Reliance Home Finance Limited

July 02, 2019

Ratings

Facilities/Instruments*	Amount (Rs. Crore)	Rating	Rating Action
Long-term Debt Programme	400 (Rupees Four Hundred Crore only)	**CARE D (Single D)**	**Revised from CARE C; Stable (Single C; Outlook: Stable)**

*Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating revision takes into account the recent instance of rescheduling of non-convertible debenture by the company to address the timing mismatches of receipts. This indicates that the company did not have funds to meet their debt obligation on the given date. The liquidity profile of the group continues to be under stress on account of delay in raising funds from the asset monetization plan and impending debt payments.

CARE had factored in linkages between RHFL and its parent RCL, which are in the form of RCL's demonstrated track record of support to the subsidiary and strategic importance of the subsidiary to its parent along with sharing of the brand name. The moderation in RCL's profile has weakened these linkages as the parent may not be in a position to extend adequate support to its subsidiaries.

The divestment plans of the group continue to remain critical to the overall credit profile of the group.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in servicing of debt obligations

The Debenture Trustee for Non-convertible debentures (NCD) issued by RHFL has informed CARE via its email dated July 01, 2019 that RHFL had due date for redemption of NCD for Rs.400 crore on June 28, 2019 which has been rescheduled and now the due date is October 31, 2019. Further, the company has been delaying in servicing of bank facilities which has been already downgraded to CARE D.

Extension in sale of group assets/investments as per timelines provided by RCL

In November, 2016, the group announced sale of its radio business and general entertainment TV business. The transaction relating to the sale of the TV business has been completed and the sale proceeds of Rs.300 crore were realized in August 2017. The management is exploring new avenues and expects inflow of about Rs.1700 crore from the sale of radio business which has been further delayed and is now expected to be concluded by June 2019. The company also plans to sell upto 49% stake in Reliance General Insurance via IPO, which, however, has been rescheduled from December 2018 to June 2019. The company has also announced sale of their entire stake of 42.9% in the AMC business while is under process and is now expected to be completed by June 2019 which was earlier planned for May 2019. The company has further committed to exit from its media businesses to pare down its debt levels.

RCL has been able to achieve only about a third of the total exits planned by the management by September 2018 with timelines for other exits being extended. Some of the key exits achieved during the period FY19 are Yatra Online stake sale and Codemasters sale. Overall, timely disinvestment is crucial for RCL's credit profile.

As at the end of FY18, RCL had total exposure of Rs.17,653 crore to its group companies in the form of CCDs of Rs.7,700 crore (P.Y. Rs.6,250 crore) and loans & advances of Rs.9,953 crore (P.Y. Rs.8,575 crore). These exposures were mainly towards the non-financial businesses of the group. However, out of the total investments in the non-financial business, the management has stated timelines for exits from the radio business, Mahindra First Choice and Prime Focus stake sale. Prime Focus and Mahindra First Choice stake sale is expected to be concluded by May and June 2019 respectively instead of earlier expectations of April 2019.

Further, RCL has exposure towards RCOM (rated 'CARE D') and its group companies and on a consolidated basis, the company has fully provided for RCOM exposure as on December 31, 2018. RCOM has decided to implement the debt resolution plan through the NCLT framework as announced on February 01, 2019.

Liquidity profile

As per the ALM statement as on February 28, 2019, there are no negative cumulative mismatches till 1 year time bucket. Cash and Bank balance stood at Rs.158 crore as on March 18, 2019 and cash credit facility stands fully utilized. As stated by the management, the company securitized about Rs.291 crore during the month of March 2019.

Analytical approach: CARE had earlier factored in linkages between RHFL and its parent RCL. Moderation in RCL's profile has led to weakening of these linkages as the parent may not be in a position to extend adequate support to its subsidiaries. Hence RHFL has been analyzed on standalone basis with weakening of linkages with Parent RCL.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Factoring linkages in ratings
Financial ratios – Financial sector
CARE's criteria for Housing Finance Companies

About the Company
RHFL was incorporated in June 2008 and is promoted by Reliance Capital Ltd. (RCL). RCL holds 47.91% stake in the company as on March 31, 2018. The overall promoter stake in the company (including RCL) stood at 74.99% as on December 31, 2018. The company was listed on stock exchanges on September 22, 2017. RHFL had gross loan portfolio of Rs.15,128 crore and assets under management (AUM) of Rs.16,529 crore as on September 30, 2018. Out of the outstanding loan portfolio as on September 30, 2018, home loans, construction finance, and LAP accounted for 43%, 39% and 18% of the portfolio, respectively. The company's portfolio is spread across 25 states with major concentration in Maharashtra, Gujarat and Tamil Nadu. The company is present in over 125 locations through 'hub and spoke' model and caters to over 45,000 customers.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1079	1603
PAT	173	181
Interest coverage (times)	1.2	1.3
Total Assets	11059	15337
Net NPA (%)	0.6	0.7
ROTA (%)	1.9	1.6

A: Audited
All analytical ratios are based on CARE's calculations.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.Cr.)	Rating assigned with Rating Outlook
LTD Programme (NCD)	28-Mar-18	9.10%	28-Jun-19	400	CARE D; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debt	LT	400.00	CARE D	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18) 3)CARE AA+ (Under Credit watch with Developing Implications) (02-May-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (11-Jan-18) 2)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA+; Stable (31-Dec-16) 2)CARE AA+; Stable (29-Dec-16) 3)CARE AA+ (16-Sep-16)
2.	Debt	LT	4620.08	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18) 3)CARE AA+ (Under Credit watch with Developing Implications) (02-May-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (11-Jan-18) 2)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA+; Stable (31-Dec-16) 2)CARE AA+; Stable (29-Dec-16) 3)CARE AA+ (16-Sep-16)
3.	Debt	LT	4979.92	CARE D	1)CARE D (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18) 3)CARE AA+ (Under Credit	1)CARE AA+ (Under Credit watch with Developing Implications) (11-Jan-18) 2)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 3)CARE AA+ (Under Credit	1)CARE AA+; Stable (31-Dec-16) 2)CARE AA+; Stable (29-Dec-16) 3)CARE AA+ (16-Sep-16)

						watch with Developing Implications) (02-May-18)	watch with Developing Implications) (14-Jul-17)	
4.	Debt-Subordinate Debt	LT	400.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA+; Stable (31-Dec-16) 2)CARE AA+; Stable (29-Dec-16) 3)CARE AA+ (11-Nov-16)
5.	Debentures-Market Linked Debentures	LT	300.00	CARE PP-MLD C; Stable	1)CARE PP-MLD C; Stable (26-Apr-19) 2)CARE PP-MLD BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE PP-MLD A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE PP-MLD AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE PP MLD AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 2)CARE PP MLD AA+ (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE PP-MLD AA+; Stable (31-Dec-16) 2)CARE PP-MLD AA+; Stable (29-Dec-16) 3)CARE PP-MLD AA+ (16-Sep-16)
6.	Debentures-Non Convertible Debentures	LT	3000.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA+; Stable (31-Dec-16) 2)CARE AA+; Stable (29-Dec-16) 3)CARE AA+ (11-Nov-16)
7.	Bonds-Upper Tier II	LT	500.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA- (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA (Under Credit watch with Developing Implications) (21-Dec-17) 2)CARE AA (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA; Stable (31-Dec-16) 2)CARE AA; Stable (29-Dec-16) 3)CARE AA (11-Nov-16)

8.	Bonds-Upper Tier II	LT	100.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA- (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA (Under Credit watch with Developing Implications) (21-Dec-17) 2)CARE AA (Under Credit watch with Developing Implications) (14-Jul-17)	1)CARE AA; Stable (31-Dec-16) 2)CARE AA (29-Dec-16)
9.	Debentures-Non Convertible Debentures	LT	2000.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (21-Dec-17)	-
10.	Debentures-Non Convertible Debentures	LT	1000.00	CARE C; Stable	1)CARE C; Stable (26-Apr-19) 2)CARE BBB+ (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18) 3)CARE AA+ (Under Credit watch with Developing Implications) (02-May-18)	-	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
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