

Reliance Commercial Finance Limited

April 26, 2019

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	12500	CARE D (Single D)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Non-Convertible Debentures	2300	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Non-Convertible Debentures	200	CARE D (Single D)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Subordinated Debt	500	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Market Linked Debentures	200	CARE PP-MLD C; Stable (PP-MLD Single C; Outlook: Stable)	Revised from 'CARE PP-MLD BBB+' (PP-MLD Triple B Plus) and removed from credit watch with developing implications
Proposed Non- Convertible Debentures	1000	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Long term debt Programme	1000	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from credit watch with developing implications
Total Facilities	17,700 (Rupees Seventeen Thousand Nine Hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers of RCFL

The rating revision takes into account the recent instance of rescheduling of non-convertible debenture and delays in servicing of bank facilities by the company. 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 RCFL 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 is not 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 RCFL

Key Rating Weaknesses

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Delay in servicing of debt obligations

The Debenture Trustee for Non-convertible debentures (NCD) issued by RCFL has informed CARE via its email dated April 22, 2019 that RCFL had due date for redemption of NCD for Rs.200 crore on April 19, 2019 which has been rescheduled and now the due date is September 30, 2019.

Further, as per the banker's feedback, there are delays in debt servicing with some of the banks.

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

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 which is under process and expected to be completed by June 2019 (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.

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. Timely conclusion of the envisaged divestments will be critical for reducing the leverage of RCL.

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.

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.121 crore as on March 18, 2019 and cash credit facility stands fully utilized. However the company has not shared more current estimates for the month of April 2019 as against the earlier estimates.

Analytical approach: CARE had earlier factored in linkages between RCFL and its parent RCL. Moderation in RCL's profile has led to weakening of these linkages as the parent is not in a position to extend adequate support to its subsidiaries. Hence RCFL 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](#)

[Non-Banking Finance Companies](#)

About the Company

The commercial finance business of RCL has been demerged into its wholly owned subsidiary viz. RCFL w.e.f. April 1, 2016. RCFL is involved in financing of SME loans, structured finance, construction equipment loans, loan against property, MFI loans, infrastructure finance, construction finance, commercial vehicles and supply chain finance. The company operates under the brand name 'Reliance Money'. The company's AUM stood at Rs.16475 crore (including securitized portfolio of Rs.2801 crore) as on March 31, 2018. The company's portfolio is spread across 16 states.

Brief Financials (Rs. crore)	FY17 (A)	FY18(A)
Total income	1953	2134
PAT	295	208
Overall Gearing(times)	5.34	4.98
Total Assets	13601	15745
Gross NPA (%)	4.92	3.10
ROTA (%)	2.26	1.42

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 along with Rating Outlook
Long term Bank facilities	-	-	23-Jul	6,982.18	CARE D
Long term Bank facilities (Proposed)	-	-	-	5,517.82	CARE D
Non-Convertible Debentures	15-May-17	8.66%	14-May-27	25	CARE C; Stable
Non-Convertible Debentures	16-May-17	8.52%	16-May-24	10	CARE C; Stable
Non-Convertible Debentures	18-May-17	8.52%	17-May-24	6	CARE C; Stable
Non-Convertible Debentures	23-May-17	8.66%	21-May-27	10	CARE C; Stable
Non-Convertible Debentures	21-Aug-17	8.52%	21-Aug-24	38	CARE C; Stable
Non-Convertible Debentures	13-Oct-17	9.03%	13-Oct-22	400	CARE C; Stable
Non-Convertible Debentures	13-Oct-17	9.23%	13-Oct-27	500	CARE C; Stable
Non-Convertible Debentures (Proposed)	-	-	-	1,311.00	CARE C; Stable
Non-Convertible Debentures	26-Feb-18	14.00%	30-Sep-19	200	CARE D
Subordinate Debt	15-Sep-17	8.69%	20-Sep-27	20	CARE C; Stable
Subordinate Debt	4-Oct-17	8.69%	6-Oct-27	2	CARE C; Stable
Subordinate Debt	6-Oct-17	8.69%	6-Oct-27	2	CARE C; Stable

Subordinate Debt	6-Oct-17	8.69%	6-Oct-27	8	CARE C; Stable
Subordinate Debt	8-Nov-17	8.70%	31-Jul-25	5	CARE C; Stable
Subordinate Debt	8-Nov-17	9.07%	8-Nov-27	6	CARE C; Stable
Subordinate Debt	18-Jan-18	9.40%	19-Jan-28	17	CARE C; Stable
Subordinate Debt	18-Jan-18	9.40%	19-Jan-28	10	CARE C; Stable
Subordinate Debt	18-Jan-18	9.40%	19-Jan-28	4	CARE C; Stable
Subordinate Debt	18-Jan-18	9.40%	19-Jan-28	2	CARE C; Stable
Subordinate Debt	2-Feb-18	9.40%	2-Feb-28	3	CARE C; Stable
Subordinate Debt	2-Feb-18	9.40%	2-Feb-28	2	CARE C; Stable
Subordinate Debt (Proposed)	-	-	-	419	CARE C; Stable
MLD	23-Jul-18	Market Linked	23-Oct-20	6	CARE PP-MLD C; Stable
MLD	30-Jul-18	Market Linked	2-Dec-19	6	CARE PP-MLD C; Stable
MLD	16-Aug-18	Market Linked	2-Dec-19	2.8	CARE PP-MLD C; Stable
MLD	29-Aug-18	Market Linked	23-Oct-20	5.9	CARE PP-MLD C; Stable
MLD	30-Aug-18	Market Linked	28-Feb-22	9.32	CARE PP-MLD C; Stable
MLD	7-Sep-18	Market Linked	2-Dec-19	7.5	CARE PP-MLD C; Stable
MLD (Proposed)	-	-	-	162.48	CARE PP-MLD C; Stable
Long Term debt programme-NCD	15-Mar-18	9.15%	14-Jun-19	335	CARE C; Stable
Long Term debt programme-NCD	4-Apr-18	9.50%	5-Apr-23	500	CARE C; Stable
Long Term debt programme-NCD	25-Apr-18	9.10%	28-Mar-22	15.2	CARE C; Stable
Long Term debt programme-NCD	25-Apr-18	9.10%	28-Mar-23	15.2	CARE C; Stable
Long Term debt programme-NCD	25-Apr-18	9.10%	28-Mar-24	15.2	CARE C; Stable
Long Term debt programme-NCD	25-Apr-18	9.10%	28-Mar-25	15.2	CARE C; Stable
Long Term debt programme (Proposed)	-	-	-	104.2	CARE C; 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.	Fund-based - LT-Term Loan	LT	12500.00	CARE D	1) 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) (13-Nov-18) 3)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (26-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17) 3)CARE AA+; Stable (14-Apr-17)	1)CARE AA+; Stable (24-Mar-17)

2.	Debentures-Market Linked Debentures	LT	200.00	CARE PP-MLD C; Stable	1) 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) (13-Nov-18) 3)CARE PP-MLD AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE PP-MLD AA+ (Under Credit watch with Developing Implications) (26-Dec-17) 2)CARE PP-MLD AA+ (Under Credit watch with Developing Implications) (14-Jul-17) 3)CARE PP-MLD AA+; Stable (14-Apr-17)	-
3.	Bonds-Tier II Bonds	LT	500.00	CARE C; Stable	1) 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) (13-Nov-18) 3)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (26-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17) 3)CARE AA+; Stable (14-Apr-17)	-
4.	Debentures-Non Convertible Debentures	LT	2300.00	CARE C; Stable	1) 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) (13-Nov-18) 3)CARE AA (Under Credit watch with Developing Implications)	1)CARE AA+ (Under Credit watch with Developing Implications) (26-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (20-Nov-17) 3)CARE AA+ (Under Credit watch with Developing Implications)	-

						(08-Oct-18)	(14-Jul-17) 4)CARE AA+; Stable (14-Apr-17)	
5.	Debentures-Non Convertible Debentures	LT	200.00	CARE D	1) 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) (13-Nov-18) 3)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (26-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (20-Nov-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (14-Jul-17) 4)CARE AA+; Stable (14-Apr-17)	-
6.	Debt	LT	1000.00	CARE C; Stable	1) 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) (13-Nov-18) 3)CARE AA (Under Credit watch with Developing Implications) (08-Oct-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (18-Jan-18)	-
7.	Debentures-Non Convertible Debentures	LT	1000.00	CARE C; Stable	1) 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) (13-Nov-18) 3)CARE AA	-	-

						(Under Credit watch with Developing Implications) (08-Oct-18) 4)CARE AA+ (Under Credit watch with Developing Implications) (02-May-18)		
8.	Debentures-Non Convertible Debentures	LT	200.00	CARE A (SO) (Under Credit watch with Developing Implications)	1) CARE A (SO) (Under Credit watch with Developing Implications) (18-Apr-19)	1)CARE A+ (SO) (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (SO) (Under Credit watch with Developing Implications) (13-Nov-18)	-	-

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