

# Initiating Coverage



11th March 2025



**Religare Enterprises  
Ltd**



SNM VALUE EDUCATOR RESEARCH  
SERVICES LLP:  
Emerging Titans

RA No: INH000019789



# Religare Enterprises Ltd | BUY

Unleashing the Financial Power

We initiate coverage on Religare Enterprises Limited (REL), a leading diversified financial services group in India, with a BUY recommendation. REL is well-positioned for substantial growth driven by multiple catalysts, including : 1) Strong Promoter backing and growth revival 2) Care Health remained key growth driver, supported by sector tailwinds. 3) Untapped SME lending market offers strong growth potential for REL.



## **Strategic Focus on Health Insurance as a Growth Engine**

Amid restructuring challenges, Care Health Insurance Ltd emerged as a key growth driver for Religare Enterprises Ltd (REL), benefiting from strong industry tailwinds and continued financial backing. Despite negative market sentiment and financial stress, REL infused ₹192 cr in FY23, alongside ₹350 cr from Kedara Capital (FY21-23). This strategic support enabled Care Health to become the 2<sup>ND</sup> largest SAHI player and 8<sup>th</sup> largest in the overall health insurance sector, maintaining consistent profitability since FY19.

## **Strong Promoter Backing and Growth Revival**

A major boost comes from the Burman family (of Dabur India Ltd), which has acquired a 21% stake through subsidiaries and has made an open offer for an additional 26% at ₹235 per share. This ensures strong promoter backing and proven management leadership, creating a solid foundation for REL's future growth.

The leadership change follows a challenging period under Rashmi Saluja, who played a key role in turning around the company but resisted the Burman takeover. With Saluja's removal, Religare is now poised to leverage the Burman family's resources to strengthen its financial services business, streamline operations and boost shareholder value, creating a promising future for the company.

Recommendation	BUY
Allocation	3%
CMP (at initiation)	₹233
Market Cap (₹ Cr)	₹7728 cr
52 Week High/Low	₹320- ₹201.6
NSE code	RELIGARE

## Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	3,227	4,679	6,266
EBITDA (%)	-11%	10%	6%
PAT	-1,539	3,169	347
ROCE (%)	-6%	16%	9%



## Introduction

Religare Enterprises Limited (REL) is a financial services group in India. Founded in 1984, it offers a diverse range of financial products and services, including insurance, lending, asset management and wealth management. The company has a significant presence in the Indian market and operates through various subsidiaries. Religare's mission is to provide innovative financial solutions to meet the evolving needs of its customers. Over the years, it has grown to become one of the leading players in the Indian financial services industry.

## What went wrong ?

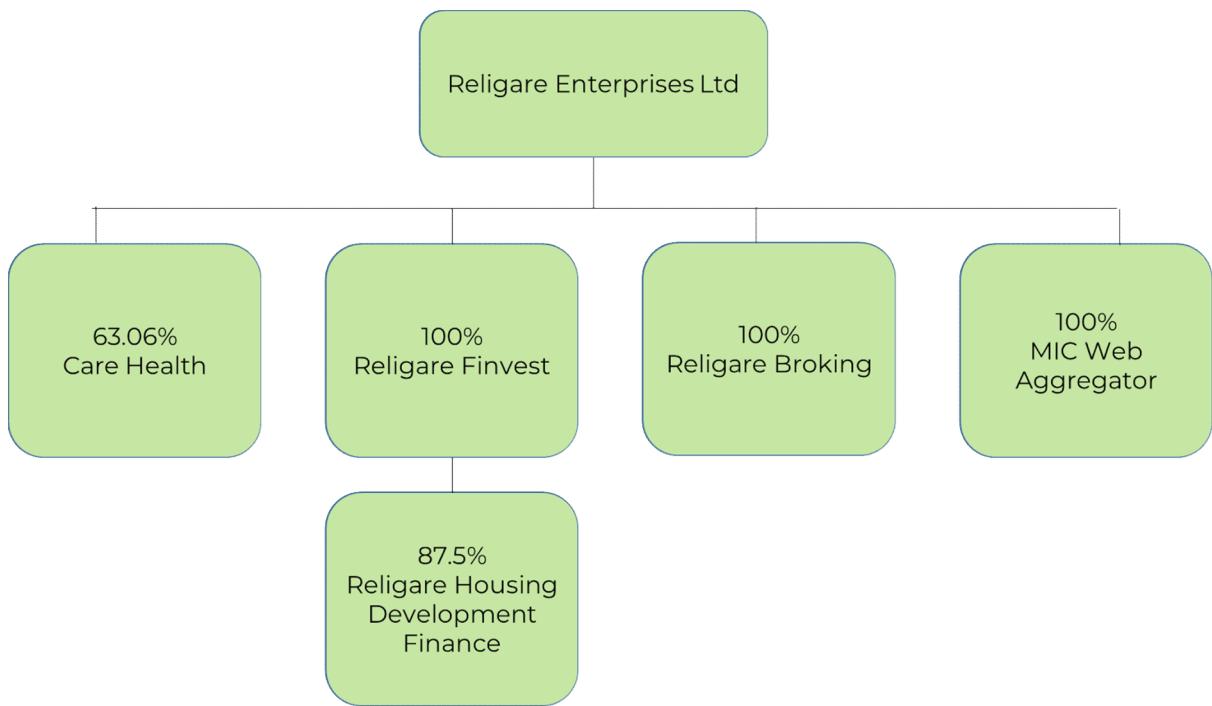
Religare, a company without a promoter for seven years, recently saw the Burman family attempt to gain control. In September 2023, the Burmans owned 21% of the company and aimed to acquire an additional 4%, triggering a mandatory offer under SEBI rules. Despite offering ₹235 per share (13% lower than the market price), the offer failed to attract significant interest, with only 0.25% of shares sold. Nevertheless, the Burman family gained control of Religare, demonstrating that control can be achieved through ownership rather than a successful offer.

Rashmi Saluja, the former executive chairperson, resisted the Burman takeover, filing multiple legal petitions and stalling regulatory approvals. She also delayed Religare's AGM to avoid a vote on her reappointment. However, in February 2025, 97% of shareholders voted against her reappointment, leading to her removal. The Burmans successfully became the promoters after Saluja's departure, showing that being a promoter is more about influence than ownership alone.

Saluja's resistance was likely driven by her significant personal compensation, including stock options worth ₹630-740 crore, making her one of India's highest-paid executives. Her actions suggest a desire to maintain her position and wealth. The Burmans have called for an investigation into her compensation, which could reveal potential financial misconduct.



## Business Structure



## Segments

### 1) Care Health Insurance Limited

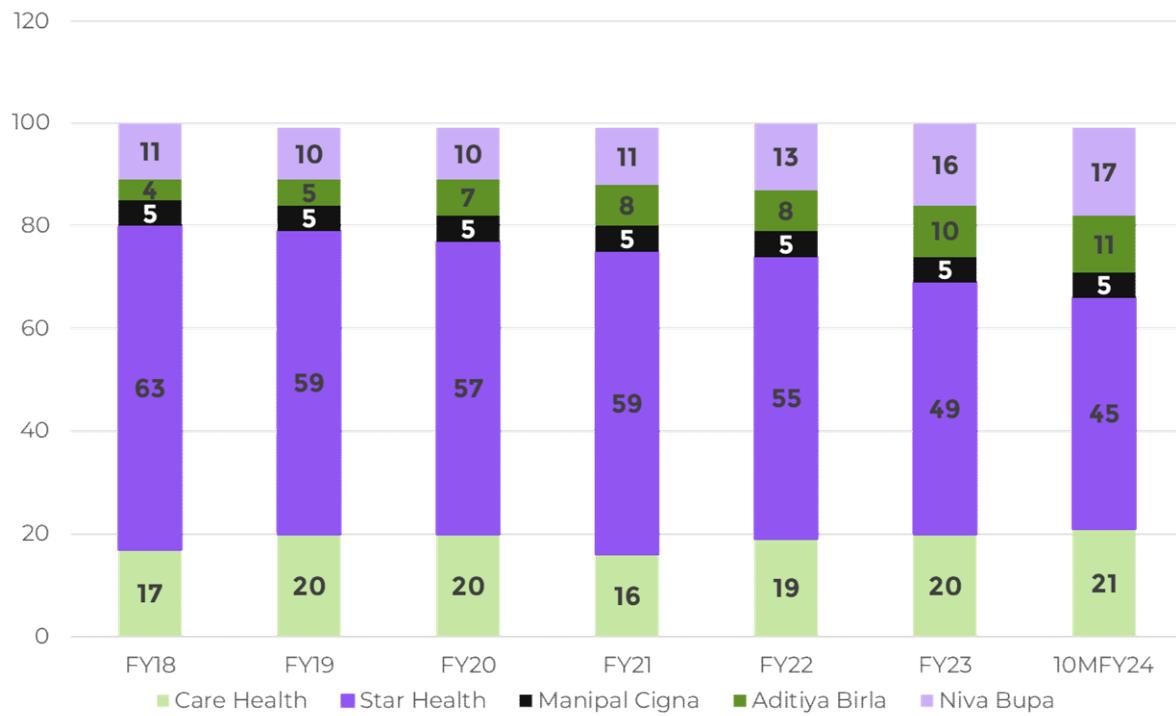
Care Health Insurance Limited (CHIL) is a health insurance service provider to corporate employees and individuals. It currently offers a retail segment for Health Insurance, Critical Illness, Personal Accident, Top Up Coverage, International Travel Insurance and Maternity along with Group Health Insurance and Group Personal Accident Insurance for corporates.

### Future Outlook : Care Health Insurance Limited

Care Health Insurance has demonstrated a strong and consistent performance in both market share and profitability. With its market share growing from 16.5% in FY18 to 19.6% in FY23 and reaching 21.2% in 10MFY24, the company is on a clear upward trajectory. This growth reflects its strategic approach of increasing pricing more aggressively than its competitors, which has allowed it to earn higher premiums per policy. Despite this, Care Health continues to outpace competitors in policy sales, securing a strong position in the market.



### Health Insurance Company in India Market Share

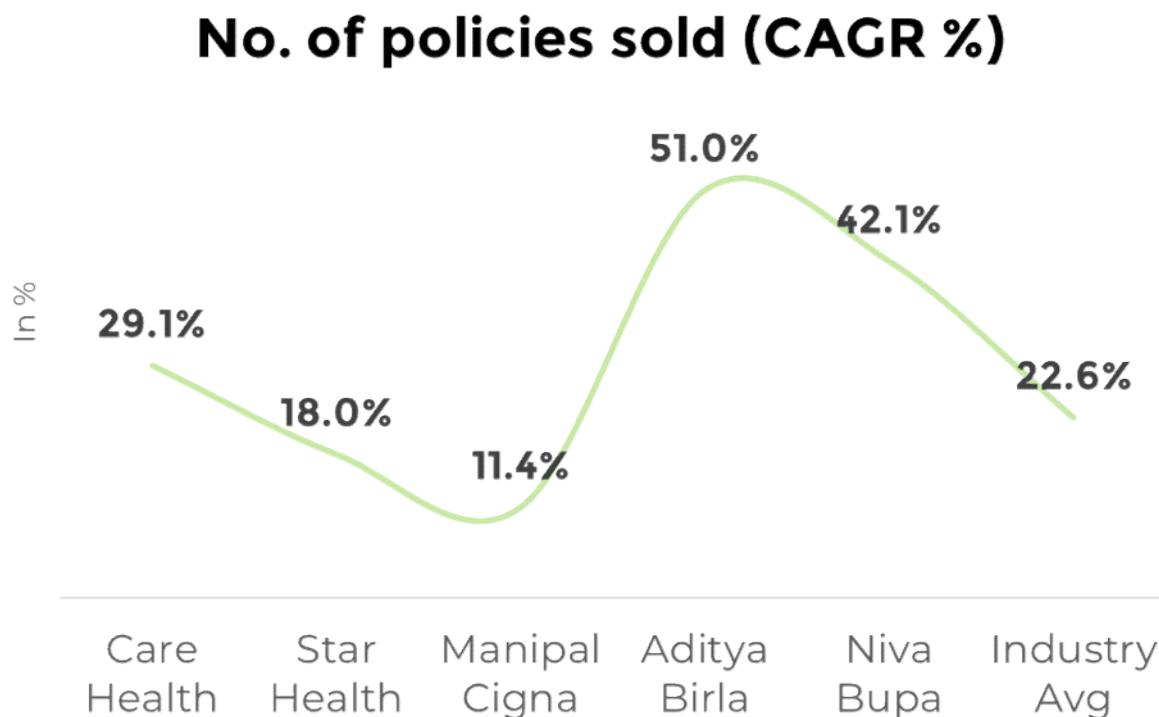


The company's ability to maintain profitability while increasing prices is evident in its combined ratio, which remains favourable compared to its peers. For instance, Care Health's combined ratio has been consistently below the industry average, standing at 92.3% in FY23 and 95.6% in H1FY24, while competitors like Star Health and Manipal Cigna have experienced higher combined ratios in recent years.

Combined Ratio (%)	FY18	FY19	FY20	FY21	FY23	H1FY24
Care Health	100.5	94.8	98.4	92.9	92.3	95.6
Star Health	93	92.9	93.4	122.1	95.3	98.4
Manipal Cigna	128	136.7	125.9	118.6	115.1	116.4
Aditya Birla	187.7	148	132.7	119.7	109.6	118.5
Niva Bupa	103.7	107	102	101.6	97.1	104.7
Industry Avg	100.2	100.6	101.4	111.9	97.6	101.7



Additionally, Care Health's impressive annual sales growth, with a CAGR of 29.1% from FY18 to FY23, outpaces the industry's 22.6% CAGR.



Looking forward, Care Health Insurance is likely to maintain its competitive edge by focusing on profitable growth through its pricing strategy and efficient operational management.

## 2) Religare Finvest Ltd

Religare Finvest Ltd (RFL) is a SME financing focused NBFC, which offers working capital loans, mortgage loans and trade finance facilities to the SME sector. The company has branches across major cities and has a loan book size of ₹1,112 cr.

Religare Finvest Ltd (RFL) experienced significant growth until FY16, after which its operations faced challenges due to governance issues involving its former promoters. As a result, the RBI imposed restrictions on the company.

RFL has successfully completed a financial restructuring process, including a one time settlement with all 18 creditors. The final agreement was completed on February 26, 2024. Through this settlement, the company reduced its total debt from ₹13,106 crore in FY16 to zero in FY23. Similarly, its loan book declined from ₹18,987 crore in FY16 to ₹711 crore in FY23.



Additionally, legal proceedings related to fraud allegations against RFL were resolved, with creditors expressing satisfaction with the outcome. This prevented potential losses of 70-90% that creditors could have faced had the case gone to the NCLT. Under the leadership of Chairperson Dr Rashmi Saluja, RFL successfully avoided NCLT proceedings and ensured all dues were settled.

### **Future Outlook : Religare Finvest Ltd**

#### **a) SME Lending Market Opportunities**

India's SME lending market presents a significant growth opportunity, driven by rising productivity and increasing demand for formal credit channels. Currently only 14% of the 64 million SMEs have access to formal credit, with a total demand of \$1600 billion out of which 45-50% could not be addressed. This refers to demand from those SMEs which are not financially viable and thus prefer financing from informal sources. This leaves a total addressable market of more than \$850 billion. Out of this, only \$300 billion is currently served through formal credit channels, leaving a substantial growth potential of \$500 billion untapped.

<b>Category</b>	<b>Amount (\$bn)</b>
Total SME Credit Demand	\$1600
Unviable SME Projects (Not Addressable)	\$750
Addressable SME Credit Market	\$850
Currently Available Credit	\$300
Untapped Addressable Market	\$500

#### **b) Development of new industrial corridors and PLI schemes**

The Indian government has approved 11 industrial corridors with 32 projects to be developed in 4 phases under National Industrial Corridor Programme (NICP). These corridors aim to develop world class industrial cities, creating new opportunities for SMEs.

Additionally, PLI schemes have accelerated domestic manufacturing. While currently benefiting medium and large enterprises, they indirectly boost SME demand as suppliers and vendors to medium and large enterprises.

### 3) Religare Housing Development Finance Co Ltd

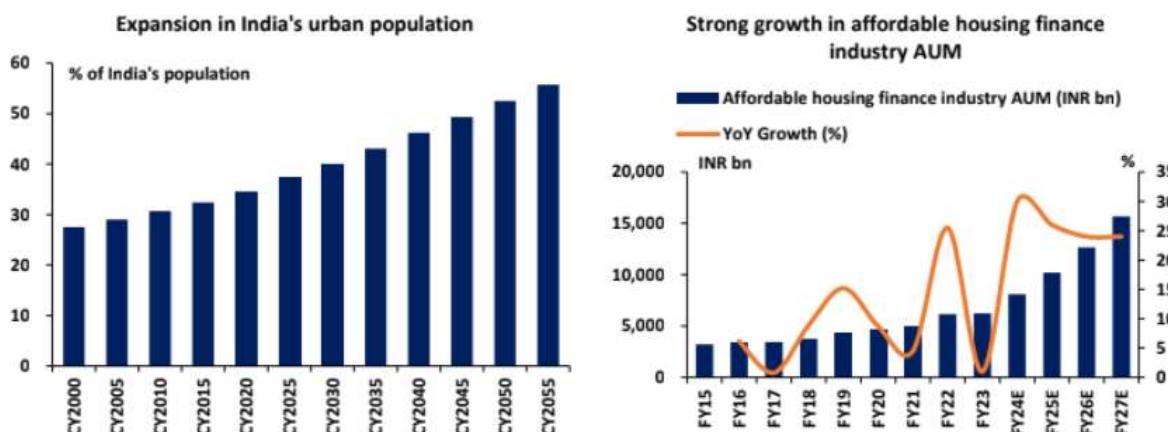
RHDFCL offers home-purchase, home construction and home improvement loans to the low-income segment, primarily persons engaged in the informal sector, across urban and semi-urban India.

#### Future Outlook : Religare Housing Development Finance Company Ltd

##### a) Demand for Affordable Housing

India's urban population is expanding as people migrate for jobs, better living standards and healthcare. However, affordable housing remains limited, forcing millions to live in poor conditions due to low incomes and restricted financing access.

As urbanization continues, Affordable Housing Finance Companies (AHFCs) are poised for significant growth.



Source : RBI, Company Reports & Venture Research

##### b) Banks are funding AHFCs for affordable lending to meet their RBI priority

Banks are actively funding AHFCs to meet the RBI guidelines on priority sector lending. As per RBI norms, banks must allocate 40% of their adjusted net bank credit to priority sectors, which include affordable housing.

However, banks lack experience and willingness to directly serve the informal affordable housing sector. Instead they prefer to lend to AHFCs at 10-12% interest rates, earning a 600-700 bps spread without taking on the complexities of dealing with informal borrowers.

This model has significantly boosted the growth of AHFCs assets under management while allowing banks to fulfill their lending obligations with lower risk. It creates a mutually beneficial system where



Banks	Meet RBI norms, earn high spread, avoid direct risk
AHFCs	Access funds for lending, grow AUM rapidly
Borrowers	Get financing options through AHFCs

#### 4) Religare Broking Ltd

RBL offers broking service in equity, currency and commodity (through its subsidiary Religare Commodities) as well as DP services, is a member of the NSE, BSE and MSEI and a depository participant with NSDL and CDSL.

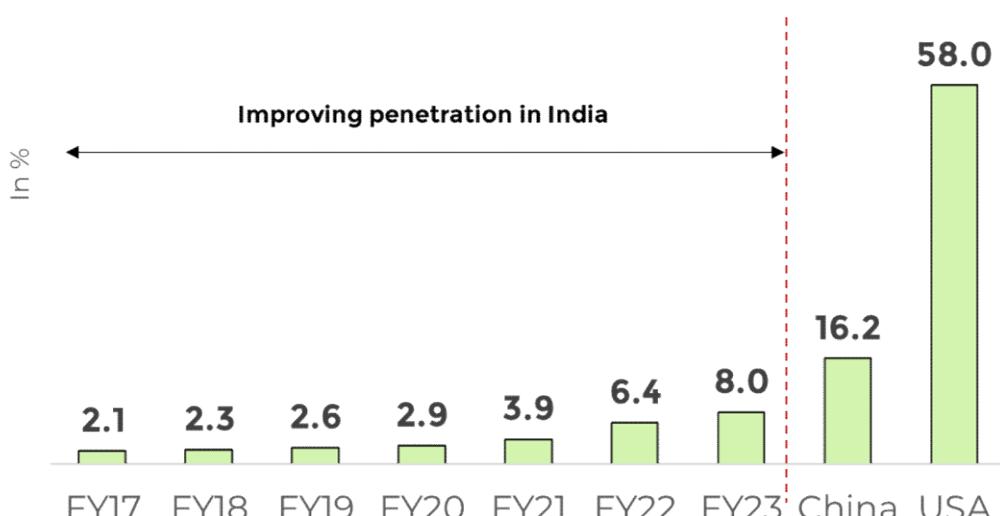
RBL also offers TIN facilitation and PAN, TAN and TDS/TCS returns related requirements. In addition, RBL is an NSDL-appointed enrolment agency for Aadhaar UID and an AMFI-registered mutual fund distributor.

#### Future Outlook : Religare Broking Ltd

##### a) Strong Retail Participation to Drive Market Growth

The momentum in India's capital markets is expected to remain strong, driven by rising retail participation. Brokerage account penetration, currently at 8%, still lags behind China (16.2%) and the US (58%) indicating significant room for growth. The number of demat accounts is projected to reach 180 million by FY25, growing at a CAGR of 25.7% from FY23.

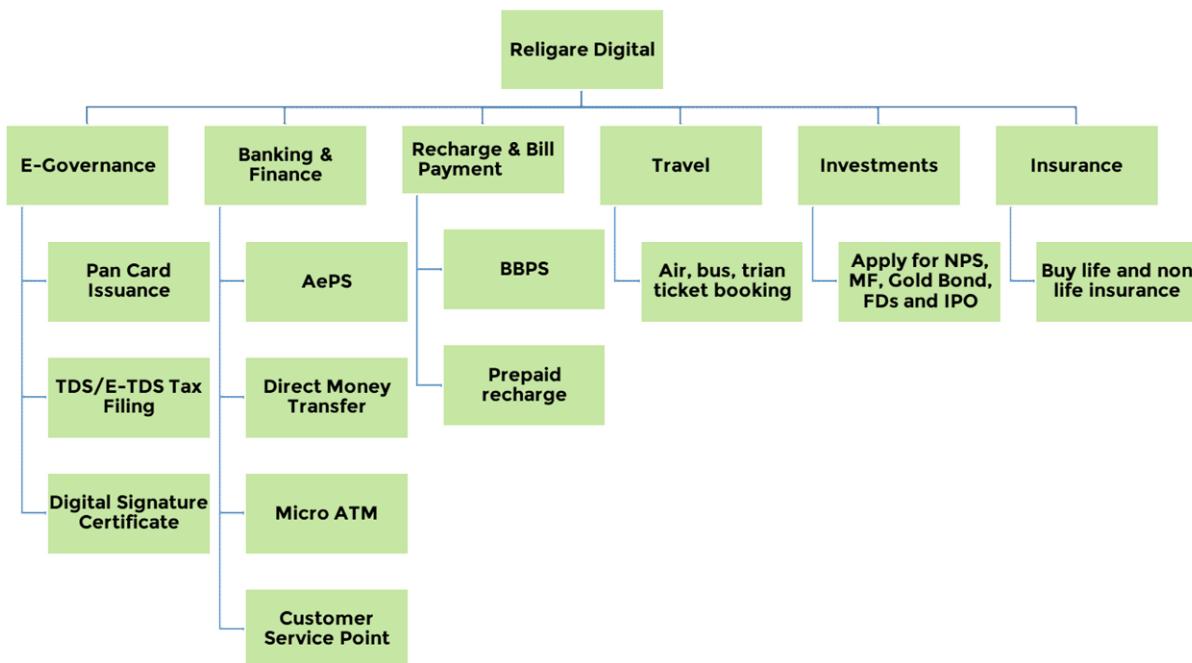
### Brokerage account penetration





## b) Religare Digital

RBL's new B2B digital model, Religare Digital, is set to drive growth by offering a wide range of services including e-governance , banking and finance, recharge and bill payment, travel, investments and insurance.



Despite generating ₹34 cr in revenue and ₹6 cr in PBT in FY23, the segment holds strong expansion potential, particularly in Tier III cities and rural areas. By establishing Religare Digital Services Ltd as a separate subsidiary, RBL aims to unlock its full growth potential and enhance its digital ecosystem.

## 5) MIC Insurance Web Aggregator

MICIWA is the country's first IRDAI - approved and registered insurance web aggregator. REL acquired 100% stake in MICIWA from iGear Holdings Pvt Ltd, an Indian Express Group Entity, in Apr 2023 for an undisclosed amount. REL, through this acquisition, aims at expanding its foothold in the insurance distribution space.

### Risks

#### 1) Competitive Risk

REL operates in a highly competitive financial services industry, facing strong competition from established banks, NBFCs and other financial institutions. Failure to offer innovative and cost effective financial products could lead to loss of market share, affecting growth prospectus.



## **2) Market and Regulatory Risk**

The Indian financial sector is dynamic, with evolving regulations and market conditions. REL is exposed to market risk, where economic downturns, regulatory changes or fluctuations in interest rates could negatively impact its business operations and profitability.

## **3) Governance and Reputation Risk**

REL has a history of financial irregularities, with its former promoters, Malvinder Mohan Singh and Shivinder Mohan Singh, arrested in 2019 for fraud and money laundering. Despite a complete restructuring and management overhaul, investor sentiment remains cautious, which could impact REL's ability to attract new investments and partnerships.

**Financials (all figures in cr unless stated otherwise)****Profit & Loss Statement**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	3,361	4,128	4,895	3,709	2,675	2,371	2,384	2,513	3,227	4,679	6,266
Sales Growth %	-10.0%	22.8%	18%	-24.2%	-27.8%	-11.35%	0.55%	5.41%	28.4%	44.9%	33.9%
Expenses	1,585	2,006	3,710	1,659	2,841	3,005	2,341	2,235	3,592	4,196	5,898
Operating Profit	1,775	2,122	1,184	2,050	-167	-634	43	278	-364	483	368
OPM %	53%	51%	24%	55%	-6%	-27%	2%	11%	-11%	10%	6%
Other Income	25	58	1,012	-316	60	10	-157	17	137	3,473	263
Interest	1,584	1,658	1,879	1,840	1,271	854	855	733	750	641	112
Depreciation	34	37	36	31	30	26	61	59	53	56	72
Profit before tax	182	485	282	-136	-1,407	-1,504	-1,030	-497	-1,031	3,259	448
Tax %	85%	34%	79%	-10%	-16%	-0%	1%	-4%	49%	3%	22%
Net Profit +	27	321	61	-124	-1,181	-1,501	-1,038	-478	-1,539	3,169	347
EPS in Rs	-4.63	8.62	-2.67	-9.77	-58.56	-59.33	-36.12	-19.60	-48.43	95.24	7.06

**Balance Sheet**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	150	178	178	178	178	217	258	259	319	324	330
Reserves	2,982	3,705	3,660	2,549	1,658	616	-157	-306	-1,301	1,734	2,013
Borrowings	14,073	16,491	20,247	14,956	9,945	6,717	5,356	4,940	4,878	841	443
Other Liabilities	3,920	5,064	3,344	3,355	2,081	2,023	2,673	3,832	5,467	5,193	6,789
Total Liabilities	21,125	25,439	27,429	21,038	13,862	9,573	8,130	8,725	9,362	8,092	9,575
Fixed Assets	1,981	2,128	1,785	103	80	83	175	117	127	196	161
CWIP	12	4	4	12	11	14	13	12	2	5	6
Investments	3,344	4,363	2,700	1,983	1,197	1,438	2,023	3,190	3,836	5,094	6,718
Other Assets	15,788	18,944	22,941	18,940	12,574	8,038	5,919	5,406	5,397	2,797	2,690
Total Assets	21,125	25,439	27,429	21,038	13,862	9,573	8,130	8,725	9,362	8,092	9,575



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## **SNM VALUE EDUCATOR RESEARCH SERVICES LLP**

**Trade Name: VALUE EDUCATOR**

**Registration No.: INH000019789**

**Registered office Address:** Flat 403, wing A 5, Ritu Enclave A5, Anand Nagar, Ritu Enclave CHSL, G.B. Road, Sandozbaugh, Thane, Maharashtra, 400607

**Contact No:** 8779064899

**Email ID:** [value.educator@gmail.com](mailto:value.educator@gmail.com)

**Compliance Officer:** Shashank Mahajan

**Contact No:** 8779064899

**Email Id:** [value.educator@gmail.com](mailto:value.educator@gmail.com)

**Principal Officer:** Shashank Mahajan

**Contact No:** 8779064899

**Email ID:** [value.educator@gmail.com](mailto:value.educator@gmail.com)

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