

June 06, 2024^(Revised)

Nido Home Finance Limited: Update on material event

Summary of rating(s) outstanding

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|--------------------------------------|-----------------------------------|----------------------------------|---|
| Retail non-convertible debentures | 530.03 | 530.03 | [ICRA]A+ Rating Watch with Negative Implications; outstanding |
| Subordinated debt programme | 50.00 | 50.00 | [ICRA]A+ Rating Watch with Negative Implications; outstanding |
| Non-convertible debenture programme | 525.00 | 525.00 | [ICRA]A+ Rating Watch with Negative Implications; outstanding |
| Bank lines – Long-term fund-based TL | 2,715.00 | 2,715.00 | [ICRA]A+ Rating Watch with Negative Implications; outstanding |
| Total | 3,820.03 | 3,820.03 | |

*Instrument details are provided in Annexure I

Rationale

While arriving at the rating, ICRA has considered the consolidated financials (excluding insurance businesses) of Edelweiss Financial Services Limited (Edelweiss) and has taken a consolidated view of the credit profiles of Edelweiss and its subsidiaries, which are engaged in the asset management business and retail and wholesale lending, due to the common promoters and senior management team, shared brand name, and financial and operational linkages. ICRA expects financial, managerial and operational support from the Edelweiss Group to continue to be available to all key Group companies.

Material event

On May 29, 2024, the Reserve Bank of India (RBI) had imposed business restrictions on two Edelweiss Group companies, namely ECL Finance Limited (ECLF) and Edelweiss Asset Reconstruction Company Limited (EARC). The [order](#) related to ECLF was on account of the observations about the wholesale business with respect to the company's financial position as of March 2023. The regulator directed ECLF to cease and desist from undertaking any structured transactions in respect of its wholesale exposures other than the repayment and closure of accounts in its normal course of business. The [order](#) related to EARC was on account of the observations in its operations and governance frameworks with respect to the financial position as of March 2023. The regulator directed EARC to cease and desist from the acquisition of financial assets, including security receipts (SRs), and reorganising existing SRs into senior and subordinate tranches. Both orders directed the Group to strengthen its assurance functions within the specified timelines. The business restrictions on ECLF and EARC would be reviewed after the rectification of the supervisory observations by the Group to the satisfaction of the regulator.

As per ECLF's press release dated May 29, 2024, the Group believes that these directions will not materially impact its strategy and business. Moreover, the reduction of the wholesale exposures will continue, as permitted, in the normal course of business. As per EARC's press release dated May 29, 2024, there will not be any material impact on the company's resolution and recovery efforts, which would continue normally, and it will take immediate steps to address the concerns raised by the RBI. Further, the company mentioned that its operations will be aligned with the regulatory expectations, wherever needed.

Impact of material event

The Edelweiss Group had witnessed a reduction in wholesale exposures in the past 2-3 years, supported by structured deals with investors. With the discontinuation of the wholesale business at ECLF (as announced in Q4 FY2024), the incremental impact of the order on the segment's profitability is expected to be remote. However, if the restrictions on ECLF continue for an extended

period, the pace of decline in wholesale assets could be impacted even though the management had recently expressed their intent to drive a further decline in this book through collections.

For EARC, continued business restrictions would likely impact the ARC segment’s growth plans and consequently its profitability. However, cash flows and income from the existing assets under management are not expected to be impacted. The management informed that they had addressed some of the regulator’s observations in Q4 FY2024 and they intend to address the pending observations within the specified timelines. However, given the likely reputational impact, the timely resolution of the business restrictions on EARC and ECLF along with compliance with regulatory norms going forward, the impact on financial flexibility and developments pertaining to the proposed stake monetisation, the Group’s fund-raising ability, and the rundown of its wholesale exposures in a timely manner will remain key monitorables.

Earlier, driven by the [regulations](#) on investments by regulated entities (RE) in the units of alternative investment funds (AIFs) with exposure to direct/indirect debtors of the RE, the Group had undertaken strategic arrangements for the impacted AIFs (in January 2024). Subsequently, it had also un-winded the AIF structures held in RE entities, wherein the underlying exposures continue to be with the Group. ICRA also notes the Group’s publicly disclosed intent of monetising a 10-20% stake in Edelweiss Alternative Asset Advisors Limited (EAAA), which is expected to support it in augmenting its cushion for absorbing any impairment related to the residual risks residing in the balance sheet, liquidity generation and debt reduction. Additionally, given the appreciation of the investment in Nuvama Wealth Management Limited (Nuvama; stake valued at Rs. 2,300+ crore as of June 03, 2024) since its listing on September 26, 2023, the management’s stated intention to divest the residual stake will also help pare down the debt, apart from residual fair valuation gains on the same, which shall offer some headroom to absorb losses, if required.

ICRA is cognisant that one of the erstwhile companies of the Edelweiss Group (Nuvama Clearing Services Limited or NCSL; erstwhile Edelweiss Custodial Services Limited) had received a Securities Appellate Tribunal (SAT) order in the matter of Anugrah Stock & Broking Ltd. in December 2023. ICRA will continue to monitor developments in this matter and their impact on the Group’s financial profile, if any. NCSL has currently initiated an appeal against the SAT order in the Supreme Court.

The Group's liquidity position is currently adequate with on-balance sheet liquidity of about Rs. 2,500 crore in May 2024 against debt repayment obligations (principal + interest) of ~Rs. 4,566 crore between June 2024 and March 2025. The on-balance sheet liquidity and envisaged inflows from the loan book are expected to support the Group in its repayment obligations. Additionally, the planned monetisation of its stake in Nuvama and EAAA is expected to support the liquidity position.

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

Analytical approach

| Analytical Approach | Comments |
|--|--|
| Applicable rating methodologies | Rating Methodology for Non-banking Finance Companies |
| Parent/Group support | Not applicable; while arriving at the rating, ICRA has considered the consolidated financials (ex-insurance) of Edelweiss and has taken a consolidated view of the credit profiles of Edelweiss and its subsidiaries, which are engaged in retail lending and wholesale lending, and the asset management business due to the close linkages between the entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies. |
| Consolidation/Standalone | ICRA has considered the consolidated financials (ex-insurance) of Edelweiss. Details of the subsidiaries are provided in Annexure II. |

About the company

Nido Home Finance Limited (Nido) is a housing finance company registered with National Housing Bank. It was incorporated in FY2011 following the Group's strategy of creating a footprint in the affordable housing space. As a part of the Group's positioning exercise, the company was rechristened Nido Home Finance Limited (Formerly Edelweiss Housing Finance Limited) in May 2023. In recent years, the company has realigned its strategy to focus on low ticket-sized home loans. Nido reported a net profit of Rs. 19 crore in FY2024 compared to Rs. 16 crore in FY2023. As of March 31, 2024, its capitalisation profile was characterised by a net worth of Rs. 815 crore, a gearing of 3.5 times and a capital adequacy ratio of 39.1%.

Edelweiss Financial Services Limited (parent)

Edelweiss Financial Services Limited (Edelweiss), the holding company of the Edelweiss Group of companies, was incorporated in 1995 to offer investment banking services primarily to technology companies. At present, the Group is engaged in alternatives, asset management, wholesale and retail lending, home finance, distressed assets resolution, general insurance, and life insurance. On a consolidated basis, it posted a total income of Rs. 9,601 crore and a profit after tax (PAT) of Rs. 528 crore in FY2024 compared to Rs. 8,633 crore and Rs. 406 crore, respectively, in FY2023. As of March 31, 2024, the Group's capitalisation profile was characterised by a consolidated net worth of Rs. 6,049 crore and a gearing of 3.3 times compared to Rs. 7,846 crore and 2.8 times as of March 31, 2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current Rating (FY2025) | | Chronology of Rating History for the Past 3 Years | | | | | | |
|--|-----------|-----------------------------|-----------------------------------|---|---|---|-------------------|-------------------|-------------------------|-------------------------|
| | | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2025 | | Date & Rating in FY2024 | | | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | | Jun 06, 2024 | May 09, 2024 | Dec 28, 2023 | Jun 30, 2023 | Jun 22, 2023 | Jun 24, 2022 | Jun 29, 2021 |
| 1 Non-convertible debenture | Long term | 525.00 | 75.00 [^] | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Negative) |
| 2 Subordinated debt | Long term | 50.00 | 50.00 | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Negative) |
| 3 Bank lines – Long-term fund-based TL | Long term | 2,715.00 | 1,009.72 [^] | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Negative) |
| 4 Retail non-convertible debenture | Long term | 530.03 | 380.03 | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+; Rating Watch with Negative Implications | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Negative) |

[^] Balance yet to be issued/allocated

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|--|----------------------|
| Retail non-convertible debenture programme | Simple |
| Non-convertible debenture programme | Simple |
| Subordinated debt programme | Moderately Complex |
| Bank lines – Long-term fund-based TL | 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 instrument's 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 / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|--------------|---|-----------------------------|--------------------------|---------------|--------------------------|---|
| INE530L07210 | Retail non-convertible debentures | Jul 19, 2016 | 9.57% | Jul 18, 2026 | 24.84 | [ICRA]A+; Rating Watch with Negative Implications |
| INE530L07228 | Retail non-convertible debentures | Jul 19, 2016 | 10.00% | Jul 18, 2026 | 349.21 | [ICRA]A+; Rating Watch with Negative Implications |
| INE530L07236 | Retail non-convertible debentures | Jul 19, 2016 | Zero Coupon | Jul 18, 2026 | 5.98 | [ICRA]A+; Rating Watch with Negative Implications |
| INE530L07160 | Non-convertible debentures | Apr 29, 2016 | 9.62% | Apr 29, 2026 | 25.00 | [ICRA]A+; Rating Watch with Negative Implications |
| NA | Non-convertible debentures – Proposed | NA | NA | NA | 500.00 | [ICRA]A+; Rating Watch with Negative Implications |
| INE530L08010 | Subordinated debt | Feb 04, 2015 | 11.25% | May 03, 2025 | 50.00 | [ICRA]A+; Rating Watch with Negative Implications |
| NA | Bank lines – Term loans and working capital | Feb 13, 2015 | NA | Dec 01, 2024 | 2,015.00 | [ICRA]A+; Rating Watch with Negative Implications |
| NA | Bank lines – Term loans and working capital (unallocated) | NA | NA | NA | 700.00 | [ICRA]A+; Rating Watch with Negative Implications |
| NA | Retail non-convertible debentures (Yet to be issued) | NA | NA | NA | 65.13 | [ICRA]A+; Rating Watch with Negative Implications |
| INE530L07590 | Retail non-convertible debentures | Sep 15, 2023 | 8.95% | Sep 15, 2025 | 21.02 | [ICRA]A+; rating watch with negative implications |
| INE530L07574 | Retail non-convertible debentures | Sep 15, 2023 | Zero Coupon [^] | Sep 15, 2025 | 2.02 | [ICRA]A+; rating watch with negative implications |
| INE530L07566 | Retail non-convertible debentures | Sep 15, 2023 | 9.20% | Sep 15, 2026 | 19.43 | [ICRA]A+; rating watch with negative implications |
| INE530L07608 | Retail non-convertible debentures | Sep 15, 2023 | 9.60% | Sep 15, 2026 | 10.25 | [ICRA]A+; rating watch with negative implications |
| INE530L07558 | Retail non-convertible debentures | Sep 15, 2023 | Zero Coupon [^] | Sep 15, 2026 | 1.72 | [ICRA]A+; rating watch with negative implications |
| INE530L07616 | Retail non-convertible debentures | Sep 15, 2023 | 9.67% | Sep 15, 2028 | 5.00 | [ICRA]A+; rating watch with negative implications |
| INE530L07624 | Retail non-convertible debentures | Sep 15, 2023 | 10.10% | Sep 15, 2028 | 15.88 | [ICRA]A+; rating watch with negative implications |
| INE530L07533 | Retail non-convertible debentures | Sep 15, 2023 | Zero Coupon [^] | Sep 15, 2028 | 0.77 | [ICRA]A+; rating watch with negative implications |
| INE530L07582 | Retail non-convertible debentures | Sep 15, 2023 | 10.00% | Sep 15, 2033 | 2.51 | [ICRA]A+; rating watch with negative implications |
| INE530L07541 | Retail non-convertible debentures | Sep 15, 2023 | 10.45% | Sep 15, 2033 | 6.27 | [ICRA]A+; rating watch with negative implications |

Source: Company; [^] Cumulative interest payable at maturity

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis*

| | Edelweiss's Ownership | Consolidation Approach |
|---|-----------------------|---|
| Edelweiss Financial Services Limited | Parent | |
| Subsidiaries: | | |
| ECL Finance Limited | 100.00% | |
| Edelcap Securities Limited | 100.00% | |
| Edelweiss Asset Management Limited | 100.00% | |
| ECap Equities Limited | 100.00% | |
| Edelweiss Trusteeship Company Limited | 100.00% | |
| Edelweiss Housing Finance Limited | 100.00% | |
| Edelweiss Investment Adviser Limited | 100.00% | |
| Edel Land Limited | 100.00% | |
| Edel Investments Limited | 100.00% | |
| Edelweiss Rural & Corporate Services Limited | 100.00% | |
| Comtrade Commodities Services Limited | 100.00% | |
| Edel Finance Company Limited | 100.00% | |
| Edelweiss Retail Finance Limited | 100.00% | |
| Edelweiss Multi Strategy Fund Advisors LLP | 100.00% | ICRA has considered the consolidated financials (ex-insurance) of Edelweiss |
| Edelweiss Resolution Advisors LLP | 100.00% | |
| Edelweiss Securities and Investment Private Limited | 100.00% | |
| EC International Limited | 100.00% | |
| EAAA LLC | 100.00% | |
| Edelweiss Alternative Asset Advisors Pte. Limited | 100.00% | |
| Edelweiss International (Singapore) Pte. Limited | 100.00% | |
| Edelgive Foundation | 100.00% | |
| Edelweiss Alternative Asset Advisors Limited | 99.05% | |
| Edelweiss Private Equity Tech Fund | 95.60% | |
| Edelweiss Value and Growth Fund | 70.05% | |
| Edelweiss Asset Reconstruction Company Limited | 59.82% | |
| EW Special Opportunities Advisors LLC | 67.00% | |
| Allium Finance Private Limited | 85.00% | |
| Edelweiss Global Wealth Management Limited | 100.00% | |
| Edelweiss Capital Services Limited | 51.00% | |
| India Credit Investments Fund - II | 100.00% | |
| Edelweiss Real Assets Managers Limited | 100.00% | |
| Sekura India Management Limited | 100.00% | |

Source: Edelweiss Financial Services Limited; As on June 23, 2023

Corrigendum

The coupon rate, maturity date, and amount rated have been revised for the following ISINs, as detailed in Annexure I: INE530L07590, INE530L07574, INE530L07566, INE530L07608, INE530L07558, INE530L07616, INE530L07624, INE530L07533, INE530L07582, and INE530L07541.

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