

March 21, 2023

## Credit Suisse Finance (India) Private Limited: Rating placed on Watch with Developing Implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	1,200.00	1,200.00	[ICRA]A1+; Placed on Rating Watch with Developing Implications
<b>Total</b>	<b>1,200.00</b>	<b>1,200.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The management of the ultimate holding company of Credit Suisse Finance (India) Private Limited (CSFIPL), i.e. Credit Suisse Group AG {CS Group; rated Baa2; (rating placed on review for upgrade)}, and UBS Group AG {UBS Group; rated A3 (Negative)} entered into a merger agreement on March 19, 2023, following the intervention of Swiss regulatory authorities, including the Swiss Federal Department of Finance, the central bank of Switzerland – the Swiss National Bank (SNB), and the Swiss Financial Market Supervisory Authority (FINMA). As per the merger terms, UBS will acquire the CS Group for CHF 3 billion with the complete write-down of Additional Tier I bonds of CHF 16 billion. The deal will remain subject to customary closing conditions although the Swiss regulators have waived the requirement to seek shareholder approval by the respective entities so as to ensure faster closure. Furthermore, during the transition period, the SNB will provide substantial additional liquidity support.

The merger announcement closely follows the annual report released by CS Group on March 14, 2023, which had disclosures by the management on material weakness in risk assessment as well as an adverse opinion expressed by the auditors on the effectiveness of the internal controls over financial reporting. These developments coincided with the failure of a few banks in the US, which led to unfavourable movements in the share price and credit default spreads. Further, given the possibility of liquidity pressure or higher-than-anticipated demand from depositors, CS, the banking subsidiary of the CS Group announced its decision to exercise its option to borrow up to CHF 50 billion from the SNB under a covered loan facility on March 16, 2023.

### Impact of material event

While CSFIPL remains debt free with sizeable on-balance sheet liquidity and has no plans to borrow in the near term, the developments prior to the merger announcement posed a potential risk to its financial flexibility in case of the continued and unabated worsening of conditions at the parent entity level. While the merger announcement is aimed at restoring confidence in the Swiss banking system, the new management's plans for the Indian operations, including CSFIPL, and its position in the Group upon the closure of the merger remain to be seen and will be monitorable. Accordingly, ICRA has placed the short-term rating on Watch with Developing Implications, while continuing to monitor the developments.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA Rating Methodology for NBFCs</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a>
Parent/Group support	<b>Group companies: Credit Suisse AG, Credit Suisse Group AG</b>  ICRA expects CSFIPL's parent, Credit Suisse AG, which is held by Credit Suisse Group AG, to be willing to extend financial support, if needed, given the company's high strategic importance for meeting its diversification objectives. Credit Suisse Group AG and CSFIPL share a common name, which, in ICRA's opinion, would persuade the Group to provide financial support to CSFIPL to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	Standalone

## About the company

Credit Suisse Finance (India) Private Limited (CSFIPL) is a wholly-owned subsidiary of Credit Suisse AG, which is wholly owned by Credit Suisse Group AG. Previously, the key business segments included promoter financing, acquisition financing, loans against shares, margin financing, and debt syndication. These segments were structured under two main verticals – investment banking and private banking. Given the recent changes at the Group level, the operations in India will be increasingly focused only on the wealth management segments. Its Group company, Credit Suisse Securities (India) Private Limited (CSSIPL), is engaged in institutional broking and wealth management, and also helps source clients for its lending arm. In addition, the Group's banking operations are housed under its Indian branch, Credit Suisse AG. CSFIPL reported a net profit of Rs. 76 crore on operating income of Rs. 105 crore in 9M FY2023.

### Credit Suisse Group AG

Credit Suisse Group AG is a global banking and financial services group and the holding company of the Swiss bank, Credit Suisse AG. It provides private banking, asset and wealth management, and investment banking services to corporate, institutional and government clients, high-net-worth individuals (HNWIs) and ultra-HNWIs (UHNWIs) worldwide, as well as affluent and retail clients in Switzerland.

### Credit Suisse AG

The banking business of the CS Group is handled by Credit Suisse AG (CS) and its direct and indirect subsidiaries. CS is domiciled in Zurich, Switzerland. It is an integrated global bank operating through four divisions (Wealth Management, Investment Bank, Swiss Bank, and Asset Management) and five geographical regions, i.e., Switzerland, Europe, the Middle East and Africa (EMEA), the Asia Pacific (APAC), and the Americas. The regional management layer is designed to ensure the targeted and efficient coordination of cross-divisional activities in the regions and an adequate internal control environment. The governance of the CS Group and CS is fully aligned. The board of directors and the executive board consist of the same individuals.

As on December 31, 2022, the CS Group's CET I ratio stood at 14.10% and the liquidity coverage ratio stood at 144%. For CY2022, the Group reported a loss of \$7.8 billion. The weak financial performance was due to past events of default by a US-based hedge fund on its margin call as well as a default in the supply chain financing segment at CS, followed by significant restructuring and litigation costs, which resulted in materially large losses for the ultimate holding company – the CS Group.

### Key financial indicators (standalone)

Credit Suisse Finance (India) Private Limited	FY2021	FY2022	9M FY2023*
Net interest income	139	153	104
Profit before tax	138	137	102
Profit after tax	102	102	76
Net advances	1,948	2,268	NA
Investments	236	265	NA
Total assets	2,241	2,537	NA
Return on assets	4.29%	4.27%	NA
Return on net worth	4.84%	4.60%	4.32%
Gross gearing (times)	0.03	0.11	NA
Tier I CRAR	103.85%	109.64%	NA
	103.89%	109.70%	111.68%
Gross NPA	0.00%	0.00%	NA
Net NPA	0.00%	0.00%	NA

Source: Credit Suisse Finance (India) Private Limited, ICRA Research; Amount in Rs. crore

\* Provisional numbers; All ratios as per ICRA's calculations

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Mar 21, 2023	Nov 14, 2022	Dec 08, 2021	Feb 12, 2021	Jan 17, 2020
1	Commercial paper programme	Short term	1,200.00	NIL*	[ICRA] A1+ &	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

\*As on March 20, 2023; & - Rating on Watch with Developing Implications

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instruments credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unplaced	Commercial paper	NA	Unplaced	7-365 days	1,200.00	[ICRA] A1+ Rating Watch with Developing Implications

Source: Credit Suisse Finance (India) Private Limited

#### Annexure II: List of entities considered for consolidated analysis – Not applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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### Branches



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