0.04% in FY24. The market share is declining due to increased competition from discount brokers, and at the same time, algorithmic trading, discount brokerage services, and low margin requirements are driving up futures and options (F&O) trading volumes overall. However, the company was able to increase its trading turnover and revenue per client in the year. It reported a total turnover of ₹39,21,162 crore in FY24, posting a y-o-y growth of 70% from ₹23,09,975 crore in FY23.

The company's share in the overall volume is ~0.02% and in cash segment it is ~0.35%. Hence, the company's progress in improving the market share and trading volumes continues to remain key monitorable.

Earnings vulnerable to overall market activity levels and competitive pressures

RBL is not engaged in proprietary trading activities / speculative trading on its own account. Brokerage & depository income forms 57% of the total revenue followed by income from e-governance business (11%), interest income (28%) and, balance by other sources like NPS-POP, commission income, recovery of transaction fees, among others. Brokerage income and interest income from MTF lending is directly a function of the market performance, which is highly volatile in nature and exposes RBL's earnings to volatility in stock markets. As the revenue base is still dominated by income from broking business, which remains influenced by volatility in market volumes, the company is attempting to diversify its revenue streams for higher stability across business cycles.

The company is exposed to fierce competition in the highly competitive brokerage space and with the introduction of 100% digital and zero brokerage firms the brokerage rates are at competitive levels across the industry. However, with continuous efforts, traditional players including RBL have been successful in building their digital platforms for its customers and survive in this competitive industry. Apart from revenue diversification, the company's focus has been on maintaining client relationships and hence RBL continues to offer its services in both the forms, traditional (offline) and digital investment services.

Given the competitive risks, it will be crucial to monitor the company's ability to maintain its market share and enhance profitability.

Susceptibility towards regulatory changes

Capital market industry witnessed continuous regulatory revisions. To further enhance transparency levels and limit misuse of funds, SEBI introduced a few regulations in the last few years.

In May 2023, SEBI prohibited stockbrokers from using client's funds for BGs. Brokers now deploy their own funds, leading to increase in funding requirements and in turn higher finance cost. On-book gearing of industry players is also increasing post this regulation. In June 2023, SEBI introduced a regulation, under which, stockbrokers are required to upstream clients' funds to the clearing corporation. These funds must be upstreamed to clearing corporation in the form of cash, lien on fixed deposit (FD) receipts or pledged units of mutual fund overnight schemes. Similarly, funds received from clearing corporation should be further downstreamed to clients' accounts. This increased operational and compliance cost for brokers. In July 2024, regulator directed market infrastructure institutes (MIIs) to revise charge structure and adopt a standardised fee structure to all members replacing existing volume-based slab-wise model. In October 2024, SEBI introduced multiple measures to curb retail participation. Some of the measures have become effective from November 2024 such as reduction in derivatives with weekly expiry which was highest F&O contributor, increase in lot size and increased in extreme loss margin by 2% on short options contracts. A few measures will be implemented in the coming quarters, which include upfront collection of option premiums, removal of Calendar Spread Treatment on Expiry Day and intraday monitoring of client's and broker's limits.

The broking industry is experiencing a slowdown in trading volumes due to global market volatility and recent regulatory guidelines/updates. This has caused some major brokerage firms to lose market share. The company's ability to increase its market share amid this competition will be crucial. Intense competition from low-cost brokerage firms continues to pressure traditional players' margins.

CARE Ratings will continue to monitor RBL's ability to adapt its technology, systems, and risk management processes in response to the constantly evolving regulatory landscape without adverse impact on its overall business profile.

Liquidity: Adequate

RBL's liquidity profile is adequate. RBL's total cash and bank balances stood at ₹668.45 crore as on December 31, 2024, of which ₹37.57 crore was unencumbered cash and bank balance and ₹632.88 crore was in the form of lien marked FDs pledged with banks (against bank guarantees and other credit facilities) and stock exchanges for margin purposes. The company has been maintaining unutilised margin with the exchanges which provides adequate liquidity cushion to RBL in case of eventualities. The company also has unutilised bank line limit of ₹102.79 Crore (including overdraft against FD of ₹57.79 crore) as on December 31, 2024.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Broking Firms
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Capital markets	Stockbroking & allied

A wholly owned subsidiary of Religare Enterprises Limited, RBL provides a comprehensive range of services to retail clients. The broking business was started by Religare group over 25 years ago and currently, offers a full range of broking services such as equities, commodities, and currencies, depository participant services, bonds & mutual fund distribution, apart from selling insurance policies as an IRDA registered Corporate Agent and offering research capabilities to its customers.

RBL is also registered with Pension Fund Regulatory and Development Authority (PFRDA) and SEBI to act as Point of Presence (PoP) for National Pension Scheme (NPS) and Registrars to an issue and share Transfer Agent (RTA) respectively.

RBL also offers government services, financial inclusion services and citizen e-services and other ancillary and allied services including but not limited to: permanent account number (PAN), tax deduction and collection account number (TAN) and e-TDS returns, business correspondent for banking services, Bharat Bill Payment Systems (BBPS) and recharges, ticketing for airline, railways, bus or tourism through online/ offline platform, Digital Signature Certificate and Token (DSC) and Central Record Keeping Agency Facilitation Centre (CRA-FC). The company operates through a network of 69 branches, 1,400 broking business partners and ~51,000 e-governance franchisees in 400+ cities across India. It has over 1 million broking clients.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total income	287.90	369.01	295.04
PAT	9.61	33.34	19.90
Interest coverage (times)	2.20	3.00	1.99
Total Assets	979.72	1,387.68	952.80
RoNW (%)	5.17	15.73	10.95
ROTA (%)	1.00	2.82	2.27

A: Audited UA: Unaudited; Note: these are latest available financial results
Note: Figures are as per the audited financials of the respective financial year.

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	350.00	CARE BBB / CARE A3+ (RWP)
Fund-based/Non-fund-based-LT/ST		-	-	-	150.00	CARE BBB / CARE A3+ (RWP)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	350.00	CARE BBB / CARE A3+ (RWP)	1)CARE BBB; Stable / CARE A3+ (05-Jul-24)	1)CARE BBB-; Stable / CARE A3 (05-Jul-23)	1)CARE BBB-; Stable / CARE A3 (19-Aug-22) 2)CARE A3 (05-Aug-22)	1)CARE A3 (27-Dec-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	150.00	CARE BBB / CARE A3+ (RWP)	1)CARE BBB; Stable / CARE A3+ (05-Jul-24)	1)CARE BBB-; Stable / CARE A3 (05-Jul-23)	1)CARE BBB-; Stable / CARE A3 (19-Aug-22)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
							2)CARE BBB-; Stable (05-Aug-22)	

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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