

June 06, 2024

Edelweiss Retail Finance Limited: Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible debenture programme	300.00	300.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Retail non-convertible debenture programme	97.65	97.65	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Subordinated debt	150.00	150.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Bank lines – Long-term fund-based TL	1,280.00	1,280.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Total	1,827.65	1,827.65	

*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

Edelweiss Retail Finance Limited (ERFL) is a non-deposit taking systemically important non-banking financial company (NBFC-ND-SI) registered with the Reserve Bank of India (RBI). It primarily provides loans and its products include loan against property for meeting the business requirements of small and medium enterprise (SME) customers. In FY2024, ERFL reported a net profit of Rs. 14 crore compared to Rs. 28 crore in FY2023. As of March 31, 2024, its capitalisation profile was characterised by a net worth of Rs. 551 crore and a gearing of 0.7 times.

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 Past 3 Years				
		Amount Rated	Amount Outstanding	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
		(Rs. crore)	(Rs. crore)	Jun 06, 2024	Dec 28, 2023	Jun 22, 2023	Jun 24, 2022	Jun 29, 2021
1 Non-convertible debenture programme	Long term	300.00	-^	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
2 Subordinated debt	Long term	150.00	150.00	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
3 Bank lines – Long-term fund-based TL	Long term	1,280.00	66.86^	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
4 Retail non-convertible debenture programme	Long term	97.65	89.27^	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[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
INE528S07110	Retail non-convertible debenture	Mar 22, 2018	8.88%	Mar 21, 2028	40.92	[ICRA]A+; Rating Watch with Negative Implications
INE528S07128	Retail non-convertible debenture	Mar 22, 2018	9.25%	Mar 21, 2028	48.35	[ICRA]A+; Rating Watch with Negative Implications
NA	Retail non-convertible debenture programme – Proposed	NA	NA	NA	8.38	[ICRA]A+; Rating Watch with Negative Implications
NA	Non-convertible debenture – Yet to be Issued	NA	NA	NA	300.00	[ICRA]A+; Rating Watch with Negative Implications
INE528S08019	Subordinated debt	May 25, 2015	11.50%	May 26, 2025	14.00	[ICRA]A+; Rating Watch with Negative Implications
INE528S08027	Subordinated debt	Oct 10, 2016	9.95%	Oct 09, 2026	12.00	[ICRA]A+; Rating Watch with Negative Implications
INE528S08035	Subordinated debt	Jul 31, 2017	9.25%	Jul 31, 2027	24.00	[ICRA]A+; Rating Watch with Negative Implications
INE528S08043	Subordinated debt	Oct 06, 2017	9.25%	Oct 06, 2027	100.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Bank lines – Long-term fund-based TL	Jul 31, 2017	NA	Mar 26, 2024	730.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Bank lines – Long-term fund-based TL (unallocated)	NA	NA	NA	550.00	[ICRA]A+; Rating Watch with Negative Implications

Source: Company

[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	ICRA has considered the consolidated financials (ex-insurance) of Edelweiss
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%	

	Edelweiss's Ownership	Consolidation Approach
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

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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Branches



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