

To

Reliance Commercial Finance Limited
Reliance Centre, 6th Floor,
South Wing, Off. Western Express Highway,
Santacruz (East), Mumbai-400055

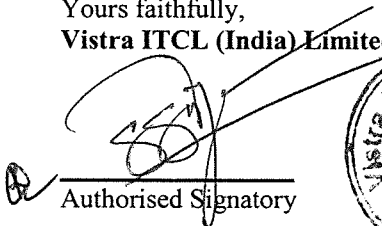
Kind Attn: Ekta Thakurel, Company Secretary

Madam,

Subject: Information relating to Non-compliance of terms and conditions under the Debenture Trust Deed dated May 23, 2017

1. This is with reference to non-convertible, listed, unsecured debentures aggregating to Rs. 500,00,00,000/- (Rupees Five Hundred Crores only) (“**Debentures**”) issued by you, the noticee (“**Noticee/Company**”) under debenture trust deed dated May 23, 2017 (hereinafter referred to as “**DTD**”) wherein we, Vistra ITCL (India) Limited (“**Debenture Trustee**”), is acting in the capacity of and as a debenture trustee for and on behalf of the debenture holder(s).
2. Capitalised words used, but not defined herein, shall have the meaning given to them in the DTD and/ or the other documents/ agreements executed in respect of the Debentures
3. Pursuant to the DTDs, the Noticee was inter alia, required to comply with various terms and conditions as set out in the DTDs including representations and warranties. Further, the DTD(s) describes a number of events and the non-compliance of the same shall lead to Event of Default.
4. With reference to non-receipt of signed Quarterly Compliance Report (‘QCR’) for the quarter ended March 2019 and on basis of information credit rating available in public domain indicating downgrading Credit rating letters from Care Rating dated May 22, 2019 and Brickwork Rating dated April 29, 2019 enclosed as Annexure 1 and 2 respectively, we request you to please submit information relating to the following clauses of the DTD(s):
 - (i) Whether there is any reason to believe and/or any reasonable apprehension that the Company is/shall be unable to pay its debts;
 - (ii) If any extra-ordinary circumstances have occurred which make it improbable for the Company to fulfil its obligations under these presents and/or the Debentures.
 - (iii) Whether there is/are any event likely to have a substantial effect on the Company's profits or business and the reasons therefore;
 - (iv) Whether any breach of the terms of the prospectus inviting the subscriptions of Debentures or of the covenants of the DTD(s) have been committed;
 - (v) Whether the Company has/plans to enter into any amalgamation, reorganisation or reconstruction without informing the Debenture Trustee about the same;
5. Further, we, request you to please provide within 7 days of date of the notice the signed QCR for March 2019.
6. Please note that this Notice is without prejudice to and/ or without impairing or affecting any of the rights that may be available to us / holders of the Debentures, against the Noticee, under the debenture documents and / or under law for the time being in.

Yours faithfully,
Vistra ITCL (India) Limited



Authorised Signatory



Annexure 1

Reliance Commercial Finance Limited
 May 22, 2019

Ratings

| Facilities | Amount (Rs. Crore) | Ratings ¹ | Rating Action |
|-----------------------------|--|---|---|
| Non-convertible Debentures* | 200 | CARE BBB (SO); [Triple B (Structured Obligation)]; Credit watch with developing implications) | Revised from 'CARE A (SO)' [Single A (Structured obligation)] and continues to be on Credit watch with developing implications |
| Total Facilities | 200 (Rupees Two Hundred crore only) | | |

*rating is backed by unconditional and irrevocable corporate guarantee by Reliance Capital Limited.

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to instrument of Reliance Commercial Finance Ltd. (RCFL) is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Reliance Capital Ltd. (RCL) in favour or lenders/investors of RCFL.

The revision in the ratings of RCL factors in the recent developments including default by its subsidiaries 'Reliance Home Finance Limited' (RHFL) and 'Reliance Commercial Finance Limited' (RCFL) which is expected to further reduce the group's financial flexibility and diminish RCL's ability to raise funds from the markets. Established business franchisee of subsidiaries/associates of RCL in the financial services segments has been one of the key strengths underpinning the ratings of RCL; however, with deterioration in credit profiles of RCFL and RHFL, that strength has been partially diluted. In addition, RCL's financial risk profile is characterized by depletion of liquidity, high dependence on planned disinvestments for debt servicing and delays in fructification of such disinvestments.

The ratings remain under credit watch with developing implications as CARE would closely monitor the progress of sale of group assets/investments as per the currently revised timelines stated by RCL in order to reduce its debt levels. As per the commitment of the management, the entire proceeds from the divestment process will only be utilized for making the repayments/prepayments of debt which is expected to substantially reduce the debt levels by FY20. RCL is expecting to close in larger disinvestments including that of RNAM and RGIC and receive the proceeds by Q2FY20.

Further, the ratings continue to take into account RCL's sizeable exposure to group companies in the non-financial business segments having weak financial profiles where RCL has extended guarantees and letters of comfort. Some of these group entities have been identified by RCL for divestment. However, the company is unable to conclude the exits from these investments as envisaged, which is critical for supporting the regular cash flow requirements.

The ratings continue to factor in strength from RCL's experienced management and established business franchise of some of its subsidiaries/associates in financial services segments including Asset Management, Life Insurance, General Insurance, Health Insurance and Broking businesses.

Going forward, RCL's ability to maintain liquidity levels and divest group exposures as envisaged and unlock value in a timely manner thereby reducing leverage will act as key rating sensitivities.

Detailed description of the key rating drivers of RCL (Guarantor)**Key Rating Strengths****Unlocking of the investments in the financial services business segment**

RCL in the past has unlocked value of its investments in the financial services segment by bringing in strategic investor along with listing of some of the companies. Companies in the financial services space, like Reliance Home Finance Ltd. and Reliance Nippon Life Asset Management Ltd. (RNAM) have been listed, wherein RCL holds 47.91% and 42.88% stake respectively. Apart from the listing, RCL has been able to bring in strategic investors for Reliance Asset Reconstruction Company Ltd. (RCL has 49% stake) and Reliance Nippon Life Insurance Company Ltd. (RCL has 51% stake).

The other companies in the financial space are Reliance Securities Ltd, Reliance Financial Ltd., Reliance Commercial Finance Ltd. and Reliance General Insurance Company Ltd. which are all 100% subsidiaries of RCL.

Key Rating Weaknesses**Impact on financial flexibility**

Incidence of defaults by RCL's subsidiaries 'Reliance Home Finance Limited' (RHFL) and 'Reliance Commercial Finance Limited' (RCFL) is expected to further reduce the group's financial flexibility and diminish RCL's ability to raise funds from

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

the markets, which might take a measured approach in extending any further funds to group. This is likely to impact RCL's ability to raise funds as being a part of the group.

Established business franchisee of subsidiaries/associates of RCL in the financial services segments has been one of the key strengths underpinning the ratings of RCL; however, with deterioration in credit profiles of RCFL and RHFL, that strength has been partially diluted.

Reduction in liquidity buffers

During FY18, RCL had exits from its investments aggregating to about Rs.1,400 crore including Reliance Nippon Life Asset Management Ltd., Reliance Broadcast Network Ltd. and others. Apart from this, the company had maintained cash balance of Rs.2,941 crore as on March 31, 2018. Going forward, as per the revised schedule, the company has divestment plans aggregating to about Rs.14,000 crore including Rs.6,000-7,000 crore from RNAM and stake sale of general insurance company through strategic investor or from listing. The proceeds of RNAM and GIC divestments are expected to be received by Q2FY20.

Cash and bank balances stood reduced to Rs.47 crore as on April 30, 2019. Apart from this, RCL did not have any liquid investments or unutilized committed lines which further constrain its liquidity position. Thus, RCL's liquidity is critically dependent on monetization of its sale of group assets/investments within the given timelines, given that there are scheduled repayments of NCDs and CPs worth Rs.1035 crore and Rs.718 crore in May and June 2019 respectively. However, repayments of Rs.880 crore as per the scheduled maturity in May 2019 have been paid till date.

The default by the subsidiary reflects RCL's inability as a parent to support its subsidiaries due to liquidity constraints at its level. Further, promoter and promoter group owned 47.48% stake in RCL as on March 31, 2019 out of which 96.93% of shares are pledged indicating stressed liquidity position.

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.

Moderate gearing levels

RCL's standalone gross gearing stood at 1.48 times (PY: 1.37 times) as on March 31, 2018. Capital ratio as on March 31, 2018 stood at 47% (PY: 38%). As per regulations, a NBFC-CIC has to maintain a minimum capital ratio of 30% and leverage of less than 2.5 times. As on March 31, 2018, the adjusted gross gearing (post inclusion of CARE rated 'SO' limits and other outstanding corporate guarantees) stood at 1.97 times. The company has not been able to reduce its leverage during FY18 and FY19 as per its stated commitments due to delay in its divestment plans.

As per the commitment from the management, with larger divestments planned during the year, debt levels are expected to reduce substantially and stand at ~Rs.5,000 crore by March 31, 2020.

RCL's consolidated net worth stood at Rs.8,139 crore as on December 31, 2018 as compared to Rs.16,961 crore as on March 31, 2018. The reduction is due to various INDAS adjustments made, which inter alia include, change in the method of valuation of long term debt instruments, Expected Credit Loss (ECL) provisioning, impact of ECL on corporate guarantees, tax-related provisions, reversal of goodwill method of amortization of processing fees and others.

Liquidity

RCL's cash and bank balance reduced to Rs.47 crore as on April 30, 2019 from Rs.2,941 on March 31, 2018. Apart from this, RCL did not have any liquid investments or unutilized committed lines. Thus, RCL's liquidity is critically dependent on

monetization of its sale of group assets/investments within the given timelines, given that there are scheduled repayments of NCDs and CPs worth Rs.1035 crore and Rs.718 crore in May and June 2019 respectively. However, repayments of Rs.880 crore as per the scheduled maturity in May 2019 have been paid till date.

The default by the subsidiary reflects RCL's inability as a parent to support its subsidiaries due to liquidity constraints at its level. Further, promoter and promoter group owned 47.48% stake in RCL as on March 31, 2019 out of which 96.93% of shares are pledged indicating stressed liquidity position.

RCL's resource profile mainly comprises of NCDs which have repayments spread across the period from FY19 to FY28 in the range of Rs.2,000 crore to Rs.3,000 crore per year. As on March 31, 2019, the total borrowing has remained at levels similar to March 31, 2018 with proportion of commercial paper increasing to Rs.950 crore, subjecting RCL to refinancing risk amidst prevailing tight funding scenario for the sector.

Industry Prospects

Over the last few years, the NBFC sector has gained systemic importance with increase in share of NBFC credit vis-à-vis total bank credit. The same has resulted in the Reserve Bank of India (RBI) taking various policy actions resulting in NBFCs attracting higher support and regulatory scrutiny. The RBI revised the regulatory framework for NBFCs in 2014 which broadly focused on strengthening the structural profile of NBFC sector, thereby safeguarding depositors' money and regulating NBFCs which have increased their asset-size over time and gained systemic importance. On the asset quality front, despite the gradual change in the NPA recognition norms from 180 days previously to 90 days by March, 2018, the asset quality has remained largely stable for the sector and far superior to banks. The sector is in the midst of a liquidity stress scenario, with disruptions in the short-term commercial paper market, sharp correction in stock prices of NBFCs and cautious approach taken by the banks towards lending to the sector. Asset quality, liquidity and profitability will be the key monitorables for the sector going forward.

Analytical approach: The rating is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Reliance Capital Limited for the NCDs.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Non-Banking Financial Company](#)

[Financial ratios – Financial sector](#)

[Factoring linkages in ratings](#)

[Criteria for placing rating on credit watch](#)

About the Company

Reliance Capital Limited

Reliance Capital Ltd. (RCL) is the company of Reliance Group in the financial services space. It is one of India's leading private sector financial services companies and ranks amongst the top private sector financial services companies in terms of net worth. RCL is converted into a 'Core Investment Company' subject to necessary approvals from RBI on September 07, 2018. Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home finance; equities & commodities broking; investment banking; wealth management services; distribution of financial products; private equity; asset reconstruction; proprietary investments and other activities in financial services. On a standalone basis, RCL's tangible net worth stands at Rs.14,005 crore as on March 31, 2018.

| Brief Financials (Rs. crore) | FY17 (Audited) | FY18 (Audited) |
|------------------------------|----------------|----------------|
| Total operating income | 1,954 | 3,275 |
| PAT | 419 | 828 |
| Interest coverage (times) | 1.4 | 1.6 |
| Total Assets | 33,137 | 36,189 |
| Net NPA (%) | 0.0 | 0.0 |
| ROTA (%) | 1.2 | 2.4 |

Reliance Commercial Finance Limited

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.16,475 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

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 |
|----------------------------|------------------|-------------|---------------|-----------------------------|--|
| Non-Convertible Debentures | 2-Feb-17 | 9.50% | 15-Apr-20 | 200.00 | CARE BBB (SO); Credit watch with developing implications |

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 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) (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 C; Stable (26- Apr-19) 2) CARE PP-MLD BBB+ (Under Credit watch with | 1)CARE PP-MLD A+ (Under Credit watch with Developing Implications) (06-Mar-19) | 1)CARE PP MLD AA+ (Under Credit watch with Developing Implications) (26-Dec-17) | - |

| | | | | | | | | |
|----|---------------------------------------|----|---------|----------------|---|---|--|---|
| | | | | | Developing Implications) (18-Apr-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) | 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 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) (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 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) (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) | - |
| 5. | Debentures-Non Convertible Debentures | LT | 200.00 | CARE D | 1) CARE D (26-Apr-19) 2) CARE BBB+ (Under Credit watch with | 1)CARE A+ (Under Credit watch with Developing Implications) | 1)CARE AA+ (Under Credit watch with Developing Implications) | - |

| | | | | | | | | |
|----|---------------------------------------|----|---------|----------------|---|---|---|---|
| | | | | | Developing Implications) (18-Apr-19) | (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) | (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 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) (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 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) (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 | LT | 200.00 | CARE BBB (SO) | 1) CARE A (SO) | 1)CARE A+ (SO) | - | - |

| | | | | | | | |
|------------------------|--|--|---|---|---|--|--|
| Convertible Debentures | | | (Under Credit watch with Developing Implications) | (Under Credit watch with Developing Implications) (18-Apr-19) | (Under Credit watch with Developing Implications) (06-Mar-19) 2)CARE AA (SO) (Under Credit watch with Developing Implications) (13-Nov-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.

Contact us

Media Contact

Name - Mr. Mradul Mishra
 Contact no. – +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Name - Mr. Ravi Kumar
 Contact no.- +91-22-6754 3421
 Email ID- ravi.kumar@careratings.com

Business Development Contact

Name: Mr. Ankur Sachdeva
 Contact no. : +91-22-6754 3495
 Email ID : ankur.sachdeva@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.

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



Rating Rationale

Reliance Commercial Finance Limited

29 April 2019

Brickwork Ratings revises the ratings for the various existing debt instruments of Reliance Commercial Finance Limited (“RCFL” or “Company”) and continues the rating on Credit Watch with Negative Implications.

Particulars

| Instruments# | Rated Amount (Rs in Crs) | Tenure | Rating* | |
|-------------------|-----------------------------|--|--|---|
| | | | Previous | Present |
| Fund Based | | | | |
| Secured NCD | 2000.00 | Long Term | BWR A+ (Pronounced as BWR Single A Plus) Credit Watch with Negative Implications | BWR C (Pronounced as BWR C) Credit Watch with Negative Implications 'Downgraded' |
| Subordinated Debt | 500.00 | | BWR PP MLD A+ (Pronounced as BWR Principal Protected Market Linked Debentures Single A Plus) Credit Watch with Negative Implications | BWR PP MLD C (Pronounced as BWR Principal Protected Market Linked Debentures C) Credit Watch with Negative Implications 'Downgraded' |
| PP-MLD | 100.00 | | BWR A1+ (Pronounced as BWR A One Plus) | BWR A4 (Pronounced as BWR A Four) 'Downgraded' |
| Commercial Paper | 3000.00 | Short Term | | |
| Total | 5600.00 | INR Five Thousand Six Hundred Crores Only | | |

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
#ISIN-wise details of NCDs are available in Annexure

Rationale/Description of Key Rating Drivers/Rating sensitivities:



The rating revision factors the delay in principal repayments to some banks (bank facilities are not rated by BWR) as confirmed by the company, increasing the risk of delays in instruments rated by BWR.

The delays in principal repayments of bank facilities are on account of deterioration in liquidity profile of the group due to challenges faced by Rcap and its key lending subsidiaries, Reliance Commercial Finance Limited (RCFL) and Reliance Home Finance Limited (RHFL) to raise funds through traditional bank lines and debt market instruments. RCFL has relied upon securitisation of assets and has raised ~Rs 2250 Crs through securitisation / assignment of loans between Oct 2018 to March 2019. The company has been affected by timing mismatch in regard to expected inflows from securitisation / monetisation proposals and repayment obligations.

The financial flexibility of RCFL and RHFL has moderated and it has curtailed disbursements to conserve liquidity which has impacted the growth in business. The tightened liquidity position and increase in cost of funds for RCFL would impact the profitability going forward. No clarity has been provided on quantum of loans extended by RCFL to group companies and timely recoverability of funds is critical to ensure timely repayment of debt obligations. BWR notes that timely receipt of funds from sale or exit from the core and non-core investments and recovery of loans given by Rcap to non-financial group entities is critical to support its subsidiaries in the financial services segment.

The ratings continue to be on 'Credit Watch with Negative Implications' given the overall financial stress due to loans and investments by parent company in non-financial group entities and BWR will monitor group's ability to raise funds from diversified resources, timely service repayment obligations, build up liquidity and restart fresh disbursements through its lending subsidiaries viz. RCFL and RHFL.

Going forward, the support from Rcap, ability to raise funds from diversified sources, timely servicing of repayment obligations, build-up liquidity, restart fresh disbursements, maintain asset quality, sustain profitability and maintain healthy capitalisation will be the key rating sensitivities.

Key Rating Drivers

Delay in servicing of repayment obligations: As per the company's filing to the exchanges on 27 April 2019, there are delays in principal repayment obligations aggregating to ~ Rs 477 Crs to 5-6 banks. Company expects to regularise it shortly. Company has been regular in servicing of all interest payments and regular in principal repayments on all its capital market borrowings.

Concentration of exposures: RCFL has significant large exposures to some borrowers. Top 20 exposures in RCFL constitute ~35% of total exposure of the company as on March 31, 2018. The company has not provided clarity on these large exposures and any slippages in these accounts will significantly impact the asset quality, profitability and net worth of the company.

Liquidity Position: RCFL's financial flexibility has moderated and it has curtailed disbursements to conserve liquidity. Liquidity position is managed largely through securitisation and direct assignment of loans apart from inflows from loans & advances. RCFL has raised ~Rs 2250 Crs through securitisation /



assignment of loans between Oct 2018 to March 2019. RCFL has total outflows of ~ Rs 1100 Crs in April, May and June 2019. As on March 14, 2019, RCFL had a cash & bank balance of ~Rs 173 Crs.

Strong Parentage: RCFL is a wholly owned subsidiary of Rcap. The company is strategically important to the parent company. RCFL benefits from the group's experienced management team and operational synergies with Rcap.

Diversified Portfolio: The company is present in ~ 150 cities and offers SME loans, Loan against Property, Vehicle Loans, Infra Loans, Construction Finance and Microfinance. SME Loans constitute 72% of total portfolio as on Dec 31, 2018.

Healthy Net Interest Margins: The company's net interest margins improved from 5.6% in FY17 to 5.9% in FY18. The company reported net interest margin of 5.5% in Q3FY19.

Increase in Provisions and write-offs: The total provisions and write-offs has increased from Rs 236.8 Crs in FY17 to Rs 324.3 Crs in FY18. The provisions and write-offs during the first 9 months of FY19 stood at Rs 183.2 Crs. The gross NPA and Net NPA stood at 2.9% and 1.5% respectively as on Dec 31, 2018.

Analytical Approach

For arriving at its ratings, BWR has evaluated the risk profile of RCFL on a standalone basis and factored strong linkages with the parent company, Reliance Capital Limited. Rcap currently holds 100% in RCFL as on Dec 31, 2018. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

Reliance Commercial Finance Limited (RCFL) is a wholly owned subsidiary of Reliance Capital Limited (Rcap). RCFL, formerly known as Reliance Gilts Ltd was incorporated on 17 Aug 2000 & subsequently in May 2009 was registered with RBI as NBFC without accepting public deposits. The commercial finance business of Rcap has been demerged into its wholly owned subsidiary viz. RCFL w.e.f. April 1, 2016. RCFL is a public limited company and is engaged in lending activities and offers a wide range of products which include SME Loans, Microfinance, Loans Against Property (LAP), Infrastructure Finance, Agriculture Loans, Supply Chain Finance, Two-wheeler Financing and Used Car Loans. The company has a strong distribution network with presence in approx. 150 cities with over 1000 distribution points across the country. The company's total AUM stood at Rs 17257 Crs as on Dec 31, 2018. The loan portfolio stood at Rs 15527 Crs as on Dec 31, 2018.

Financial Performance

As per audited financials for FY18 of RCFL, total income stood at Rs 2133.61 Crs compared to Rs 1953.34 Crs for FY17, a y-o-y growth of ~10%. The company recorded Net Interest Margin (NIM) of 5.9% for FY18. The Company reported PAT of Rs 208 Crs in FY18 as compared to Rs 295 Crs in FY17. The decline in PAT is mainly due to loss incurred on loans sold to Asset Reconstruction Company and some write-offs during the year. RCFL has reported total income of ~ Rs 1563.10 Crs during first 9 months of FY19 (unaudited).

Key Financials : Standalone

| Key Financial Indicators | Unit | FY17 Audited | FY18 Audited |
|--------------------------|-----------|--------------|--------------|
| Total Income | Rs in Crs | 1953.34 | 2133.61 |
| PAT | Rs in Crs | 295.17 | 208.37 |
| Tangible Net Worth | Rs in Crs | 2505.72 | 3106.83 |
| AUM | Rs in Crs | 16760 | 16474 |
| Loan portfolio | Rs in Crs | 12436 | 13670 |
| CRAR | % | 17.19 | 19.30 |
| Gross NPA | % | 3.70 | 2.60 |
| Net NPA | % | 3.10 | 2.0 |

Rating History :

| Sl. No | Instrument / Facility | Current Rating (29 April 19) | | | Rating History | | | | |
|--------|-----------------------|------------------------------|-----------------|---|--|------------------------------------|------------------------------------|--|------------------------------------|
| | | Type | Amount (Rs Crs) | Rating | 19 April 19 | 15 Feb 19 | 28 Sep 18 | 31 Mar 18, 14 May 18 | 8 May 17, 26 Oct 17 |
| 1) | Secured PP-MLD | Long Term | 100 | BWR PP MLD C Credit Watch with Negative Implications | BWR PP MLD A+ Credit Watch with Negative Implications | BWR PP MLD AA (Outlook -Stable) | BWR PP MLD AA+ (Outlook-Stable) | NA | NA |
| 2) | Enhanced NCD | Long Term | 500 | BWR C Credit Watch with Negative Implications | BWR A+ Credit Watch with Negative Implications | BWR AA (Outlook -Stable) | BWR AA+ (Outlook-Stable) | BWR AA+ (Outlook-Stable) (assigned on 14 May 18) | NA |
| 3) | Enhanced NCD | Long Term | 500 | BWR C Credit Watch with Negative Implications | BWR A+ Credit Watch with Negative Implications | BWR AA (Outlook -Stable) | BWR AA+ (Outlook-Stable) | BWR AA+ (Outlook-Stable) (assigned on 31 Mar 18) | NA |
| 4) | Commercial Paper | Short Term | 3000 | BWR A4 | BWR A1+ | BWR A1+ | BWR A1+ | BWR A1+ | BWR A1+ (assigned on 26 Oct 17) |
| 5) | Secured NCD | Long Term | 1000 | BWR C Credit Watch with | BWR A+ | BWR AA (Outlook -Stable) | BWR AA+ (Outlook-Stable) | BWR AA+ (Outlook-Stable) | BWR AA+ |



| | | | | | | | | | |
|---|------------------|-----------|-----|-----------------------|---|--|--|--|---|
| 6) | Subordinate Debt | Long Term | 500 | Negative Implications | Credit Watch with Negative Implications | | | | (Outlook- Stable) (assigned on 8 May 17) |
| Rs. 5600 (INR Five Thousand Six Hundred Crores only) | | | | | | | | | |

Status of non-cooperation with previous CRA : NA

Any Other Comments: NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Banks & Financial Institutions
- Approach to Financial Ratios
- Short Term Debt

| Analytical Contacts | Media & Investor Contact |
|---|---|
| <p>Nirav Shah Senior Analyst - Ratings +91 22 6745 6623 Nirav.s@brickworkratings.com</p> <p>Rajat Bahl Chief Analytical Officer & Head - Financial Institutions +91 22 6745 6634 Rajat.b@brickworkratings.com</p> | <p>investordes@brickworkratings.com +91 77388 75550</p> |
| | Relationship Contact |
| | <p>bd@brickworkratings.com</p> |
| <p>Email: analyst@brickworkratings.com Phone: 1-860-425-2742</p> | |

Annexure
ISIN details of Secured NCDs

| Instruments | ISIN | Issue date | Maturity | Coupon Rate p.a. | Coupon Frequency | Amount Raised (Rs. Crs) | O/s as on 31.03.19 (Rs. Crs) |
|-------------|--------------|------------|-----------|------------------|------------------|-------------------------|------------------------------|
| Secured NCD | INE126D07016 | 15 May 17 | 14 May 27 | 8.66 | Semi-Annual | 25.00 | 25.00 |
| | INE126D07024 | 16 May 17 | 16 May 24 | 8.52 | Semi-Annual | 10.00 | 10.00 |
| | INE126D07032 | 18 May 17 | 17 May 24 | 8.52 | Semi-Annual | 6.00 | 6.00 |
| | INE126D07040 | 23 May 17 | 21 May 27 | 8.66 | Semi-Annual | 10.00 | 10.00 |
| | INE126D07057 | 21 Aug 17 | 21 Aug 24 | 8.52 | Semi-Annual | 38.00 | 38.00 |
| | INE126D07065 | 13 Oct 17 | 13 Oct 22 | 9.03 | Annually | 400.00 | 400.00 |
| | INE126D07073 | 13 Oct 17 | 13 Oct 27 | 9.23 | Annually | 500.00 | 500.00 |
| | INE126D07123 | 4 Apr 18 | 5 Apr 23 | 9.50 | Annually | 500.00 | 500.00 |
| | INE126D07131 | 25 Apr 18 | 28 Mar 22 | 9.10 | Annually | 15.20 | 15.20 |
| | INE126D07131 | 25 Apr 18 | 28 Mar 23 | 9.10 | Annually | 15.20 | 15.20 |
| | INE126D07131 | 25 Apr 18 | 28 Mar 24 | 9.10 | Annually | 15.20 | 15.20 |
| | INE126D07131 | 25 Apr 18 | 28 Mar 25 | 9.10 | Annually | 15.20 | 15.20 |
| | Total | | | | | 1549.80 | 1549.80 |

ISIN details of Subordinated NCDs

| Instruments | ISIN | Issue date | Maturity | Coupon Rate p.a. | Coupon Frequency | Amount Raised (Rs. Crs) | O/s as on 31.03.19 (Rs. Crs) |
|--------------------|--------------|------------|-----------|------------------|------------------|-------------------------|------------------------------|
| Subordinated NCD's | INE126D08014 | 15 Sep 17 | 20 Sep 27 | 8.69 | Semi-Annually | 20.00 | 20.00 |
| | INE126D08022 | 4 Oct 17 | 6 Oct 27 | 8.69 | Semi-Annually | 2.00 | 2.00 |
| | INE126D08022 | 6 Oct 17 | 6 Oct 27 | 8.69 | Semi-Annually | 2.00 | 2.00 |
| | INE126D08022 | 6 Oct 17 | 6 Oct 27 | 8.69 | Semi-Annually | 8.00 | 8.00 |
| | INE126D08030 | 8 Nov 17 | 31 Jul 25 | 8.70 | Semi-Annually | 5.00 | 5.00 |
| | INE126D08048 | 8 Nov 17 | 8 Nov 27 | 9.07 | Semi-Annually | 6.00 | 6.00 |
| | INE126D08055 | 18 Jan 18 | 19 Jan 28 | 9.40 | Annually | 17.00 | 17.00 |
| | INE126D08055 | 18 Jan 18 | 19 Jan 28 | 9.40 | Annually | 10.00 | 10.00 |
| | INE126D08055 | 18 Jan 18 | 19 Jan 28 | 9.40 | Annually | 4.00 | 4.00 |

| | | | | | | | |
|--|--------------|-----------|-----------|------|----------|--------------|--------------|
| | INE126D08055 | 18 Jan 18 | 19 Jan 28 | 9.40 | Annually | 2.00 | 2.00 |
| | INE126D08063 | 2 Feb 18 | 2 Feb 28 | 9.40 | Annually | 3.00 | 3.00 |
| | INE126D08063 | 2 Feb 18 | 2 Feb 28 | 9.40 | Annually | 2.00 | 2.00 |
| | Total | | | | | 81.00 | 81.00 |

ISIN details of Market Linked Debentures

| Instruments | ISIN | Issue date | Maturity | Amount Raised (Rs. Crs) | O/s as on 31.03.19 (Rs. Crs) |
|--------------------------|--------------|------------|-----------|-------------------------|------------------------------|
| Market Linked Debentures | INE126D07149 | 28 Sep 18 | 23 Oct 20 | 13.40 | 13.40 |
| | INE126D07156 | 1 Oct 18 | 28 Feb 22 | 4.00 | 4.00 |
| | INE126D07156 | 9 Oct 18 | 2 Dec 19 | 3.80 | 3.80 |
| | INE126D07164 | 30 Oct 18 | 28 Feb 22 | 4.05 | 4.05 |
| | INE126D07164 | 6 Oct 18 | 2 Dec 19 | 2.00 | 2.00 |
| | Total | | | 27.25 | 27.25 |

ISIN details of Commercial Paper

| Instrument | ISIN | Issue date | Actual Maturity date | Amount o/s as on 31.03.19 (Rs in Crs) |
|------------------|--------------|------------|----------------------|---------------------------------------|
| Commercial Paper | INE126D14384 | 19 Sep 18 | 16 Sep 19 | 640.00 |
| Total | | | | 640.00 |

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.