

July 26, 2024

Credit Suisse Finance (India) Private Limited: Rating reaffirmed

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+; reaffirmed
Total	1,200.00	1,200.00	

*Instrument details are provided in Annexure I

Rationale

Credit Suisse Finance (India) Private Limited's (CSFIPL) rating factors in its parentage in the form of UBS AG (rated Aa2 with Negative outlook by Moody's for its long-term senior unsecured debt). This follows the completion of the merger of Credit Suisse AG (CS AG) and UBS AG on May 31, 2024, with CS AG ceasing to exist as per the scheme of merger. While the rebranding of CSFIPL (and other Group entities) is expected to be completed in the coming months, the integration of back-end infrastructure and policies is underway. Notably, the Indian branch of the erstwhile CS AG started operating as a branch of UBS AG from June 1, 2024.

Given the limited overlap with UBS Group AG's (rated A3 by Moody's with Developing outlook) product offerings in India, CSFIPL is expected to remain strategically important to the Group. The company's loan against securities (LAS) business, which complements the product offerings to the wealth management clients, is expected to gain more importance going forward.

ICRA continues to monitor the developments at the Group level and could revise CSFIPL's rating on a significant change in UBS AG's credit profile or a dilution in the company's strategic role and the importance of the Indian operations to UBS Group. The expected completion of CSFIPL's rebranding in with UBS Group in the near term would further align it with the Group's reputational sensitivity.

ICRA takes into consideration CSFIPL's strong capitalisation and high on-balance sheet liquidity. The rating also takes note of the company's dependence on capital markets, which could lead to volatility in its business volume and income. This also exposes CSFIPL to the risks of the underlying security pledged against the loans given by it, though the same is somewhat mitigated by its strong risk management and monitoring processes. Additionally, the overall scale of operations remains modest with the loan book being lower than its net worth. Going forward, CSFIPL may require additional borrowings to improve its scale of operations, though its leverage level is not expected to exceed 1.0 times.

Key rating drivers and their description

Credit strengths

Strong parentage in the form of UBS Group – UBS Group, a Switzerland-based global wealth management and banking solutions provider, is the ultimate parent of CSFIPL. UBS AG, which houses the banking operation of UBS Group, is the intermediate parent of CSFIPL. CS AG (the erstwhile intermediate parent of CSFIPL) merged into UBS AG on May 31, 2024, following the closure of the merger between UBS Group and Credit Suisse Group AG. Post-merger, UBS AG reported a net profit of \$1 billion in Q1 CY2024 on total consolidated assets of \$1,117 billion.

India remains strategically important to UBS Group, in terms of its footprint in the emerging markets, and CSFIPL would seek to achieve the Group's aspirations in the wealth management division. Apart from CSFIPL, the Group has a presence in India through Credit Suisse Securities (India) Private Limited (CSSIPL), which provides broking, merchant banking and wealth advisory

services. Besides this, UBS AG (earlier CS AG) conducts banking operations in India through its Indian branch. The Group has an established presence and track record in the wealth management business in India under CSSIPL, as well as support and oversight from the aforementioned bank branch. CSFIPL operates as a non-banking financial company (NBFC) arm and has synergies with Group companies involved in the core wealth management business, drawing the advantage of access to their clientele. Operational and capital help and managerial oversight from UBS Group support ICRA's opinion of CSFIPL's importance to the Group.

Strong capitalisation levels – CSFIPL's capitalisation profile remains strong with a net worth of Rs. 2,504 crore as on March 31, 2024, against a total loan book of Rs. 1,876 crore and a cash and bank balance of Rs. 611 crore. This has ensured strong capitalisation for the company and, as stated by the management, its leverage is unlikely to exceed 1.0 times. Additionally, CSFIPL has unutilised as well as backup lines of credit from UBS AG's Indian branch to take care of any liquidity requirements.

Credit challenges

Scale of operations remains modest with concentrated loan book – CSFIPL's loan book comprises primarily wealth management clients, sourced largely from its Group company – CSSIPL. The loan book is dominated by Lombard loans to the wealth management clients. The overall scale remained modest with assets (including investments) of Rs. 1,876 crore as on March 31, 2024, vis-à-vis Rs. 1,983 crore as on March 31, 2023. Given the regulatory limitations around capital market exposure, CSFIPL's scale of operations is likely to remain modest. However, the improvement in capitalisation, aided by internal accruals, may create additional headroom for growth.

The company focuses on a select clientele within the Group and the top 20 exposures continued to account for a significant portion of the loan book outstanding for recently reported financial years. The concentration may remain similar with continued relationships with clients, which could create more opportunities for further lending to the top clients.

Exposure to volatility in capital markets – CSFIPL's advances are secured against securities, which are exposed to capital market risks. Any adverse event could lead to the erosion in the value of the underlying collateral securities and would result in loan call-backs/squaring-off of positions. This could adversely affect the company's income or asset quality. However, CSFIPL has adequate risk mitigation policies with continuous monitoring of such risks. It ensures that the loan-to-value (LTV) ratio is above the stipulated level, thereby ensuring greater security. CSFIPL had not reported instances of forced revocation or liquidation of securities to recover loans in FY2024.

Liquidity position: Strong

CSFIPL has a strong asset-liability profile because of nil borrowings and hence repayments. It had a cash and bank balance of Rs. 611 crore as on March 31, 2024. Additionally, it also has sizeable quantum of undrawn bank lines from UBS AG Mumbai Branch and Citi Bank to deal with any exigencies.

Rating sensitivities

Positive factors – NA

Negative factors – ICRA could downgrade the rating on a dilution in CSFIPL's strategic role and importance to the Indian operations of the parent or a significant deterioration in the credit profile of the parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA Rating Methodology for NBFCs Rating Approach – Implicit Support from Parent or Group
Parent/Group support	ICRA expects CSFIPL's parent, UBS AG (part of UBS Group AG), to be willing to extend financial support to the company, if needed, given its strategic importance for meeting its diversification objectives and regional presence. As per the group structure, the support for CSFIPL would flow from UBS AG via CSFIPL's immediate parent, Credit Suisse Investment Holdings (Mauritius) Limited. As a part of the transition, CSFIPL's branding will be aligned with UBS Group in the near term. ICRA expects the Group to provide operational support along with financial support 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 UBS AG. The company is a non-banking financial company registered with RBI and is engaged in business of providing loans primarily to wealth management clients. While CSFIPL offers lending services in India primarily to its wealth management clients, its Group company, Credit Suisse Securities (India) Private Limited (CSSIPL), is engaged in institutional broking and wealth management and helps source clients for its lending arm as well. That apart, UBS Securities India Private Limited is also part of UBS group, which is engaged in business of merchant banking, securities broking and related services. Besides this, the Group's banking operations are housed under its Indian branch – UBS AG (earlier CS AG).

UBS AG

UBS AG is a global banking and financial services provider held by UBS Group AG, which provides wealth and asset management as well as corporate and investment banking services to high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) and corporate, institutional and government clients worldwide. It serves retail clients in Switzerland.

UBS AG has across four divisions: Global Wealth Management (GWM), Investment Bank (IB), Personal & Corporate Banking (P&C), and Asset Management (AM). It reported a net profit of \$1 billion in Q1 CY2024 on total consolidated assets of \$1,117 billion.

Key financial indicators (standalone)

Credit Suisse Finance (India) Private Limited	FY2023	FY2024
Total income	171	209
Profit after tax	107	130
Total managed assets	2,387	2,522
Return on average managed assets	4.34%	5.31%
Reported gearing (debt/net owned funds; times)	0.00	0.00
Gross NPA	0.00%	0.00%
CRAR	150.67%	114.91%

Source: Credit Suisse Finance (India) Private Limited, ICRA Research; Amount in Rs. crore; 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	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022
			Jul 26, 2024	Jul 13, 2023	Mar 21, 2023	Nov 14, 2022	Dec 08, 2021
1 Commercial paper programme	Short term	1,200.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+ ^{&}	[ICRA] A1+	[ICRA]A1+

[&] – 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+

Source: Credit Suisse Finance (India) Private Limited

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

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About ICRA Limited:

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.

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.

For more information, visit www.icra.in

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Branches



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