June 25, 2019

Ecap Equities Limited: Long-term ratings downgraded; Outlook remains Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Market Linked Debenture programme	1000.00	1,000.00	PP-MLD [ICRA]AA- (Negative); downgraded from PP-MLD[ICRA]AA (Negative)
Commercial Paper Programme	1,250.00	1,250.00	[ICRA]A1+; reaffirmed
Short term Principle Protected Market Linked Debenture Programme	150.00	150.00	PP-MLD [ICRA]A1+; reaffirmed
Short term Non-Convertible Debenture programme	150.00	150.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture programme	750.00	750.00	[ICRA]AA- (Negative); downgraded from [ICRA]AA (Negative)
Long term Market Linked Debenture programme	1,840.04	1,840.04	PP-MLD[ICRA]AA- (Negative); downgraded from PP-MLD[ICRA]AA (Negative)
Total	**5,140.04**	**5,140.04**	

** Instrument details are provided in Annexure-1*

PP-MLD refers to the principal protected market linked debenture programme. According to the terms of the rated market linked debentures, the amount invested, that is the principal, is protected against erosion while the returns on the investment could vary, as they are linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The assigned rating expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned.

Rationale

ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.

The rating downgrade reflects the increased vulnerability in the Edelweiss Group's wholesale lending book with the heightened risk profile of the underlying assets, comprising real estate and structured debt transactions across sectors, and the consequent rise in stressed exposures. The largely untested nature of the book (given the principal moratorium and bullet repayment structure in a significant quantum of the loans) and the constrained financial flexibility of the underlying borrowers due to a slowdown in their core operations and their leveraged capital structure further adds to the concerns regarding the wholesale book. Given the current operating environment and the risk averse sentiment of investors towards non-banks, particularly wholesale-oriented entities, the ability of non-banks to mobilise resources at adequate rates is expected to remain constrained over the near to medium term. Although the Group has demonstrated its ability to maintain adequate reported asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the same, going forward. The risks are, however, partly mitigated by the collateral cover maintained for such exposures coupled with the recent capital raise, which would help reduce the overall leverage and provide some cushion to absorb losses, if any, on the lending book. The group also draws the advantage of in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement. The Group's healthy liquidity profile, at a consolidated level, and the shift in focus towards a more granular retail portfolio would help de-risk the portfolio and also provide comfort.

The rating continues to factor in the Edelweiss Group's demonstrated track record and established position in the financial services industry as well as its diversified business profile with a healthy stream of fee & advisory income. The Group benefited from the scaling up of its credit business over the last few years, driven by its growing focus on retail lending, and the strong performance of its wealth and asset management businesses supported by the improved performance of the capital markets. However, these positives were partially offset by the credit and concentration risks in the Group's wholesale lending segments and the risks associated with the distressed assets business, given the focus on large ticket exposures. While the Group has hitherto been able to keep its reported asset quality under check (as a sizeable portion of the real estate book is under moratorium), its ability to maintain the same, given the likely build-up of stress in the wholesale lending book especially real estate and structured debt, will be important from a credit perspective. ICRA also considers the inherent risks associated with the distressed assets business, given the focus on large ticket exposures, along with the evolving nature of the industry and the exposure to volatility in capital markets.

The rating also factors in the relative drag on the consolidated profitability level as the Group continues to incubate new businesses and incurs attendant costs, given the early stage of operations of some of its ventures. Further, the cost of funds for many entities in the financial services segment has increased since H2 FY2019. This is due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers. ICRA notes that the Group's overall leverage levels have been high, compared to peers, driven by the sharp growth in the portfolio. However, its demonstrated ability to raise equity at regular intervals provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd. Further, the Group's resource profile remains diversified, given its ability to raise funds from banks and capital markets and considering its adequate liquidity cushion (~11-12% of total borrowings, including undrawn bank lines). ICRA also notes the Group's endeavour to simplify the structure by reducing the number of subsidiaries and associates, which should help improve access to equity and debt going forward.

The Group's ability to scale up the new businesses, realise commensurate returns from its investments, improve its capitalisation profile and maintain a healthy asset quality, given the increased risk profile of the wholesale book, remains critical from a credit perspective going forward. Furthermore, the Group's ability to raise and diversify its borrowings and maintain a comfortable liquidity profile would be a credit sensitive factor.

Outlook: Negative

The outlook on the long-term rating remains Negative on account of the heightened risk profile of the wholesale lending business coupled with the challenging operating environment, which could impact the asset quality going forward. The outlook may be revised to Stable if the stress on the wholesale book subsides and the Group is able to maintain its asset quality and profitability levels. The ratings may be downgraded in case of a deterioration in the asset quality of the credit book or the profitability indicators or a sharp increase in the leverage indicators. The ratings can also be downgraded in case of aggressive loan book growth, unrelated diversification and difficulty in resource mobilisation.

Credit strengths

Diversified revenue stream with presence in credit and non-credit segments – The Edelweiss Group is a diversified financial services player engaged in the credit, capital markets and other advisory businesses. The Group commenced operations in the capital markets related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

Strong presence in investment banking and institutional equity broking; asset and wealth management also increasing in scale – The Edelweiss Group continues to hold a leading position in the investment banking and institutional equity businesses. With a total average daily volume of Rs. 11,000 crore in FY2018 (retail and institutional), it is among the leading institutional broking entities in the country. The other capital markets related businesses include proprietary trading and investments and wealth and asset management. The Group offers wealth management advisory services to its high net worth clients with assets under advice of Rs. 1,06,000 crore as on March 31, 2019 compared to Rs. 90,100 crore as on March 31, 2018 and Rs. 60,300 crore as on March 31, 2017. The Group is also engaged in asset management with a special focus on alternative assets. The funds under management (asset management) stood at Rs. 35,800 crore as on March 31, 2019 compared to Rs. 28,300 crore as on March 31, 2018.

Established track record in lending business – Over the years, the credit business has emerged as the key revenue and profit driver for the Group, which was traditionally a capital markets player. At a consolidated level, the credit book has ramped up significantly over the years to Rs. 43,510 crore as of March 31, 2019 from Rs. 15,036 crore as of March 31, 2015, registering a compound annual growth rate (CAGR) of ~30%. The loan book growth moderated to 4% YoY in FY2019, given the issues pertaining to the availability of capital as well as the reduced risk appetite of the Group, which led to a slowdown in wholesale lending. The wholesale portfolio constituted 41% of the credit portfolio as on March 31, 2019, primarily comprising structured collateralised credit (15% of the overall loan book) extended to promoters and corporates and real estate financing (26%). However, the share of retail loans increased, given the Group's focus on the granular retail portfolio, and stood at 42% of the credit portfolio as of March 31, 2019 (39% as of March 31, 2018; 32% as of March 31, 2017). Going forward, the Group would focus on growing its retail portfolio with an increasing focus on small and medium enterprises (SME) and retail mortgage. Furthermore, the group plans to utilise fund structure for fresh disbursements in the wholesale segment, which would also aid in maintaining the on-book wholesale portfolio at the current levels thereby facilitating increase in share of retail segment.

Comfortable asset quality of lending portfolio – The Group has ensured stable asset quality in the collateralised credit and real estate financing segments over past decade. The company is engaged in secured lending in the wholesale segment and has maintained an adequate collateral cover, though there has been some decline in the recent past. The Group reported gross non-performing advances (GNPAs) of 1.87% of overall advances and net NPAs (NNPAs) of 0.83% as of March 31, 2019 compared to 1.75% and 0.70%, respectively, as on March 31, 2018. The Group wrote off ~Rs. 787 crore of loans during the past five years (FY2014-2018). In FY2018, the bad debt and advances written off amounted to Rs. 427 crore (FY2017: Rs. 245 crore). Adjusting for the bad debts and advances written off, the GNPA ratio stood at 2.91% as of March 31, 2018 (2.63% as of March 31, 2017). Although the Group has demonstrated its ability to maintain adequate asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the asset quality, going forward. The Group's ability to maintain the asset quality across business cycles, while maintaining a measured growth in the portfolio amid competitive pressure, would be closely monitored by ICRA and would remain a key rating sensitivity.

Adequate liquidity profile supported by treasury operations – The Group has an active treasury function, which enhances its liquidity position. At the consolidated level, EFSL had an adequate liquidity cushion of Rs. 5,300 crore as on March 31, 2019 in the form of fixed deposits and bank balances (Rs. 900 crore) and Government securities and liquid mutual funds (Rs. 2,100 crore), which further enhance its financial flexibility. The Group had undrawn bank lines of Rs. 2,300 crore as of March 31, 2019. The consolidated capitalisation (calculation is based on the RBI's norms for NBFCs) remained adequate at 18.0% as on March 31, 2019 compared to 17.4% as on March 31, 2018.

Credit challenges

Exposed to credit risk in wholesale credit business; limited seasoning of asset reconstruction business – The Group remains exposed to credit risks, given its high concentration in wholesale lending, particularly the structured collateralised funding and real estate segments, which are inherently risky in nature. The largely untested nature of the book (given the principal moratorium and bullet repayment structure for a significant quantum of loans) and constrained financial flexibility of the underlying borrowers, given their high leverage coupled with the slowdown in their operations, add to the concerns regarding the wholesale book. ICRA however draws comfort from the group's track-record in real estate financing and its in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement

In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Further, the Group focusses on the large single borrower segment, an asset class with a high-risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. The Group has resolved certain large ticket assets in the recent past, with recoveries of Rs. 7,019 crore in FY2019 (up from Rs. 2,574 crore in FY2018). Going forward, its ability to ensure timely and adequate resolution performance would remain a key monitorable.

High gearing levels; ability to maintain ALM remains critical – The Group's gearing (net worth and minority interest excluding insurance) remained high at 5.89 times as on March 31, 2019 vis-à-vis ~7.32 times as on March 31, 2018. The Group, nevertheless, has a demonstrated track record of raising capital at regular intervals, which provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd, which helped reduce the overall leverage on a gross basis. The gearing excluding insurance net worth improved to 5.19 times (based on March 31, 2019 numbers) from 5.89 times following the capital infusion. The capital raise provides some cushion to absorb losses, if any, on the stressed book.

The total borrowings, at a consolidated level, stood at Rs. 45,217 crore as on March 31, 2019 compared to Rs. 48,031 crore as on March 31, 2018 and Rs. 33,379 crore as on March 31, 2017. The Group has a diversified resource profile and has been exploring alternative sources of funding over the past few quarters. The share of commercial paper reduced to 2% as of March 31, 2019 from 14% as of March 31, 2018. As many of the structured and wholesale loans are extended with moratorium resulting in limited principal amortisation, the Group's ability to maintain a comfortable asset-liability matching profile, in future, would be a key rating monitorable.

Exposed to inherent cyclicality in capital markets though expansion into non-capital markets business provides diversification – The Group remains exposed to the inherent volatility in capital markets as its various businesses are directly or indirectly linked to the performance of these markets. However, the Group's focus on diversifying its business profile over the years has reduced its dependence on capital markets.

Moderate profitability levels; ability to realign business with core strategy and ensure healthy profitability remains critical – Over the years, the Group has ventured into various businesses to diversify its revenue profile and reduce its dependence on capital markets. Some of its recent forays include agri-value chain services, life insurance and general insurance. The costs associated with incubating new businesses and the attendant costs in the early stage of some of these ventures affected the Group's overall profitability levels. Further, the cost of funds for many entities in the financial services segment increased in the current fiscal. This was due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers.

Liquidity position

As per the information provided by the Edelweiss Group, the liquidity cushion stood at ~Rs. 5,300 crore as on May 29, 2019, including committed but undrawn bank lines of ~Rs. 1,300 crore. The Group has debt obligations (principal and interest) of ~Rs. 6,500 crore from May 29, 2019 till September 30, 2019 against which the total expected inflows (asset EMIs and repayments) are ~Rs. 3,600 crore. The Group also has the option of liquidating its treasury book of Rs. 5,200 crore, if needed. The Group has adequate liquidity in relation to its near-term debt repayment obligations. It has demonstrated its ability to raise funds at regular intervals.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Brokerage Houses
Parent/Group Support	For arriving at the rating, ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.
Consolidation/Standalone	ICRA has considered the consolidated financials of Edelweiss Financial Services Limited. Please see Annexure 2 to view the list of companies considered for consolidation.

About the company

Edelweiss Financial Services Limited
Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss Group of companies, was incorporated in 1995 by first-generation entrepreneurs to offer investment banking services primarily to technology companies. At present, the Edelweiss Group is engaged in wholesale and retail financing, distressed assets resolution, commodity financing, corporate debt syndication and debt restructuring, institutional and retail equity broking, corporate finance advisory, wealth advisory and asset management. The Group forayed into housing finance in FY2011, life insurance in FY2012 and general insurance in FY2018. The Group reported a profit after tax (PAT) of Rs. 995 crore in FY2019 compared to PAT of Rs. 863 crore in FY2018.

Ecap Equities Limited
Ecap, a subsidiary of Edelweiss Financial Services Limited, is engaged in arbitrage trading. The company earned a net profit of Rs. 35 crore in FY2018 on a total income (interest income and non-interest income) of Rs. 424 crore as compared to net profit of Rs. 2 crore on a total income of Rs. 216 crore in FY2017. The company had a networth of Rs. 194 crore as on March 31, 2018.

Key financial indicators (IndAS - consolidated for EFSL)

	FY2018	FY2019
Total Income (Gross)	8,920	10,881
Profit after Tax	863	995
Net Worth*	7,826	8,715
Loan Book**	42,010	43,510
Total Assets	63,325	64,303
Return on Assets@	1.3%	1.6%
Return on Equity*@	10.70%	11.98%
Gross NPA	1.75%	1.87%
Net NPA	0.70%	0.83%
Capital Adequacy Ratio	17%	18%
Gearing*	6.14	5.19

*Source: Company, ICRA research, *Net worth includes minority interest and insurance, **Includes distressed credit book, @Net profit attributable to owners and minority interest*
Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Chronology of Rating History for the past 3 years										
					Current Rating (FY2020)		FY2019		FY2018				FY2017		
					June-19	Apr-19	Sep-18	Jul-18	Mar-18	Feb-18	Dec-17	Sep-17	Mar-17	Feb-17	Jan-17
1	Long term Market Linked Debenture programme	Long Term	1,000.00	Nil	PP-MLD [ICRA]AA- (negative)	PP-MLD [ICRA]AA (negative)	PP-MLD [ICRA]AA (stable)	-	-	-	-	-	-	-	-
2	Non-Convertible Debenture programme	Long Term	750.00	0.00	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
3	Long term Market Linked Debenture programme	Long Term	1,840.04	473.09	PP-MLD [ICRA]AA- (negative)	PP-MLD [ICRA]AA (negative)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)	PP-MLD [ICRA]AA (stable)
4	Commercial Paper Programme	Short Term	1,250	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Short term NCD	Short Term	150.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-
6	Short term Market Linked Debentures	Short Term	150.00	NA	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	-	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	NA	NA	7-365 days	1250.00	[ICRA]A1+
NA	Non-Convertible Debenture programme – Yet to be issued	NA	NA	NA	750.00	[ICRA]AA- (negative)
INE572O07315	Long term Market Linked Debentures	5-May-17	MLD	5-Aug-19	20.00	PP-MLD [ICRA]AA- (negative)
INE572O07323	Long term Market Linked Debentures	9-May-17	MLD	8-Aug-18	2.00	PP-MLD [ICRA]AA- (negative)
INE572O07AE0	Long term Market Linked Debentures	30-May-17	MLD	30-Aug-19	2.25	PP-MLD [ICRA]AA- (negative)
INE572O07885	Long term Market Linked Debentures	26-May-17	MLD	25-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07919	Long term Market Linked Debentures	26-May-17	MLD	25-May-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07927	Long term Market Linked Debentures	26-May-17	MLD	25-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AO9	Long term Market Linked Debentures	30-Jun-17	MLD	7-Oct-19	10.00	PP-MLD [ICRA]AA- (negative)
INE572O07AM3	Long term Market Linked Debentures	28-Jun-17	MLD	28-Dec-20	3.00	PP-MLD [ICRA]AA- (negative)
INE572O07AL5	Long term Market Linked Debentures	20-Jun-17	MLD	19-Sep-19	25.00	PP-MLD [ICRA]AA- (negative)
INE572O07AR2	Long term Market Linked Debentures	30-Jun-17	MLD	30-Sep-19	2.00	PP-MLD [ICRA]AA- (negative)
INE572O07AP6	Long term Market Linked Debentures	30-Jun-17	MLD	9-Oct-19	5.00	PP-MLD [ICRA]AA- (negative)
INE572O07AQ4	Long term Market Linked Debentures	30-Jun-17	MLD	30-Sep-19	14.40	PP-MLD [ICRA]AA- (negative)
INE572O07AN1	Long term Market Linked Debentures	29-Jun-17	MLD	28-Sep-18	5.00	PP-MLD [ICRA]AA- (negative)
INE572O07AA8	Long term Market Linked Debentures	29-May-17	MLD	27-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AC4	Long term Market Linked Debentures	29-May-17	MLD	27-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AD2	Long term Market Linked Debentures	29-May-17	MLD	27-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07984	Long term Market Linked Debentures	29-May-17	MLD	30-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AJ9	Long term Market Linked Debentures	8-Jun-17	MLD	9-Sep-19	13.00	PP-MLD [ICRA]AA- (negative)
INE572O07AI1	Long term Market Linked Debentures	7-Jun-17	MLD	6-Oct-20	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07950	Long term Market Linked Debentures	29-May-17	MLD	1-Oct-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07976	Long term Market Linked Debentures	29-May-17	MLD	29-Mar-19	0.10	PP-MLD [ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572O07992	Long term Market Linked Debentures	29-May-17	MLD	30-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AB6	Long term Market Linked Debentures	29-May-17	MLD	27-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AF7	Long term Market Linked Debentures	31-May-17	MLD	30-Aug-19	10.00	PP-MLD [ICRA]AA- (negative)
INE572O07968	Long term Market Linked Debentures	29-May-17	MLD	29-Mar-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07851	Long term Market Linked Debentures	26-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07869	Long term Market Linked Debentures	26-May-17	MLD	25-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07877	Long term Market Linked Debentures	26-May-17	MLD	25-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07901	Long term Market Linked Debentures	26-May-17	MLD	25-May-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07935	Long term Market Linked Debentures	26-May-17	MLD	25-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07943	Long term Market Linked Debentures	29-May-17	MLD	1-Oct-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07745	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07760	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07794	Long term Market Linked Debentures	25-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07844	Long term Market Linked Debentures	26-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07810	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07828	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07711	Long term Market Linked Debentures	25-May-17	MLD	22-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07729	Long term Market Linked Debentures	25-May-17	MLD	22-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07752	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07778	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07786	Long term Market Linked Debentures	25-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07802	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07612	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572O07620	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07646	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07653	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07661	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07695	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07687	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07703	Long term Market Linked Debentures	25-May-17	MLD	22-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07737	Long term Market Linked Debentures	25-May-17	MLD	22-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07588	Long term Market Linked Debentures	25-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07596	Long term Market Linked Debentures	25-May-17	MLD	25-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07604	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07471	Long term Market Linked Debentures	23-May-17	MLD	22-Nov-18	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07554	Long term Market Linked Debentures	23-May-17	MLD	21-Sep-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07570	Long term Market Linked Debentures	23-May-17	MLD	22-Jul-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07562	Long term Market Linked Debentures	23-May-17	MLD	24-May-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07638	Long term Market Linked Debentures	25-May-17	MLD	24-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07679	Long term Market Linked Debentures	25-May-17	MLD	23-Oct-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AS0	Long term Market Linked Debentures	30-Jun-17	MLD	30-Sep-19	1.50	PP-MLD [ICRA]AA- (negative)
INE572O07430	Long term Market Linked Debentures	22-May-17	MLD	22-Jun-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07513	Long term Market Linked Debentures	23-May-17	MLD	24-May-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07836	Long term Market Linked Debentures	26-May-17	MLD	26-Aug-19	2.00	PP-MLD [ICRA]AA- (negative)
INE572O07539	Long term Market Linked Debentures	23-May-17	MLD	22-Nov-18	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07547	Long term Market Linked Debentures	23-May-17	MLD	22-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572O07380	Long term Market Linked Debentures	22-May-17	MLD	22-Jun-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07497	Long term Market Linked Debentures	23-May-17	MLD	22-Nov-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07505	Long term Market Linked Debentures	23-May-17	MLD	21-Sep-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07521	Long term Market Linked Debentures	23-May-17	MLD	22-Jul-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AH3	Long term Market Linked Debentures	6-Jun-17	MLD	6-Sep-19	4.30	PP-MLD [ICRA]AA- (negative)
INE572O07AK7	Long term Market Linked Debentures	13-Jun-17	MLD	12-Sep-18	2.50	PP-MLD [ICRA]AA- (negative)
INE572O07414	Long term Market Linked Debentures	22-May-17	MLD	22-Aug-18	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07455	Long term Market Linked Debentures	22-May-17	MLD	23-May-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07489	Long term Market Linked Debentures	23-May-17	MLD	21-Feb-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07AG5	Long term Market Linked Debentures	1-Jun-17	MLD	30-Nov-20	0.30	PP-MLD [ICRA]AA- (negative)
INE572O07356	Long term Market Linked Debentures	19-May-17	MLD	19-Aug-19	2.00	PP-MLD [ICRA]AA- (negative)
INE572O07372	Long term Market Linked Debentures	22-May-17	MLD	23-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07364	Long term Market Linked Debentures	22-May-17	MLD	23-Aug-18	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07406	Long term Market Linked Debentures	22-May-17	MLD	23-May-22	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07422	Long term Market Linked Debentures	22-May-17	MLD	23-Sep-19	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07463	Long term Market Linked Debentures	23-May-17	MLD	23-Aug-19	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07448	Long term Market Linked Debentures	22-May-17	MLD	21-Dec-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07398	Long term Market Linked Debentures	22-May-17	MLD	21-Dec-20	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07893	Long term Market Linked Debentures	26-May-17	MLD	25-Jan-21	0.10	PP-MLD [ICRA]AA- (negative)
INE572O07281	Long term Market Linked Debentures	5-May-17	MLD	4-May-22	1.50	PP-MLD [ICRA]AA- (negative)
INE572O07299	Long term Market Linked Debentures	5-May-17	MLD	3-Sep-20	1.25	PP-MLD [ICRA]AA- (negative)
INE572O07307	Long term Market Linked Debentures	5-May-17	MLD	5-Aug-19	5.00	PP-MLD [ICRA]AA- (negative)
INE572O07331	Long term Market Linked Debentures	18-May-17	MLD	17-Aug-18	5.00	PP-MLD [ICRA]AA- (negative)
INE572O07349	Long term Market Linked Debentures	19-May-17	MLD	17-Nov-20	2.00	PP-MLD [ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572O07091	Long term Market Linked Debentures	30-Mar-17	MLD	29-Jul-20	0.30	PP-MLD [ICRA]AA- (negative)
INE572O07034	Long term Market Linked Debentures	9-Mar-17	MLD	8-Jul-20	1.25	PP-MLD [ICRA]AA- (negative)
INE572O07059	Long term Market Linked Debentures	20-Mar-17	MLD	20-Jun-19	1.25	PP-MLD [ICRA]AA- (negative)
INE572O07067	Long term Market Linked Debentures	22-Mar-17	MLD	21-Sep-20	0.15	PP-MLD [ICRA]AA- (negative)
INE572O07042	Long term Market Linked Debentures	15-Mar-17	MLD	14-Jul-20	3.60	PP-MLD [ICRA]AA- (negative)
INE572O07208	Long term Market Linked Debentures	26-Apr-17	MLD	26-Jul-19	1.30	PP-MLD [ICRA]AA- (negative)
INE572O07273	Long term Market Linked Debentures	4-May-17	MLD	2-Sep-20	1.85	PP-MLD [ICRA]AA- (negative)
INE572O07224	Long term Market Linked Debentures	27-Apr-17	MLD	26-Aug-20	3.50	PP-MLD [ICRA]AA- (negative)
INE572O07257	Long term Market Linked Debentures	2-May-17	MLD	1-Aug-19	15.00	PP-MLD [ICRA]AA- (negative)
INE572O07265	Long term Market Linked Debentures	3-May-17	MLD	2-Aug-19	10.00	PP-MLD [ICRA]AA- (negative)
INE572O07174	Long term Market Linked Debentures	19-Apr-17	MLD	18-Aug-20	0.15	PP-MLD [ICRA]AA- (negative)
INE572O07216	Long term Market Linked Debentures	27-Apr-17	MLD	29-Jul-19	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07182	Long term Market Linked Debentures	21-Apr-17	MLD	20-Oct-20	0.40	PP-MLD [ICRA]AA- (negative)
INE572O07190	Long term Market Linked Debentures	25-Apr-17	MLD	25-Jul-19	25.00	PP-MLD [ICRA]AA- (negative)
INE572O07232	Long term Market Linked Debentures	28-Apr-17	MLD	30-Jul-19	1.50	PP-MLD [ICRA]AA- (negative)
INE572O07240	Long term Market Linked Debentures	28-Apr-17	MLD	30-Jul-18	2.00	PP-MLD [ICRA]AA- (negative)
INE572O07125	Long term Market Linked Debentures	30-Mar-17	MLD	29-Jul-20	1.40	PP-MLD [ICRA]AA- (negative)
INE572O07109	Long term Market Linked Debentures	30-Mar-17	MLD	30-Mar-21	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07133	Long term Market Linked Debentures	30-Mar-17	MLD	29-Jul-20	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07141	Long term Market Linked Debentures	5-Apr-17	MLD	5-Jul-19	1.00	PP-MLD [ICRA]AA- (negative)
INE572O07AY8	Long term Market Linked Debentures	7-Sep-17	MLD	8-Oct-18	49.00	PP-MLD [ICRA]AA- (negative)
INE572O07AV4	Long term Market Linked Debentures	31-Jul-17	MLD	30-Oct-19	4.50	PP-MLD [ICRA]AA- (negative)
INE572O07BI9	Long term Market Linked Debentures	28-Nov-17	MLD	31-May-21	15.00	PP-MLD [ICRA]AA- (negative)
INE572O07BJ7	Long term Market Linked Debentures	5-Dec-17	MLD	5-Nov-19	3.00	PP-MLD [ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE572O07BC2	Long term Market Linked Debentures	28-Nov-17	MLD	29-Mar-19	3.49	PP-MLD [ICRA]AA- (negative)
INE572O07AT8	Long term Market Linked Debentures	18-Jul-17	MLD	18-Oct-19	4.00	PP-MLD [ICRA]AA- (negative)
INE572O07AU6	Long term Market Linked Debentures	28-Jul-17	MLD	28-Oct-19	3.00	PP-MLD [ICRA]AA- (negative)
INE572O07AW2	Long term Market Linked Debentures	23-Aug-17	MLD	23-Dec-20	5.00	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	12-Dec-17	MLD	24-Mar-20	22.00	PP-MLD [ICRA]AA- (negative)
INE572O07BC2	Long term Market Linked Debentures	20-Dec-17	MLD	29-Mar-19	9.89	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	8-Dec-17	MLD	24-Mar-20	30.00	PP-MLD [ICRA]AA- (negative)
INE572O07BA6	Long term Market Linked Debentures	23-Nov-17	MLD	12-Mar-19	3.63	PP-MLD [ICRA]AA- (negative)
INE572O07AZ5	Long term Market Linked Debentures	19-Sep-17	MLD	28-Sep-23	27.68	PP-MLD [ICRA]AA- (negative)
INE572O07AZ5	Long term Market Linked Debentures	21-Sep-17	MLD	28-Sep-23	3.15	PP-MLD [ICRA]AA- (negative)
INE572O07BA6	Long term Market Linked Debentures	12-Oct-17	MLD	12-Mar-19	4.00	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	23-Oct-17	MLD	24-Mar-20	4.00	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	3-Nov-17	MLD	24-Mar-20	31.00	PP-MLD [ICRA]AA- (negative)
INE572O07BC2	Long term Market Linked Debentures	3-Nov-17	MLD	29-Mar-19	25.00	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	10-Nov-17	MLD	24-Mar-20	1.50	PP-MLD [ICRA]AA- (negative)
INE572O07BG3	Long term Market Linked Debentures	15-Nov-17	MLD	17-May-21	3.00	PP-MLD [ICRA]AA- (negative)
INE572O07BB4	Long term Market Linked Debentures	17-Nov-17	MLD	24-Mar-20	1.00	PP-MLD [ICRA]AA- (negative)
NA	Long term Market Linked Debentures – Yet to be issued.	NA	NA	NA	2,366.95	PP-MLD [ICRA]AA- (negative)
	Short term Market Linked Debentures	NA	NA	NA	150.00	PP-MLD[ICRA]A1+
	Short term NCD	NA	NA	NA	150.00	[ICRA]A1+

Source: Ecap Equities Limited

Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2018:

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Edelweiss Securities Limited	100.00%	Full Consolidation
Edelweiss Finance & Investments Limited	100.00%	Full Consolidation
ECL Finance Limited	100.00%	Full Consolidation
Edelweiss Global Wealth Management Limited	100.00%	Full Consolidation
EC Global Limited	100.00%	Full Consolidation
Edelweiss Insurance Brokers Limited	100.00%	Full Consolidation
Edelweiss Trustee Services Limited	100.00%	Full Consolidation
Edelweiss Business Services Limited	100.00%	Full Consolidation
Edelcap Securities Limited	100.00%	Full Consolidation
Edelweiss Asset Management Limited	100.00%	Full Consolidation
Ecap Equities Limited	100.00%	Full Consolidation
Edelweiss Broking Limited	100.00%	Full Consolidation
Edelweiss Trusteeship Company Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Limited	95.00%	Full Consolidation
Edelweiss Housing Finance Limited	100.00%	Full Consolidation
Edelweiss Investment Adviser Limited	100.00%	Full Consolidation
EC Commodity Limited	100.00%	Full Consolidation
Edel Commodities Limited	100.00%	Full Consolidation
Edel Land Limited	100.00%	Full Consolidation
Edelweiss Custodial Services Limited	100.00%	Full Consolidation
EC International Limited	100.00%	Full Consolidation
Edelweiss Capital (Singapore) Pte. Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	Full Consolidation
Edelweiss International (Singapore) Pte. Limited	100.00%	Full Consolidation
Aster Commodities DMCC	100.00%	Full Consolidation
EAAA LLC	100.00%	Full Consolidation
EW Special Opportunities Advisors LLC	67.00%	Full Consolidation
EW India Special Assets Advisors LLC	90.00%	Full Consolidation
Edel Investments Limited	100.00%	Full Consolidation
Edelweiss Tokio Life Insurance Company Limited	51.00%	Full Consolidation
Edelweiss Investment Advisors Private Limited	100.00%	Full Consolidation
Edelweiss Commodities Services Limited	100.00%	Full Consolidation
Edelweiss Comtrade Limited	100.00%	Full Consolidation
Edel Finance Company Limited	100.00%	Full Consolidation
Edelweiss Capital Markets Limited	100.00%	Full Consolidation
EFSL Trading Limited	100.00%	Full Consolidation
EFSL Comtrade Limited	100.00%	Full Consolidation
Edelweiss Retail Finance Limited	100.00%	Full Consolidation
Edelweiss Securities (Hong Kong) Private Limited	100.00%	Full Consolidation
Edelweiss Financial Services Inc	100.00%	Full Consolidation
Cross Border Synergy Pte. Limited (formerly known as Edelweiss Commodities Pte. Limited) (up to December 06, 2017)	100.00%	Full Consolidation
Edelweiss Agri Value Chain Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Edelweiss Multi-Strategy Funds Management Private Limited	100.00%	Full Consolidation
Edelweiss India Capital Management	100.00%	Full Consolidation
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	Full Consolidation
EFSL Wealth Advisors LLP	100.00%	Full Consolidation
EFSL International Limited	100.00%	Full Consolidation
Edelweiss Financial Services (UK) Limited	100.00%	Full Consolidation
Edelweiss Holdings Limited	100.00%	Full Consolidation
Edelweiss Tarim Urunleri Anonim Sirketi (up to February 27, 2018)	100.00%	Full Consolidation
Edelweiss AIF Fund I - EW Clover Scheme	100.00%	Full Consolidation
Edelweiss General Insurance Company Limited	100.00%	Full Consolidation
Edelweiss Finvest Private Limited	100.00%	Full Consolidation
Edelweiss Asset Reconstruction Company Limited	74.80%	Full Consolidation
Edelweiss Private Equity Tech Fund	88.90%	Full Consolidation
Edelweiss Value and Growth Fund	88.90%	Full Consolidation
Edelweiss Securities (IFSC) Limited	100.00%	Full Consolidation
EW SBI Crossover Advisors LLC (up to July 27, 2017)	100.00%	Full Consolidation
Alternative Investment Market Advisors Private Limited	100.00%	Full Consolidation
Associates		
Allium Finance Private Limited	46.13%	Equity method Consolidation
Edelweiss Fund Advisors Private Limited	40.00%	Equity method Consolidation
Dahlia Commodities Services Private Limited	50.00%	Equity method Consolidation
Magnolia Commodities Services Private Limited	50.00%	Equity method Consolidation
Aeon Credit Services India Private Limited (up to August 22, 2017)	25.00%	Equity method Consolidation

Source: Edelweiss Financial Services Limited

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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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June 25, 2019

Edelweiss Housing Finance Limited: Long-term ratings downgraded; Outlook remains Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture	1000.00	1,000.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Bank Lines	4,000.00	4,000.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Non-Convertible Debenture Programme	960.00	960.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Subordinated Debt Programme	300.00	300.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Commercial Paper Programme	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
Retail Non-Convertible Debenture Programme	500.00	500.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Total	**7,760.00**	**7,760.00**	

** Instrument details are provided in Annexure-1*

Rationale

ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.

The rating downgrade reflects the increased vulnerability in the Edelweiss Group's wholesale lending book with the heightened risk profile of the underlying assets, comprising real estate and structured debt transactions across sectors, and the consequent rise in stressed exposures. The largely untested nature of the book (given the principal moratorium and bullet repayment structure in a significant quantum of the loans) and the constrained financial flexibility of the underlying borrowers due to a slowdown in their core operations and their leveraged capital structure further adds to the concerns regarding the wholesale book. Given the current operating environment and the risk averse sentiment of investors towards non-banks, particularly wholesale-oriented entities, the ability of non-banks to mobilise resources at adequate rates is expected to remain constrained over the near to medium term. Although the Group has demonstrated its ability to maintain adequate reported asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the same, going forward. The risks are, however, partly mitigated by the collateral cover maintained for such exposures coupled with the recent capital raise, which would help reduce the overall leverage and provide some cushion to absorb losses, if any, on the lending book. The group also draws the advantage of in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement. The Group's healthy liquidity profile, at a consolidated level, and the shift in focus towards a more granular retail portfolio would help de-risk the portfolio and also provide comfort.

The rating continues to factor in the Edelweiss Group's demonstrated track record and established position in the financial services industry as well as its diversified business profile with a healthy stream of fee & advisory income. The Group benefited from the scaling up of its credit business over the last few years, driven by its growing focus on retail lending, and the strong performance of its wealth and asset management businesses supported by the improved performance of the capital markets. However, these positives were partially offset by the credit and concentration risks in the Group's wholesale lending segments and the risks associated with the distressed assets business, given the focus on large ticket exposures. While the Group has hitherto been able to keep its reported asset quality under check (as a sizeable portion of the real estate book is under moratorium), its ability to maintain the same, given the likely build-up of stress in the wholesale lending book especially real estate and structured debt, will be important from a credit perspective. ICRA also considers the inherent risks associated with the distressed assets business, given the focus on large ticket exposures, along with the evolving nature of the industry and the exposure to volatility in capital markets.

The rating also factors in the relative drag on the consolidated profitability level as the Group continues to incubate new businesses and incurs attendant costs, given the early stage of operations of some of its ventures. Further, the cost of funds for many entities in the financial services segment has increased since H2 FY2019. This is due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers. ICRA notes that the Group's overall leverage levels have been high, compared to peers, driven by the sharp growth in the portfolio. However, its demonstrated ability to raise equity at regular intervals provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd. Further, the Group's resource profile remains diversified, given its ability to raise funds from banks and capital markets and considering its adequate liquidity cushion (~11-12% of total borrowings, including undrawn bank lines). ICRA also notes the Group's endeavour to simplify the structure by reducing the number of subsidiaries and associates, which should help improve access to equity and debt going forward.

The Group's ability to scale up the new businesses, realise commensurate returns from its investments, improve its capitalisation profile and maintain a healthy asset quality, given the increased risk profile of the wholesale book, remains critical from a credit perspective going forward. Furthermore, the Group's ability to raise and diversify its borrowings and maintain a comfortable liquidity profile would be a credit sensitive factor.

Outlook: Negative

The outlook on the long-term rating remains Negative on account of the heightened risk profile of the wholesale lending business coupled with the challenging operating environment, which could impact the asset quality going forward. The outlook may be revised to Stable if the stress on the wholesale book subsides and the Group is able to maintain its asset quality and profitability levels. The ratings may be downgraded in case of a deterioration in the asset quality of the credit book or the profitability indicators or a sharp increase in the leverage indicators. The ratings can also be downgraded in case of aggressive loan book growth, unrelated diversification and difficulty in resource mobilisation.

Credit strengths

Diversified revenue stream with presence in credit and non-credit segments – The Edelweiss Group is a diversified financial services player engaged in the credit, capital markets and other advisory businesses. The Group commenced operations in the capital markets related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

Strong presence in investment banking and institutional equity broking; asset and wealth management also increasing in scale – The Edelweiss Group continues to hold a leading position in the investment banking and institutional equity businesses. With a total average daily volume of Rs. 11,000 crore in FY2018 (retail and institutional), it is among the leading institutional broking entities in the country. The other capital markets related businesses include proprietary trading and investments and wealth and asset management. The Group offers wealth management advisory services to its high net worth clients with assets under advice of Rs. 1,06,000 crore as on March 31, 2019 compared to Rs. 90,100 crore as on March 31, 2018 and Rs. 60,300 crore as on March 31, 2017. The Group is also engaged in asset management with a special focus on alternative assets. The funds under management (asset management) stood at Rs. 35,800 crore as on March 31, 2019 compared to Rs. 28,300 crore as on March 31, 2018.

Established track record in lending business – Over the years, the credit business has emerged as the key revenue and profit driver for the Group, which was traditionally a capital markets player. At a consolidated level, the credit book has ramped up significantly over the years to Rs. 43,510 crore as of March 31, 2019 from Rs. 15,036 crore as of March 31, 2015, registering a compound annual growth rate (CAGR) of ~30%. The loan book growth moderated to 4% YoY in FY2019, given the issues pertaining to the availability of capital as well as the reduced risk appetite of the Group, which led to a slowdown in wholesale lending. The wholesale portfolio constituted 41% of the credit portfolio as on March 31, 2019, primarily comprising structured collateralised credit (15% of the overall loan book) extended to promoters and corporates and real estate financing (26%). However, the share of retail loans increased, given the Group's focus on the granular retail portfolio, and stood at 42% of the credit portfolio as of March 31, 2019 (39% as of March 31, 2018; 32% as of March 31, 2017). Going forward, the Group would focus on growing its retail portfolio with an increasing focus on small and medium enterprises (SME) and retail mortgage. Furthermore, the group plans to utilise fund structure for fresh disbursements in the wholesale segment, which would also aid in maintaining the on-book wholesale portfolio at the current levels thereby facilitating increase in share of retail segment.

Comfortable asset quality of lending portfolio – The Group has ensured stable asset quality in the collateralised credit and real estate financing segments over past decade. The company is engaged in secured lending in the wholesale segment and has maintained an adequate collateral cover, though there has been some decline in the recent past. The Group reported gross non-performing advances (GNPAs) of 1.87% of overall advances and net NPAs (NNPAs) of 0.83% as of March 31, 2019 compared to 1.75% and 0.70%, respectively, as on March 31, 2018. The Group wrote off ~Rs. 787 crore of loans during the past five years (FY2014-2018). In FY2018, the bad debt and advances written off amounted to Rs. 427 crore (FY2017: Rs. 245 crore). Adjusting for the bad debts and advances written off, the GNPA ratio stood at 2.91% as of March 31, 2018 (2.63% as of March 31, 2017). Although the Group has demonstrated its ability to maintain adequate asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the asset quality, going forward. The Group's ability to maintain the asset quality across business cycles, while maintaining a measured growth in the portfolio amid competitive pressure, would be closely monitored by ICRA and would remain a key rating sensitivity.

Adequate liquidity profile supported by treasury operations – The Group has an active treasury function, which enhances its liquidity position. At the consolidated level, EFSL had an adequate liquidity cushion of Rs. 5,300 crore as on March 31, 2019 in the form of fixed deposits and bank balances (Rs. 900 crore) and Government securities and liquid mutual funds (Rs. 2,100 crore), which further enhance its financial flexibility. The Group had undrawn bank lines of Rs. 2,300 crore as of March 31, 2019. The consolidated capitalisation (calculation is based on the RBI's norms for NBFCs) remained adequate at 18.0% as on March 31, 2019 compared to 17.4% as on March 31, 2018.

Credit challenges

Exposed to credit risk in wholesale credit business; limited seasoning of asset reconstruction business – The Group remains exposed to credit risks, given its high concentration in wholesale lending, particularly the structured collateralised funding and real estate segments, which are inherently risky in nature. The largely untested nature of the book (given the principal moratorium and bullet repayment structure for a significant quantum of loans) and constrained financial flexibility of the underlying borrowers, given their high leverage coupled with the slowdown in their operations, add to the concerns regarding the wholesale book. ICRA however draws comfort from the group's track-record in real estate financing and its in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement

In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Further, the Group focusses on the large single borrower segment, an asset class with a high-risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. The Group has resolved certain large ticket assets in the recent past, with recoveries of Rs. 7,019 crore in FY2019 (up from Rs. 2,574 crore in FY2018). Going forward, its ability to ensure timely and adequate resolution performance would remain a key monitorable.

High gearing levels; ability to maintain ALM remains critical – The Group's gearing (net worth and minority interest excluding insurance) remained high at 5.89 times as on March 31, 2019 vis-à-vis ~7.32 times as on March 31, 2018. The Group, nevertheless, has a demonstrated track record of raising capital at regular intervals, which provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd, which helped reduce the overall leverage on a gross basis. The gearing excluding insurance net worth improved to 5.19 times (based on March 31, 2019 numbers) from 5.89 times following the capital infusion. The capital raise provides some cushion to absorb losses, if any, on the stressed book.

The total borrowings, at a consolidated level, stood at Rs. 45,217 crore as on March 31, 2019 compared to Rs. 48,031 crore as on March 31, 2018 and Rs. 33,379 crore as on March 31, 2017. The Group has a diversified resource profile and has been exploring alternative sources of funding over the past few quarters. The share of commercial paper reduced to 2% as of March 31, 2019 from 14% as of March 31, 2018. As many of the structured and wholesale loans are extended with moratorium resulting in limited principal amortisation, the Group's ability to maintain a comfortable asset-liability matching profile, in future, would be a key rating monitorable.

Exposed to inherent cyclicality in capital markets though expansion into non-capital markets business provides diversification – The Group remains exposed to the inherent volatility in capital markets as its various businesses are directly or indirectly linked to the performance of these markets. However, the Group's focus on diversifying its business profile over the years has reduced its dependence on capital markets.

Moderate profitability levels; ability to realign business with core strategy and ensure healthy profitability remains critical – Over the years, the Group has ventured into various businesses to diversify its revenue profile and reduce its dependence on capital markets. Some of its recent forays include agri-value chain services, life insurance and general insurance. The costs associated with incubating new businesses and the attendant costs in the early stage of some of these ventures affected the Group's overall profitability levels. Further, the cost of funds for many entities in the financial services segment increased in the current fiscal. This was due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers.

Liquidity position

As per the information provided by the Edelweiss Group, the liquidity cushion stood at ~Rs. 5,300 crore as on May 29, 2019, including committed but undrawn bank lines of ~Rs. 1,300 crore. The Group has debt obligations (principal and interest) of ~Rs. 6,500 crore from May 29, 2019 till September 30, 2019 against which the total expected inflows (asset EMIs and repayments) are ~Rs. 3,600 crore. The Group also has the option of liquidating its treasury book of Rs. 5,200 crore, if needed. The Group has adequate liquidity in relation to its near-term debt repayment obligations. It has demonstrated its ability to raise funds at regular intervals.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Housing Finance Companies
Parent/Group Support	For arriving at the rating, ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.
Consolidation Approach	ICRA has considered the consolidated financials of Edelweiss Financial Services Limited. Please see Annexure 2 to view the list of companies considered for consolidation.

About the company

Edelweiss Financial Services Limited

Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss Group of companies, was incorporated in 1995 by first-generation entrepreneurs to offer investment banking services primarily to technology companies. At present, the Edelweiss Group is engaged in wholesale and retail financing, distressed assets resolution, commodity financing, corporate debt syndication and debt restructuring, institutional and retail equity broking, corporate finance advisory, wealth advisory and asset management. The Group forayed into housing finance in FY2011, life insurance in FY2012 and general insurance in FY2018. The Group reported a profit after tax (PAT) of Rs. 995 crore in FY2019 compared to PAT of Rs. 863 crore in FY2018.

Edelweiss Housing Finance Limited

Edelweiss Housing Finance Limited (EHFL) is a housing finance company registered with the National Housing Bank. The company was incorporated in FY2011 following the group's strategy for creating a larger retail footprint. The group provides home loans and loan against property through this entity. Over the last couple of years, the company has realigned its strategy to focus to low ticket sized home loans. The company reported a net profit of Rs. 70 crore on a total income of Rs. 514 crore in FY2018 as compared to net profit of Rs. 68 crore on a total income of Rs. 467 crore in FY2017. The company had a networth of Rs. 510 crore as on March 31, 2018.

Key financial indicators (IndAS - consolidated for EFSL)

	FY2018	FY2019
Total Income (Gross)	8,920	10,881
Profit after Tax	863	995
Net Worth*	7,826	8,715
Loan Book**	42,010	43,510
Total Assets	63,325	64,303
Return on Assets@	1.3%	1.6%
Return on Equity*@	10.70%	11.98%
Gross NPA	1.75%	1.87%
Net NPA	0.70%	0.83%
Capital Adequacy Ratio	17%	18%
Gearing*	6.14	5.19

*Source: Company, ICRA research, *Net worth includes minority interest and insurance, **Includes distressed credit book, @Net profit attributable to owners and minority interest*

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Chronology of Rating History for the past 3 years								
					Current Rating (FY2020)		FY2019		FY2018				FY2017
					Jun-19	Apr-19	Aug-18	Jul-18	Feb-18	Dec-17	Jul-17	Mar-17	May-16
1	Non Convertible Debenture	Long Term	1,000.00	Nil	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	-	-	-	-	-	-
2	Non Convertible Debenture	Long Term	960	392.94	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
3	Subordinated Debt	Long term	300	50	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
4	Commercial Paper	Short term	1,000.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Bank Lines	Long Term	4,000.00	3,360.00	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
6	Retail Non Convertible Debenture	Long term	500	500	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE530L08010	Subordinated Debt	4-Feb-15	11.25%	3-May-25	50.00	[ICRA]AA- (negative)
	Subordinated Debt - Yet to be issued	NA	NA	NA	250.00	[ICRA]AA- (negative)
INE530L07160	Non Convertible Debentures	29-Apr-16	9.62%	29-Apr-26	25.00	[ICRA]AA- (negative)
INE530L07244	Non Convertible Debentures	21-Oct-16	9.25%	4-Apr-19	175.00	[ICRA]AA- (negative)
INE530L07251	Non Convertible Debentures	21-Oct-16	9.25%	8-Apr-19	25.00	[ICRA]AA- (negative)
INE530L07269	Non Convertible Debentures	21-Apr-17	NA	12-May-20	12.50	[ICRA]AA- (negative)
INE530L07277	Non Convertible Debentures	19-May-17	8.55%	19-May-22	50.00	[ICRA]AA- (negative)
INE530L07285	Non Convertible Debentures	13-Jun-17	NA	2-Jun-20	10.00	[ICRA]AA- (negative)
INE530L07293	Non Convertible Debentures	21-Jun-17	8.55%	21-Jun-22	50.00	[ICRA]AA- (negative)
INE530L07301	Non Convertible Debentures	30-Jun-17	8.55%	30-Jun-22	10.00	[ICRA]AA- (negative)
INE530L07301	Non Convertible Debentures	12-Jul-17	8.55%	30-Jun-22	20.00	[ICRA]AA- (negative)
INE530L07285	Non Convertible Debentures	19-Sep-17	NA	2-Jun-20	15.44	[ICRA]AA- (negative)
	Non Convertible Debentures - Yet to be issued	NA	NA	NA	1,567.06	[ICRA]AA- (negative)
INE530L07178	Retail Non Convertible Debentures	19-Jul-16	9.50%	19-Jul-19	51.70	[ICRA]AA- (negative)
INE530L07186	Retail Non Convertible Debentures	19-Jul-16	N.A.	19-Jul-19	5.19	[ICRA]AA- (negative)
INE530L07194	Retail Non Convertible Debentures	19-Jul-16	9.75%	19-Jul-21	58.90	[ICRA]AA- (negative)
INE530L07202	Retail Non Convertible Debentures	19-Jul-16	N.A.	19-Jul-21	4.18	[ICRA]AA- (negative)
INE530L07210	Retail Non Convertible Debentures	19-Jul-16	9.57%	18-Jul-26	24.84	[ICRA]AA- (negative)
INE530L07228	Retail Non Convertible Debentures	19-Jul-16	10.00%	18-Jul-26	349.20	[ICRA]AA- (negative)
INE530L07236	Retail Non Convertible Debentures	19-Jul-16	N.A.	18-Jul-26	5.98	[ICRA]AA- (negative)
NA	Commercial Paper Programme	NA	NA	7-365 days	1,000.00	[ICRA]A1+
NA	Bank Lines – Term Loans and Working Capital	NA	NA	NA	3,360.00	[ICRA]AA- (negative)

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Bank Lines - Proposed	NA	NA	NA	640.00	[ICRA]AA- (negative)

Source: Edelweiss Housing Finance Limited

Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2018:

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Edelweiss Securities Limited	100.00%	Full Consolidation
Edelweiss Finance & Investments Limited	100.00%	Full Consolidation
ECL Finance Limited	100.00%	Full Consolidation
Edelweiss Global Wealth Management Limited	100.00%	Full Consolidation
EC Global Limited	100.00%	Full Consolidation
Edelweiss Insurance Brokers Limited	100.00%	Full Consolidation
Edelweiss Trustee Services Limited	100.00%	Full Consolidation
Edelweiss Business Services Limited	100.00%	Full Consolidation
Edelcap Securities Limited	100.00%	Full Consolidation
Edelweiss Asset Management Limited	100.00%	Full Consolidation
Ecap Equities Limited	100.00%	Full Consolidation
Edelweiss Broking Limited	100.00%	Full Consolidation
Edelweiss Trusteeship Company Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Limited	95.00%	Full Consolidation
Edelweiss Housing Finance Limited	100.00%	Full Consolidation
Edelweiss Investment Adviser Limited	100.00%	Full Consolidation
EC Commodity Limited	100.00%	Full Consolidation
Edel Commodities Limited	100.00%	Full Consolidation
Edel Land Limited	100.00%	Full Consolidation
Edelweiss Custodial Services Limited	100.00%	Full Consolidation
EC International Limited	100.00%	Full Consolidation
Edelweiss Capital (Singapore) Pte. Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	Full Consolidation
Edelweiss International (Singapore) Pte. Limited	100.00%	Full Consolidation
Aster Commodities DMCC	100.00%	Full Consolidation
EAAA LLC	100.00%	Full Consolidation
EW Special Opportunities Advisors LLC	67.00%	Full Consolidation
EW India Special Assets Advisors LLC	90.00%	Full Consolidation
Edel Investments Limited	100.00%	Full Consolidation
Edelweiss Tokio Life Insurance Company Limited	51.00%	Full Consolidation
Edelweiss Investment Advisors Private Limited	100.00%	Full Consolidation
Edelweiss Commodities Services Limited	100.00%	Full Consolidation
Edelweiss Comtrade Limited	100.00%	Full Consolidation
Edel Finance Company Limited	100.00%	Full Consolidation
Edelweiss Capital Markets Limited	100.00%	Full Consolidation
EFSL Trading Limited	100.00%	Full Consolidation
EFSL Comtrade Limited	100.00%	Full Consolidation
Edelweiss Retail Finance Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Edelweiss Securities (Hong Kong) Private Limited	100.00%	Full Consolidation
Edelweiss Financial Services Inc	100.00%	Full Consolidation
Cross Border Synergy Pte. Limited (formerly known as Edelweiss Commodities Pte. Limited) (up to December 06, 2017)	100.00%	Full Consolidation
Edelweiss Agri Value Chain Limited	100.00%	Full Consolidation
Edelweiss Multi-Strategy Funds Management Private Limited	100.00%	Full Consolidation
Edelweiss India Capital Management	100.00%	Full Consolidation
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	Full Consolidation
EFSL Wealth Advisors LLP	100.00%	Full Consolidation
EFSL International Limited	100.00%	Full Consolidation
Edelweiss Financial Services (UK) Limited	100.00%	Full Consolidation
Edelweiss Holdings Limited	100.00%	Full Consolidation
Edelweiss Tarim Urunleri Anonim Sirketi (up to February 27, 2018)	100.00%	Full Consolidation
Edelweiss AIF Fund I - EW Clover Scheme	100.00%	Full Consolidation
Edelweiss General Insurance Company Limited	100.00%	Full Consolidation
Edelweiss Finvest Private Limited	100.00%	Full Consolidation
Edelweiss Asset Reconstruction Company Limited	74.80%	Full Consolidation
Edelweiss Private Equity Tech Fund	88.90%	Full Consolidation
Edelweiss Value and Growth Fund	88.90%	Full Consolidation
Edelweiss Securities (IFSC) Limited	100.00%	Full Consolidation
EW SBI Crossover Advisors LLC (up to July 27, 2017)	100.00%	Full Consolidation
Alternative Investment Market Advisors Private Limited	100.00%	Full Consolidation
Associates		
Allium Finance Private Limited	46.13%	Equity method Consolidation
Edelweiss Fund Advisors Private Limited	40.00%	Equity method Consolidation
Dahlia Commodities Services Private Limited	50.00%	Equity method Consolidation
Magnolia Commodities Services Private Limited	50.00%	Equity method Consolidation
Aeon Credit Services India Private Limited (up to August 22, 2017)	25.00%	Equity method Consolidation

Source: Edelweiss Financial Services Limited

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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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June 25, 2019

Edelweiss Retail Finance Limited: Long-term ratings downgraded; Outlook remains Negative

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank Lines	2,000.00	2,000.00	[ICRA]AA-(negative); downgraded from [ICRA]AA (negative)
Retail Non-Convertible Debenture Programme	500.00	500.00	[ICRA]AA-(negative); downgraded from [ICRA]AA (negative)
Commercial Paper Programme	500.00	500.00	[ICRA]A1+; Reaffirmed
Non-Convertible Debenture Programme	1,200.00	1,200.00	[ICRA]AA-(negative); downgraded from [ICRA]AA (negative)
Short term Non-Convertible Debenture Programme	100.00	100.00	[ICRA]A1+; Reaffirmed
Subordinated Debt Programme	450.00	450.00	[ICRA]AA-(negative); downgraded from [ICRA]AA (negative)
Total	**4,750.00**	**4,750.00**	

** Instrument details are provided in Annexure-1*

Rationale

ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.

The rating downgrade reflects the increased vulnerability in the Edelweiss Group's wholesale lending book with the heightened risk profile of the underlying assets, comprising real estate and structured debt transactions across sectors, and the consequent rise in stressed exposures. The largely untested nature of the book (given the principal moratorium and bullet repayment structure in a significant quantum of the loans) and the constrained financial flexibility of the underlying borrowers due to a slowdown in their core operations and their leveraged capital structure further adds to the concerns regarding the wholesale book. Given the current operating environment and the risk averse sentiment of investors towards non-banks, particularly wholesale-oriented entities, the ability of non-banks to mobilise resources at adequate rates is expected to remain constrained over the near to medium term. Although the Group has demonstrated its ability to maintain adequate reported asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the same, going forward. The risks are, however, partly mitigated by the collateral cover maintained for such exposures coupled with the recent capital raise, which would help reduce the overall leverage and provide some cushion to absorb losses, if any, on the lending book. The group also draws the advantage of in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement. The Group's healthy liquidity profile, at a consolidated level, and the shift in focus towards a more granular retail portfolio would help de-risk the portfolio and also provide comfort.

The rating continues to factor in the Edelweiss Group's demonstrated track record and established position in the financial services industry as well as its diversified business profile with a healthy stream of fee & advisory income. The Group benefited from the scaling up of its credit business over the last few years, driven by its growing focus on retail lending, and the strong performance of its wealth and asset management businesses supported by the improved performance of the capital markets. However, these positives were partially offset by the credit and concentration risks in the Group's wholesale lending segments and the risks associated with the distressed assets business, given the focus on large ticket exposures. While the Group has hitherto been able to keep its reported asset quality under check (as a sizeable portion of the real estate book is under moratorium), its ability to maintain the same, given the likely build-up of stress in the wholesale lending book especially real estate and structured debt, will be important from a credit perspective. ICRA also considers the inherent risks associated with the distressed assets business, given the focus on large ticket exposures, along with the evolving nature of the industry and the exposure to volatility in capital markets.

The rating also factors in the relative drag on the consolidated profitability level as the Group continues to incubate new businesses and incurs attendant costs, given the early stage of operations of some of its ventures. Further, the cost of funds for many entities in the financial services segment has increased since H2 FY2019. This is due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers. ICRA notes that the Group's overall leverage levels have been high, compared to peers, driven by the sharp growth in the portfolio. However, its demonstrated ability to raise equity at regular intervals provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd. Further, the Group's resource profile remains diversified, given its ability to raise funds from banks and capital markets and considering its adequate liquidity cushion (~11-12% of total borrowings, including undrawn bank lines). ICRA also notes the Group's endeavour to simplify the structure by reducing the number of subsidiaries and associates, which should help improve access to equity and debt going forward.

The Group's ability to scale up the new businesses, realise commensurate returns from its investments, improve its capitalisation profile and maintain a healthy asset quality, given the increased risk profile of the wholesale book, remains critical from a credit perspective going forward. Furthermore, the Group's ability to raise and diversify its borrowings and maintain a comfortable liquidity profile would be a credit sensitive factor.

Outlook: Negative

The outlook on the long-term rating remains Negative on account of the heightened risk profile of the wholesale lending business coupled with the challenging operating environment, which could impact the asset quality going forward. The outlook may be revised to Stable if the stress on the wholesale book subsides and the Group is able to maintain its asset quality and profitability levels. The ratings may be downgraded in case of a deterioration in the asset quality of the credit book or the profitability indicators or a sharp increase in the leverage indicators. The ratings can also be downgraded in case of aggressive loan book growth, unrelated diversification and difficulty in resource mobilisation.

Credit strengths

Diversified revenue stream with presence in credit and non-credit segments – The Edelweiss Group is a diversified financial services player engaged in the credit, capital markets and other advisory businesses. The Group commenced operations in the capital markets related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

Strong presence in investment banking and institutional equity broking; asset and wealth management also increasing in scale – The Edelweiss Group continues to hold a leading position in the investment banking and institutional equity businesses. With a total average daily volume of Rs. 11,000 crore in FY2018 (retail and institutional), it is among the leading institutional broking entities in the country. The other capital markets related businesses include proprietary trading and investments and wealth and asset management. The Group offers wealth management advisory services to its high net worth clients with assets under advice of Rs. 1,06,000 crore as on March 31, 2019 compared to Rs. 90,100 crore as on March 31, 2018 and Rs. 60,300 crore as on March 31, 2017. The Group is also engaged in asset management with a special focus on alternative assets. The funds under management (asset management) stood at Rs. 35,800 crore as on March 31, 2019 compared to Rs. 28,300 crore as on March 31, 2018.

Established track record in lending business – Over the years, the credit business has emerged as the key revenue and profit driver for the Group, which was traditionally a capital markets player. At a consolidated level, the credit book has ramped up significantly over the years to Rs. 43,510 crore as of March 31, 2019 from Rs. 15,036 crore as of March 31, 2015, registering a compound annual growth rate (CAGR) of ~30%. The loan book growth moderated to 4% YoY in FY2019, given the issues pertaining to the availability of capital as well as the reduced risk appetite of the Group, which led to a slowdown in wholesale lending. The wholesale portfolio constituted 41% of the credit portfolio as on March 31, 2019, primarily comprising structured collateralised credit (15% of the overall loan book) extended to promoters and corporates and real estate financing (26%). However, the share of retail loans increased, given the Group's focus on the granular retail portfolio, and stood at 42% of the credit portfolio as of March 31, 2019 (39% as of March 31, 2018; 32% as of March 31, 2017). Going forward, the Group would focus on growing its retail portfolio with an increasing focus on small and medium enterprises (SME) and retail mortgage. Furthermore, the group plans to utilise fund structure for fresh disbursements in the wholesale segment, which would also aid in maintaining the on-book wholesale portfolio at the current levels thereby facilitating increase in share of retail segment.

Comfortable asset quality of lending portfolio – The Group has ensured stable asset quality in the collateralised credit and real estate financing segments over past decade. The company is engaged in secured lending in the wholesale segment and has maintained an adequate collateral cover, though there has been some decline in the recent past. The Group reported gross non-performing advances (GNPAs) of 1.87% of overall advances and net NPAs (NNPAs) of 0.83% as of March 31, 2019 compared to 1.75% and 0.70%, respectively, as on March 31, 2018. The Group wrote off ~Rs. 787 crore of loans during the past five years (FY2014-2018). In FY2018, the bad debt and advances written off amounted to Rs. 427 crore (FY2017: Rs. 245 crore). Adjusting for the bad debts and advances written off, the GNPA ratio stood at 2.91% as of March 31, 2018 (2.63% as of March 31, 2017). Although the Group has demonstrated its ability to maintain adequate asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the asset quality, going forward. The Group's ability to maintain the asset quality across business cycles, while maintaining a measured growth in the portfolio amid competitive pressure, would be closely monitored by ICRA and would remain a key rating sensitivity.

Adequate liquidity profile supported by treasury operations – The Group has an active treasury function, which enhances its liquidity position. At the consolidated level, EFSL had an adequate liquidity cushion of Rs. 5,300 crore as on March 31, 2019 in the form of fixed deposits and bank balances (Rs. 900 crore) and Government securities and liquid mutual funds (Rs. 2,100 crore), which further enhance its financial flexibility. The Group had undrawn bank lines of Rs. 2,300 crore as of March 31, 2019. The consolidated capitalisation (calculation is based on the RBI's norms for NBFCs) remained adequate at 18.0% as on March 31, 2019 compared to 17.4% as on March 31, 2018.

Credit challenges

Exposed to credit risk in wholesale credit business; limited seasoning of asset reconstruction business – The Group remains exposed to credit risks, given its high concentration in wholesale lending, particularly the structured collateralised funding and real estate segments, which are inherently risky in nature. The largely untested nature of the book (given the principal moratorium and bullet repayment structure for a significant quantum of loans) and constrained financial flexibility of the underlying borrowers, given their high leverage coupled with the slowdown in their operations, add to the concerns regarding the wholesale book. ICRA however draws comfort from the group's track-record in real estate financing and its in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement

In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Further, the Group focusses on the large single borrower segment, an asset class with a high-risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. The Group has resolved certain large ticket assets in the recent past, with recoveries of Rs. 7,019 crore in FY2019 (up from Rs. 2,574 crore in FY2018). Going forward, its ability to ensure timely and adequate resolution performance would remain a key monitorable.

High gearing levels; ability to maintain ALM remains critical – The Group's gearing (net worth and minority interest excluding insurance) remained high at 5.89 times as on March 31, 2019 vis-à-vis ~7.32 times as on March 31, 2018. The Group, nevertheless, has a demonstrated track record of raising capital at regular intervals, which provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd, which helped reduce the overall leverage on a gross basis. The gearing excluding insurance net worth improved to 5.19 times (based on March 31, 2019 numbers) from 5.89 times following the capital infusion. The capital raise provides some cushion to absorb losses, if any, on the stressed book.

The total borrowings, at a consolidated level, stood at Rs. 45,217 crore as on March 31, 2019 compared to Rs. 48,031 crore as on March 31, 2018 and Rs. 33,379 crore as on March 31, 2017. The Group has a diversified resource profile and has been exploring alternative sources of funding over the past few quarters. The share of commercial paper reduced to 2% as of March 31, 2019 from 14% as of March 31, 2018. As many of the structured and wholesale loans are extended with moratorium resulting in limited principal amortisation, the Group's ability to maintain a comfortable asset-liability matching profile, in future, would be a key rating monitorable.

Exposed to inherent cyclicality in capital markets though expansion into non-capital markets business provides diversification – The Group remains exposed to the inherent volatility in capital markets as its various businesses are directly or indirectly linked to the performance of these markets. However, the Group's focus on diversifying its business profile over the years has reduced its dependence on capital markets.

Moderate profitability levels; ability to realign business with core strategy and ensure healthy profitability remains critical – Over the years, the Group has ventured into various businesses to diversify its revenue profile and reduce its dependence on capital markets. Some of its recent forays include agri-value chain services, life insurance and general insurance. The costs associated with incubating new businesses and the attendant costs in the early stage of some of these ventures affected the Group's overall profitability levels. Further, the cost of funds for many entities in the financial services segment increased in the current fiscal. This was due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers.

Liquidity position

As per the information provided by the Edelweiss Group, the liquidity cushion stood at ~Rs. 5,300 crore as on May 29, 2019, including committed but undrawn bank lines of ~Rs. 1,300 crore. The Group has debt obligations (principal and interest) of ~Rs. 6,500 crore from May 29, 2019 till September 30, 2019 against which the total expected inflows (asset EMIs and repayments) are ~Rs. 3,600 crore. The Group also has the option of liquidating its treasury book of Rs. 5,200 crore, if needed. The Group has adequate liquidity in relation to its near-term debt repayment obligations. It has demonstrated its ability to raise funds at regular intervals.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	[ICRA's Credit Rating Methodology for Non-Banking Finance Companies]
Parent/Group Support	For arriving at the rating, ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.
Consolidation Approach	ICRA has considered the consolidated financials of Edelweiss Financial Services Limited. Please see Annexure 2 to view the list of companies considered for consolidation.

About the company

Edelweiss Financial Services Limited

Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss Group of companies, was incorporated in 1995 by first-generation entrepreneurs to offer investment banking services primarily to technology companies. At present, the Edelweiss Group is engaged in wholesale and retail financing, distressed assets resolution, commodity financing, corporate debt syndication and debt restructuring, institutional and retail equity broking, corporate finance advisory, wealth advisory and asset management. The Group forayed into housing finance in FY2011, life insurance in FY2012 and general insurance in FY2018. The Group reported a profit after tax (PAT) of Rs. 995 crore in FY2019 compared to PAT of Rs. 863 crore in FY2018.

Edelweiss Retail Finance Limited

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. The company is primarily engaged in the business of lending and its products include loan against property for meeting business requirements to SME customers. ERFL was incorporated in 1997 as Affluent Dealcom Private Limited. Subsequently the Company was acquired by Edelcap Securities Limited and was rechristened Edelweiss Retail Finance Ltd (ERFL) in January 2014. The company reported a net profit of Rs. 32 crore on a total income of Rs. 368 crore in FY2018 as compared to net profit of Rs. 32 crore on a total income of Rs. 254 crore in FY2017. The company had a networth of Rs. 435 crore as on March 31, 2018.

Key financial indicators (IndAS - consolidated for EFSL)

	FY2018	FY2019
Total Income (Gross)	8,920	10,881
Profit after Tax	863	995
Net Worth*	7,826	8,715
Loan Book**	42,010	43,510
Total Assets	63,325	64,303
Return on Assets@	1.3%	1.6%
Return on Equity*@	10.70%	11.98%
Gross NPA	1.75%	1.87%
Net NPA	0.70%	0.83%
Capital Adequacy Ratio	17%	18%
Gearing*	6.14	5.19

*Source: Company, ICRA research, *Net worth includes minority interest and insurance, **Includes distressed credit book, @Net profit attributable to owners and minority interest*

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Chronology of Rating History for the last 3 years								
					Current Rating (FY2020)		FY2019	FY2018				FY2017	
					June-19	Apr-19	Jul-18	Feb-18	Feb-18	Oct-17	Jul-17	Mar-17	May-16
1	Non Convertible Debenture Programme	Long Term	1,200.00	300	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
2	Subordinated Debt	Long term	450	150	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
3	Commercial Paper Programme	Short term	500	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Bank Lines	Long Term	2,000.00	1,810.00	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
5	Short term Non Convertible Debenture Programme	Short term	100	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Retail Non Convertible Debenture Programme	Long Term	500	0	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Bank Lines – Term Loans and Working Capital	Sep-15	NA	Mar-23	1,810.00	[ICRA]AA- (negative)
	Bank Lines - Proposed	NA	NA	NA	190.00	[ICRA]AA- (negative)
INE528S07045	Non Convertible Debenture	19-Aug-15	9.00%	19-Aug-20	100.00	[ICRA]AA- (negative)
INE528S07052	Non Convertible Debenture	19-Aug-15	9.00%	19-Aug-20	100.00	[ICRA]AA- (negative)
INE528S07060	Non Convertible Debenture	7-Nov-17	8.50%	7-Nov-22	100.00	[ICRA]AA- (negative)
	Non Convertible Debenture - Yet to be Issued	NA	NA	NA	900.00	[ICRA]AA- (negative)
	Short term NCD - Yet to be Issued	NA	NA	NA	100.00	[ICRA]A1+
	Commercial Paper Programme	NA	NA	7-365 days	500.00	[ICRA]A1+
INE528S08019	Subordinated Debt	25-May-15	11.50%	26-May-25	14.00	[ICRA]AA- (negative)
INE528S08027	Subordinated Debt	10-Oct-16	9.95%	09-Oct-26	12.00	[ICRA]AA- (negative)
INE528S08035	Subordinated Debt	31-Jul-17	9.25%	31-Jul-27	24.00	[ICRA]AA- (negative)
INE528S08043	Subordinated Debt	6-Oct-17	9.25%	6-Oct-27	100.00	[ICRA]AA- (negative)
	Subordinated Debt – Yet to be Issued	NA	NA	NA	300.00	[ICRA]AA- (negative)
	Retail Non Convertible Debenture Programme - Proposed	NA	NA	NA	500.00	[ICRA]AA- (negative)

Source: Edelweiss Retail Finance Limited

Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2018:

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Edelweiss Securities Limited	100.00%	Full Consolidation
Edelweiss Finance & Investments Limited	100.00%	Full Consolidation
ECL Finance Limited	100.00%	Full Consolidation
Edelweiss Global Wealth Management Limited	100.00%	Full Consolidation
EC Global Limited	100.00%	Full Consolidation
Edelweiss Insurance Brokers Limited	100.00%	Full Consolidation
Edelweiss Trustee Services Limited	100.00%	Full Consolidation
Edelweiss Business Services Limited	100.00%	Full Consolidation
Edelcap Securities Limited	100.00%	Full Consolidation
Edelweiss Asset Management Limited	100.00%	Full Consolidation
Ecap Equities Limited	100.00%	Full Consolidation
Edelweiss Broking Limited	100.00%	Full Consolidation
Edelweiss Trusteeship Company Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Limited	95.00%	Full Consolidation
Edelweiss Housing Finance Limited	100.00%	Full Consolidation
Edelweiss Investment Adviser Limited	100.00%	Full Consolidation
EC Commodity Limited	100.00%	Full Consolidation
Edel Commodities Limited	100.00%	Full Consolidation
Edel Land Limited	100.00%	Full Consolidation
Edelweiss Custodial Services Limited	100.00%	Full Consolidation
EC International Limited	100.00%	Full Consolidation
Edelweiss Capital (Singapore) Pte. Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	Full Consolidation
Edelweiss International (Singapore) Pte. Limited	100.00%	Full Consolidation
Aster Commodities DMCC	100.00%	Full Consolidation
EAAA LLC	100.00%	Full Consolidation
EW Special Opportunities Advisors LLC	67.00%	Full Consolidation
EW India Special Assets Advisors LLC	90.00%	Full Consolidation
Edel Investments Limited	100.00%	Full Consolidation
Edelweiss Tokio Life Insurance Company Limited	51.00%	Full Consolidation
Edelweiss Investment Advisors Private Limited	100.00%	Full Consolidation
Edelweiss Commodities Services Limited	100.00%	Full Consolidation
Edelweiss Comtrade Limited	100.00%	Full Consolidation
Edel Finance Company Limited	100.00%	Full Consolidation
Edelweiss Capital Markets Limited	100.00%	Full Consolidation
EFSL Trading Limited	100.00%	Full Consolidation
EFSL Comtrade Limited	100.00%	Full Consolidation
Edelweiss Retail Finance Limited	100.00%	Full Consolidation
Edelweiss Securities (Hong Kong) Private Limited	100.00%	Full Consolidation
Edelweiss Financial Services Inc	100.00%	Full Consolidation
Cross Border Synergy Pte. Limited (formerly known as Edelweiss Commodities Pte. Limited) (up to December 06, 2017)	100.00%	Full Consolidation
Edelweiss Agri Value Chain Limited	100.00%	Full Consolidation
Edelweiss Multi-Strategy Funds Management Private Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Edelweiss India Capital Management	100.00%	Full Consolidation
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	Full Consolidation
EFSL Wealth Advisors LLP	100.00%	Full Consolidation
EFSL International Limited	100.00%	Full Consolidation
Edelweiss Financial Services (UK) Limited	100.00%	Full Consolidation
Edelweiss Holdings Limited	100.00%	Full Consolidation
Edelweiss Tarim Urunleri Anonim Sirketi (up to February 27, 2018)	100.00%	Full Consolidation
Edelweiss AIF Fund I - EW Clover Scheme	100.00%	Full Consolidation
Edelweiss General Insurance Company Limited	100.00%	Full Consolidation
Edelweiss Finvest Private Limited	100.00%	Full Consolidation
Edelweiss Asset Reconstruction Company Limited	74.80%	Full Consolidation
Edelweiss Private Equity Tech Fund	88.90%	Full Consolidation
Edelweiss Value and Growth Fund	88.90%	Full Consolidation
Edelweiss Securities (IFSC) Limited	100.00%	Full Consolidation
EW SBI Crossover Advisors LLC (up to July 27, 2017)	100.00%	Full Consolidation
Alternative Investment Market Advisors Private Limited	100.00%	Full Consolidation
Associates		
Allium Finance Private Limited	46.13%	Equity method Consolidation
Edelweiss Fund Advisors Private Limited	40.00%	Equity method Consolidation
Dahlia Commodities Services Private Limited	50.00%	Equity method Consolidation
Magnolia Commodities Services Private Limited	50.00%	Equity method Consolidation
Aeon Credit Services India Private Limited (up to August 22, 2017)	25.00%	Equity method Consolidation

Source: Edelweiss Financial Services Limited

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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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June 25, 2019

Edelweiss Agri Value Chain Limited: Long-term ratings downgraded; Outlook remains Negative

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	1,000.00	1,000.00	[ICRA]AA-(Negative); downgraded from [ICRA]AA (Negative)
Commercial Paper Programme	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture Programme**	500.00	500.00	[ICRA]AA-(SO) ** (Negative); downgraded from [ICRA]AA (SO) (Negative)
Non-Convertible Debenture Programme	500.00	500.00	[ICRA]AA- (Negative); downgraded from [ICRA]AA (Negative)
Bank Lines	500.00	500.00	[ICRA]AA- (Negative); downgraded from [ICRA]AA (Negative)
Total	**3,500.00**	**3,500.00**	

** Instrument details are provided in Annexure-1, ** The letters SO in parenthesis, suffixed to the rating symbol, stand for structured obligation. An SO rating is specific to the rated issue, its terms, and structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The SO rating for the NCDs is based on the strength of an unconditional, irrevocable and continuing guarantee by Edelweiss Financial Services Limited (EFSL; Guarantor).*

Rationale

ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.

The rating downgrade reflects the increased vulnerability in the Edelweiss Group's wholesale lending book with the heightened risk profile of the underlying assets, comprising real estate and structured debt transactions across sectors, and the consequent rise in stressed exposures. The largely untested nature of the book (given the principal moratorium and bullet repayment structure in a significant quantum of the loans) and the constrained financial flexibility of the underlying borrowers due to a slowdown in their core operations and their leveraged capital structure further adds to the concerns regarding the wholesale book. Given the current operating environment and the risk averse sentiment of investors towards non-banks, particularly wholesale-oriented entities, the ability of non-banks to mobilise resources at adequate rates is expected to remain constrained over the near to medium term. Although the Group has demonstrated its ability to maintain adequate reported asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the same, going forward. The risks are, however, partly mitigated by the collateral cover maintained for such exposures coupled with the recent capital raise, which would help reduce the overall leverage and provide some cushion to absorb losses, if any, on the lending book. The group also draws the advantage of in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement. The Group's healthy liquidity profile, at a consolidated level, and the shift in focus towards a more granular retail portfolio would help de-risk the portfolio and also provide comfort.

The rating continues to factor in the Edelweiss Group's demonstrated track record and established position in the financial services industry as well as its diversified business profile with a healthy stream of fee & advisory income. The Group benefited from the scaling up of its credit business over the last few years, driven by its growing focus on retail lending, and the strong performance of its wealth and asset management businesses supported by the improved performance of the capital markets. However, these positives were partially offset by the credit and concentration risks in the Group's wholesale lending segments and the risks associated with the distressed assets business, given the focus on large ticket exposures. While the Group has hitherto been able to keep its reported asset quality under check (as a sizeable portion of the real estate book is under moratorium), its ability to maintain the same, given the likely build-up of stress in the wholesale lending book especially real estate and structured debt, will be important from a credit perspective. ICRA also considers the inherent risks associated with the distressed assets business, given the focus on large ticket exposures, along with the evolving nature of the industry and the exposure to volatility in capital markets.

The rating also factors in the relative drag on the consolidated profitability level as the Group continues to incubate new businesses and incurs attendant costs, given the early stage of operations of some of its ventures. Further, the cost of funds for many entities in the financial services segment has increased since H2 FY2019. This is due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers. ICRA notes that the Group's overall leverage levels have been high, compared to peers, driven by the sharp growth in the portfolio. However, its demonstrated ability to raise equity at regular intervals provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd. Further, the Group's resource profile remains diversified, given its ability to raise funds from banks and capital markets and considering its adequate liquidity cushion (~11-12% of total borrowings, including undrawn bank lines). ICRA also notes the Group's endeavour to simplify the structure by reducing the number of subsidiaries and associates, which should help improve access to equity and debt going forward.

The Group's ability to scale up the new businesses, realise commensurate returns from its investments, improve its capitalisation profile and maintain a healthy asset quality, given the increased risk profile of the wholesale book, remains critical from a credit perspective going forward. Furthermore, the Group's ability to raise and diversify its borrowings and maintain a comfortable liquidity profile would be a credit sensitive factor.

Outlook: Negative

The outlook on the long-term rating remains Negative on account of the heightened risk profile of the wholesale lending business coupled with the challenging operating environment, which could impact the asset quality going forward. The outlook may be revised to Stable if the stress on the wholesale book subsides and the Group is able to maintain its asset quality and profitability levels. The ratings may be downgraded in case of a deterioration in the asset quality of the credit book or the profitability indicators or a sharp increase in the leverage indicators. The ratings can also be downgraded in case of aggressive loan book growth, unrelated diversification and difficulty in resource mobilisation.

Credit strengths

Diversified revenue stream with presence in credit and non-credit segments – The Edelweiss Group is a diversified financial services player engaged in the credit, capital markets and other advisory businesses. The Group commenced operations in the capital markets related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

Strong presence in investment banking and institutional equity broking; asset and wealth management also increasing in scale – The Edelweiss Group continues to hold a leading position in the investment banking and institutional equity businesses. With a total average daily volume of Rs. 11,000 crore in FY2018 (retail and institutional), it is among the leading institutional broking entities in the country. The other capital markets related businesses include proprietary trading and investments and wealth and asset management. The Group offers wealth management advisory services to its high net worth clients with assets under advice of Rs. 1,06,000 crore as on March 31, 2019 compared to Rs. 90,100 crore as on March 31, 2018 and Rs. 60,300 crore as on March 31, 2017. The Group is also engaged in asset management with a special focus on alternative assets. The funds under management (asset management) stood at Rs. 35,800 crore as on March 31, 2019 compared to Rs. 28,300 crore as on March 31, 2018.

Established track record in lending business – Over the years, the credit business has emerged as the key revenue and profit driver for the Group, which was traditionally a capital markets player. At a consolidated level, the credit book has ramped up significantly over the years to Rs. 43,510 crore as of March 31, 2019 from Rs. 15,036 crore as of March 31, 2015, registering a compound annual growth rate (CAGR) of ~30%. The loan book growth moderated to 4% YoY in FY2019, given the issues pertaining to the availability of capital as well as the reduced risk appetite of the Group, which led to a slowdown in wholesale lending. The wholesale portfolio constituted 41% of the credit portfolio as on March 31, 2019, primarily comprising structured collateralised credit (15% of the overall loan book) extended to promoters and corporates and real estate financing (26%). However, the share of retail loans increased, given the Group's focus on the granular retail portfolio, and stood at 42% of the credit portfolio as of March 31, 2019 (39% as of March 31, 2018; 32% as of March 31, 2017). Going forward, the Group would focus on growing its retail portfolio with an increasing focus on small and medium enterprises (SME) and retail mortgage. Furthermore, the group plans to utilise fund structure for fresh disbursements in the wholesale segment, which would also aid in maintaining the on-book wholesale portfolio at the current levels thereby facilitating increase in share of retail segment.

Comfortable asset quality of lending portfolio – The Group has ensured stable asset quality in the collateralised credit and real estate financing segments over past decade. The company is engaged in secured lending in the wholesale segment and has maintained an adequate collateral cover, though there has been some decline in the recent past. The Group reported gross non-performing advances (GNPAs) of 1.87% of overall advances and net NPAs (NNPAs) of 0.83% as of March 31, 2019 compared to 1.75% and 0.70%, respectively, as on March 31, 2018. The Group wrote off ~Rs. 787 crore of loans during the past five years (FY2014-2018). In FY2018, the bad debt and advances written off amounted to Rs. 427 crore (FY2017: Rs. 245 crore). Adjusting for the bad debts and advances written off, the GNPA ratio stood at 2.91% as of March 31, 2018 (2.63% as of March 31, 2017). Although the Group has demonstrated its ability to maintain adequate asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the asset quality, going forward. The Group's ability to maintain the asset quality across business cycles, while maintaining a measured growth in the portfolio amid competitive pressure, would be closely monitored by ICRA and would remain a key rating sensitivity.

Adequate liquidity profile supported by treasury operations – The Group has an active treasury function, which enhances its liquidity position. At the consolidated level, EFSL had an adequate liquidity cushion of Rs. 5,300 crore as on March 31, 2019 in the form of fixed deposits and bank balances (Rs. 900 crore) and Government securities and liquid mutual funds (Rs. 2,100 crore), which further enhance its financial flexibility. The Group had undrawn bank lines of Rs. 2,300 crore as of March 31, 2019. The consolidated capitalisation (calculation is based on the RBI's norms for NBFCs) remained adequate at 18.0% as on March 31, 2019 compared to 17.4% as on March 31, 2018.

Credit challenges

Exposed to credit risk in wholesale credit business; limited seasoning of asset reconstruction business – The Group remains exposed to credit risks, given its high concentration in wholesale lending, particularly the structured collateralised funding and real estate segments, which are inherently risky in nature. The largely untested nature of the book (given the principal moratorium and bullet repayment structure for a significant quantum of loans) and constrained financial flexibility of the underlying borrowers, given their high leverage coupled with the slowdown in their operations, add to the concerns regarding the wholesale book. ICRA however draws comfort from the group's track-record in real estate financing and its in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement

In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Further, the Group focusses on the large single borrower segment, an asset class with a high-risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. The Group has resolved certain large ticket assets in the recent past, with recoveries of Rs. 7,019 crore in FY2019 (up from Rs. 2,574 crore in FY2018). Going forward, its ability to ensure timely and adequate resolution performance would remain a key monitorable.

High gearing levels; ability to maintain ALM remains critical – The Group's gearing (net worth and minority interest excluding insurance) remained high at 5.89 times as on March 31, 2019 vis-à-vis ~7.32 times as on March 31, 2018. The Group, nevertheless, has a demonstrated track record of raising capital at regular intervals, which provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd, which helped reduce the overall leverage on a gross basis. The gearing excluding insurance net worth improved to 5.19 times (based on March 31, 2019 numbers) from 5.89 times following the capital infusion. The capital raise provides some cushion to absorb losses, if any, on the stressed book.

The total borrowings, at a consolidated level, stood at Rs. 45,217 crore as on March 31, 2019 compared to Rs. 48,031 crore as on March 31, 2018 and Rs. 33,379 crore as on March 31, 2017. The Group has a diversified resource profile and has been exploring alternative sources of funding over the past few quarters. The share of commercial paper reduced to 2% as of March 31, 2019 from 14% as of March 31, 2018. As many of the structured and wholesale loans are extended with moratorium resulting in limited principal amortisation, the Group's ability to maintain a comfortable asset-liability matching profile, in future, would be a key rating monitorable.

Exposed to inherent cyclicality in capital markets though expansion into non-capital markets business provides diversification – The Group remains exposed to the inherent volatility in capital markets as its various businesses are directly or indirectly linked to the performance of these markets. However, the Group's focus on diversifying its business profile over the years has reduced its dependence on capital markets.

Moderate profitability levels; ability to realign business with core strategy and ensure healthy profitability remains critical – Over the years, the Group has ventured into various businesses to diversify its revenue profile and reduce its dependence on capital markets. Some of its recent forays include agri-value chain services, life insurance and general insurance. The costs associated with incubating new businesses and the attendant costs in the early stage of some of these ventures affected the Group's overall profitability levels. Further, the cost of funds for many entities in the financial services segment increased in the current fiscal. This was due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers.

Liquidity position

As per the information provided by the Edelweiss Group, the liquidity cushion stood at ~Rs. 5,300 crore as on May 29, 2019, including committed but undrawn bank lines of ~Rs. 1,300 crore. The Group has debt obligations (principal and interest) of ~Rs. 6,500 crore from May 29, 2019 till September 30, 2019 against which the total expected inflows (asset EMIs and repayments) are ~Rs. 3,600 crore. The Group also has the option of liquidating its treasury book of Rs. 5,200 crore, if needed. The Group has adequate liquidity in relation to its near-term debt repayment obligations. It has demonstrated its ability to raise funds at regular intervals.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	For arriving at the rating, ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies. The SO rating for the NCDs is based on the strength of an unconditional, irrevocable and continuing guarantee by Edelweiss Financial Services Limited (EFSL; Guarantor).
Consolidation Approach	ICRA has considered the consolidated financials of Edelweiss Financial Services Limited. Please see Annexure 2 to view the list of companies considered for consolidation.

About the company

Edelweiss Financial Services Limited

Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss Group of companies, was incorporated in 1995 by first-generation entrepreneurs to offer investment banking services primarily to technology companies. At present, the Edelweiss Group is engaged in wholesale and retail financing, distressed assets resolution, commodity financing, corporate debt syndication and debt restructuring, institutional and retail equity broking, corporate finance advisory, wealth advisory and asset management. The Group forayed into housing finance in FY2011, life insurance in FY2012 and general insurance in FY2018. The Group reported a profit after tax (PAT) of Rs. 995 crore in FY2019 compared to PAT of Rs. 863 crore in FY2018.

Edelweiss Agri Value Chain Limited

Edelweiss Agri Value Chain Limited (EAVCL) is an Agri Value Chain initiative of the Edelweiss Group. EAVCL was incorporated on the 24th July, 2014 as a wholly owned subsidiary of ECSL. ECSL, in turn, is a wholly owned subsidiary of Edelweiss Financial Services Limited (EFSL)which is the main holding company of the Edelweiss Group. EAVCL is involved in warehouse management, collateral management and provides warehouse receipt finance, structured commodity trade finance and working capital finance. The company reported a net profit of Rs. 9.00 crore on an operating income of Rs. 178 crore in FY2018 as compared to net profit of Rs. 1.80 crore on an operating income of Rs. 121 crore in FY2017. The company had a networth of Rs. 162 crore as on March 31, 2018.

Key financial indicators (IndAS - consolidated for EFSL)

	FY2018	FY2019
Total Income (Gross)	8,920	10,881
Profit after Tax	863	995
Net Worth*	7,826	8,715
Loan Book**	42,010	43,510
Total Assets	63,325	64,303
Return on Assets@	1.3%	1.6%
Return on Equity*@	10.70%	11.98%
Gross NPA	1.75%	1.87%
Net NPA	0.70%	0.83%
Capital Adequacy Ratio	17%	18%
Gearing*	6.14	5.19

*Source: Company, ICRA research, *Net worth includes minority interest and insurance, **Includes distressed credit book, @Net profit attributable to owners and minority interest*
Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2020) Date & Rating		Chronology of Rating History for the past 3 years					
							FY2019		FY2018		FY2017	
					June-19	Apr-19	Aug-18	Jul-18	Dec-17	Sep-17	Mar-17	Jun-16
1	Non-Convertible Debenture		1,000.00	Nil	[ICRA]AA- (Negative)	[ICRA]AA (Negative)	[ICRA]AA (stable)	-	-	-	-	-
2	Commercial Paper	Short term	1,000.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Non-Convertible Debenture	Long term	500.00	0.00	[ICRA]AA- (SO) (Negative)	[ICRA]AA (SO) (Negative)	[ICRA]AA (SO) (stable)	[ICRA]AA (SO) (stable)	[ICRA]AA (SO) (stable)	[ICRA]AA (SO) (stable)	[ICRA]AA (SO) (stable)	[ICRA]AA (SO) (stable)
4	Non-Convertible Debenture	Long term	500.00	400.00	[ICRA]AA- (Negative)	[ICRA]AA (Negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	-
5	Bank Lines	Long term	500.00	0.00	[ICRA]AA- (Negative)	[ICRA]AA (Negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	NA	NA	7-365 days	1,000.00	[ICRA]A1+
NA	Non-Convertible Debenture – Proposed	NA	NA	NA	500.00	[ICRA]AA-(SO) (Negative)
INE616U07036	Non-Convertible Debenture	30-Jun-17	8.70%	30-Jun-27	400.00	[ICRA]AA-(Negative)
NA	Non-Convertible Debenture – Proposed	NA	NA	NA	1,100.00	[ICRA]AA-(Negative)
NA	Bank Lines - Proposed	NA	NA	NA	500.00	[ICRA]AA-(Negative)

Source: Edelweiss Agri Value Chain Limited

Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2018:

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Edelweiss Securities Limited	100.00%	Full Consolidation
Edelweiss Finance & Investments Limited	100.00%	Full Consolidation
ECL Finance Limited	100.00%	Full Consolidation
Edelweiss Global Wealth Management Limited	100.00%	Full Consolidation
EC Global Limited	100.00%	Full Consolidation
Edelweiss Insurance Brokers Limited	100.00%	Full Consolidation
Edelweiss Trustee Services Limited	100.00%	Full Consolidation
Edelweiss Business Services Limited	100.00%	Full Consolidation
Edelcap Securities Limited	100.00%	Full Consolidation
Edelweiss Asset Management Limited	100.00%	Full Consolidation
Ecap Equities Limited	100.00%	Full Consolidation
Edelweiss Broking Limited	100.00%	Full Consolidation
Edelweiss Trusteeship Company Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Limited	95.00%	Full Consolidation
Edelweiss Housing Finance Limited	100.00%	Full Consolidation
Edelweiss Investment Adviser Limited	100.00%	Full Consolidation
EC Commodity Limited	100.00%	Full Consolidation
Edel Commodities Limited	100.00%	Full Consolidation
Edel Land Limited	100.00%	Full Consolidation
Edelweiss Custodial Services Limited	100.00%	Full Consolidation
EC International Limited	100.00%	Full Consolidation
Edelweiss Capital (Singapore) Pte. Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	Full Consolidation
Edelweiss International (Singapore) Pte. Limited	100.00%	Full Consolidation
Aster Commodities DMCC	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
EAAA LLC	100.00%	Full Consolidation
EW Special Opportunities Advisors LLC	67.00%	Full Consolidation
EW India Special Assets Advisors LLC	90.00%	Full Consolidation
Edel Investments Limited	100.00%	Full Consolidation
Edelweiss Tokio Life Insurance Company Limited	51.00%	Full Consolidation
Edelweiss Investment Advisors Private Limited	100.00%	Full Consolidation
Edelweiss Commodities Services Limited	100.00%	Full Consolidation
Edelweiss Comtrade Limited	100.00%	Full Consolidation
Edel Finance Company Limited	100.00%	Full Consolidation
Edelweiss Capital Markets Limited	100.00%	Full Consolidation
EFSL Trading Limited	100.00%	Full Consolidation
EFSL Comtrade Limited	100.00%	Full Consolidation
Edelweiss Retail Finance Limited	100.00%	Full Consolidation
Edelweiss Securities (Hong Kong) Private Limited	100.00%	Full Consolidation
Edelweiss Financial Services Inc	100.00%	Full Consolidation
Cross Border Synergy Pte. Limited (formerly known as Edelweiss Commodities Pte. Limited) (up to December 06, 2017)	100.00%	Full Consolidation
Edelweiss Agri Value Chain Limited	100.00%	Full Consolidation
Edelweiss Multi-Strategy Funds Management Private Limited	100.00%	Full Consolidation
Edelweiss India Capital Management	100.00%	Full Consolidation
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	Full Consolidation
EFSL Wealth Advisors LLP	100.00%	Full Consolidation
EFSL International Limited	100.00%	Full Consolidation
Edelweiss Financial Services (UK) Limited	100.00%	Full Consolidation
Edelweiss Holdings Limited	100.00%	Full Consolidation
Edelweiss Tarim Urunleri Anonim Sirketi (up to February 27, 2018)	100.00%	Full Consolidation
Edelweiss AIF Fund I - EW Clover Scheme	100.00%	Full Consolidation
Edelweiss General Insurance Company Limited	100.00%	Full Consolidation
Edelweiss Finvest Private Limited	100.00%	Full Consolidation
Edelweiss Asset Reconstruction Company Limited	74.80%	Full Consolidation
Edelweiss Private Equity Tech Fund	88.90%	Full Consolidation
Edelweiss Value and Growth Fund	88.90%	Full Consolidation
Edelweiss Securities (IFSC) Limited	100.00%	Full Consolidation
EW SBI Crossover Advisors LLC (up to July 27, 2017)	100.00%	Full Consolidation
Alternative Investment Market Advisors Private Limited	100.00%	Full Consolidation
Associates		
Allium Finance Private Limited	46.13%	Equity method Consolidation
Edelweiss Fund Advisors Private Limited	40.00%	Equity method Consolidation
Dahlia Commodities Services Private Limited	50.00%	Equity method Consolidation
Magnolia Commodities Services Private Limited	50.00%	Equity method Consolidation
Aeon Credit Services India Private Limited (up to August 22, 2017)	25.00%	Equity method Consolidation

Source: Edelweiss Financial Services Limited

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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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June 25, 2019

Edelweiss Rural & Corporate Services Limited: Long-term ratings downgraded; Outlook remains Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term Non-Convertible Debenture Programme	500.00	500.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture Programme	3,000.00	3,000.00	[ICRA]AA- (negative); downgraded from [ICRA]AA (negative)
Commercial Paper Programme	8,500.00	8,500.00	[ICRA]A1+; reaffirmed
Commercial Paper Programme (IPO financing)	8,000.00	8,000.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture Programme	5,170.50	5,170.50	[ICRA]AA- (negative); downgraded from [ICRA]AA (negative)
Short term Non-Convertible Debenture Programme	63.50	63.50	[ICRA]A1+; reaffirmed
Bank Lines	2,000.00	2,000.00	[ICRA]AA- (negative); downgraded from [ICRA]AA (negative)
Short Term Principal Protected Market Linked Debenture Programme	300.00	300.00	PP-MLD[ICRA]A1+; reaffirmed
Total	**27,534.00**	**27,534.00**	

** Instrument details are provided in Annexure-1*

PP-MLD refers to the principal protected market linked debenture programme. According to the terms of the rated market linked debentures, the amount invested, that is the principal, is protected against erosion while the returns on the investment could vary, as they are linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The assigned rating expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned.

Rationale

ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.

The rating downgrade reflects the increased vulnerability in the Edelweiss Group's wholesale lending book with the heightened risk profile of the underlying assets, comprising real estate and structured debt transactions across sectors, and the consequent rise in stressed exposures. The largely untested nature of the book (given the principal moratorium and bullet repayment structure in a significant quantum of the loans) and the constrained financial flexibility of the underlying borrowers due to a slowdown in their core operations and their leveraged capital structure further adds to the concerns regarding the wholesale book. Given the current operating environment and the risk averse sentiment of investors towards non-banks, particularly wholesale-oriented entities, the ability of non-banks to mobilise resources at adequate rates is expected to remain constrained over the near to medium term. Although the Group has demonstrated its ability to maintain adequate reported asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the same, going forward. The risks are, however, partly mitigated by the collateral cover maintained for such exposures coupled with the recent capital raise, which would help reduce the overall leverage and provide some cushion to absorb losses, if any, on the lending book. The group also draws the advantage of in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement. The Group's healthy liquidity profile, at a consolidated level, and the shift in focus towards a more granular retail portfolio would help de-risk the portfolio and also provide comfort.

The rating continues to factor in the Edelweiss Group's demonstrated track record and established position in the financial services industry as well as its diversified business profile with a healthy stream of fee & advisory income. The Group benefited from the scaling up of its credit business over the last few years, driven by its growing focus on retail lending, and the strong performance of its wealth and asset management businesses supported by the improved performance of the capital markets. However, these positives were partially offset by the credit and concentration risks in the Group's wholesale lending segments and the risks associated with the distressed assets business, given the focus on large ticket exposures. While the Group has hitherto been able to keep its reported asset quality under check (as a sizeable portion of the real estate book is under moratorium), its ability to maintain the same, given the likely build-up of stress in the wholesale lending book especially real estate and structured debt, will be important from a credit perspective. ICRA also considers the inherent risks associated with the distressed assets business, given the focus on large ticket exposures, along with the evolving nature of the industry and the exposure to volatility in capital markets.

The rating also factors in the relative drag on the consolidated profitability level as the Group continues to incubate new businesses and incurs attendant costs, given the early stage of operations of some of its ventures. Further, the cost of funds for many entities in the financial services segment has increased since H2 FY2019. This is due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles. While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers. ICRA notes that the Group's overall leverage levels have been high, compared to peers, driven by the sharp growth in the portfolio. However, its demonstrated ability to raise equity at regular intervals provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd. Further, the Group's resource profile remains diversified, given its ability to raise funds from banks and capital markets and considering its adequate liquidity cushion (~11-12% of total borrowings, including undrawn bank lines). ICRA also notes the Group's endeavour to simplify the structure by reducing the number of subsidiaries and associates, which should help improve access to equity and debt going forward.

The Group's ability to scale up the new businesses, realise commensurate returns from its investments, improve its capitalisation profile and maintain a healthy asset quality, given the increased risk profile of the wholesale book, remains critical from a credit perspective going forward. Furthermore, the Group's ability to raise and diversify its borrowings and maintain a comfortable liquidity profile would be a credit sensitive factor.

Outlook: Negative

The outlook on the long-term rating remains Negative on account of the heightened risk profile of the wholesale lending business coupled with the challenging operating environment, which could impact the asset quality going forward. The outlook may be revised to Stable if the stress on the wholesale book subsides and the Group is able to maintain its asset quality and profitability levels. The ratings may be downgraded in case of a deterioration in the asset quality of the credit book or the profitability indicators or a sharp increase in the leverage indicators. The ratings can also be downgraded in case of aggressive loan book growth, unrelated diversification and difficulty in resource mobilisation.

Credit strengths

Diversified revenue stream with presence in credit and non-credit segments – The Edelweiss Group is a diversified financial services player engaged in the credit, capital markets and other advisory businesses. The Group commenced operations in the capital markets related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

Strong presence in investment banking and institutional equity broking; asset and wealth management also increasing in scale – The Edelweiss Group continues to hold a leading position in the investment banking and institutional equity businesses. With a total average daily volume of Rs. 11,000 crore in FY2018 (retail and institutional), it is among the leading institutional broking entities in the country. The other capital markets related businesses include proprietary trading and investments and wealth and asset management. The Group offers wealth management advisory services to its high net worth clients with assets under advice of Rs. 1,06,000 crore as on March 31, 2019 compared to Rs. 90,100 crore as on March 31, 2018 and Rs. 60,300 crore as on March 31, 2017. The Group is also engaged in asset management with a special focus on alternative assets. The funds under management (asset management) stood at Rs. 35,800 crore as on March 31, 2019 compared to Rs. 28,300 crore as on March 31, 2018.

Established track record in lending business – Over the years, the credit business has emerged as the key revenue and profit driver for the Group, which was traditionally a capital markets player. At a consolidated level, the credit book has ramped up significantly over the years to Rs. 43,510 crore as of March 31, 2019 from Rs. 15,036 crore as of March 31, 2015, registering a compound annual growth rate (CAGR) of ~30%. The loan book growth moderated to 4% YoY in FY2019, given the issues pertaining to the availability of capital as well as the reduced risk appetite of the Group, which led to a slowdown in wholesale lending. The wholesale portfolio constituted 41% of the credit portfolio as on March 31, 2019, primarily comprising structured collateralised credit (15% of the overall loan book) extended to promoters and corporates and real estate financing (26%). However, the share of retail loans increased, given the Group's focus on the granular retail portfolio, and stood at 42% of the credit portfolio as of March 31, 2019 (39% as of March 31, 2018; 32% as of March 31, 2017). Going forward, the Group would focus on growing its retail portfolio with an increasing focus on small and medium enterprises (SME) and retail mortgage. Furthermore, the group plans to utilise fund structure for fresh disbursements in the wholesale segment, which would also aid in maintaining the on-book wholesale portfolio at the current levels thereby facilitating increase in share of retail segment.

Comfortable asset quality of lending portfolio – The Group has ensured stable asset quality in the collateralised credit and real estate financing segments over past decade. The company is engaged in secured lending in the wholesale segment and has maintained an adequate collateral cover, though there has been some decline in the recent past. The Group reported gross non-performing advances (GNPAs) of 1.87% of overall advances and net NPAs (NNPAs) of 0.83% as of March 31, 2019 compared to 1.75% and 0.70%, respectively, as on March 31, 2018. The Group wrote off ~Rs. 787 crore of loans during the past five years (FY2014-2018). In FY2018, the bad debt and advances written off amounted to Rs. 427 crore (FY2017: Rs. 245 crore). Adjusting for the bad debts and advances written off, the GNPA ratio stood at 2.91% as of March 31, 2018 (2.63% as of March 31, 2017). Although the Group has demonstrated its ability to maintain adequate asset quality, a prolonged slowdown in the real estate industry coupled with the liquidity crunch in the overall market could have an adverse impact on the asset quality, going forward. The Group's ability to maintain the asset quality across business cycles, while maintaining a measured growth in the portfolio amid competitive pressure, would be closely monitored by ICRA and would remain a key rating sensitivity.

Adequate liquidity profile supported by treasury operations – The Group has an active treasury function, which enhances its liquidity position. At the consolidated level, EFSL had an adequate liquidity cushion of Rs. 5,300 crore as on March 31, 2019 in the form of fixed deposits and bank balances (Rs. 900 crore) and Government securities and liquid mutual funds (Rs. 2,100 crore), which further enhance its financial flexibility. The Group had undrawn bank lines of Rs. 2,300 crore as of

March 31, 2019. The consolidated capitalisation (calculation is based on the RBI's norms for NBFCs) remained adequate at 18.0% as on March 31, 2019 compared to 17.4% as on March 31, 2018.

Credit challenges

Exposed to credit risk in wholesale credit business; limited seasoning of asset reconstruction business – The Group remains exposed to credit risks, given its high concentration in wholesale lending, particularly the structured collateralised funding and real estate segments, which are inherently risky in nature. The largely untested nature of the book (given the principal moratorium and bullet repayment structure for a significant quantum of loans) and constrained financial flexibility of the underlying borrowers, given their high leverage coupled with the slowdown in their operations, add to the concerns regarding the wholesale book. ICRA however draws comfort from the group's track-record in real estate financing and its in-house operations / execution team and distribution network which provides it with the ability to closely monitor and resolve assets should there be a requirement

In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Further, the Group focusses on the large single borrower segment, an asset class with a high-risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. The Group has resolved certain large ticket assets in the recent past, with recoveries of Rs. 7,019 crore in FY2019 (up from Rs. 2,574 crore in FY2018). Going forward, its ability to ensure timely and adequate resolution performance would remain a key monitorable.

High gearing levels; ability to maintain ALM remains critical – The Group's gearing (net worth and minority interest excluding insurance) remained high at 5.89 times as on March 31, 2019 vis-à-vis ~7.32 times as on March 31, 2018. The Group, nevertheless, has a demonstrated track record of raising capital at regular intervals, which provides comfort. For instance, the Group raised Rs. 1,040 crore in May 2019 through CCDs from CDPQ Private Equity Asia Pte. Ltd, which helped reduce the overall leverage on a gross basis. The gearing excluding insurance net worth improved to 5.19 times (based on March 31, 2019 numbers) from 5.89 times following the capital infusion. The capital raise provides some cushion to absorb losses, if any, on the stressed book.

The total borrowings, at a consolidated level, stood at Rs. 45,217 crore as on March 31, 2019 compared to Rs. 48,031 crore as on March 31, 2018 and Rs. 33,379 crore as on March 31, 2017. The Group has a diversified resource profile and has been exploring alternative sources of funding over the past few quarters. The share of commercial paper reduced to 2% as of March 31, 2019 from 14% as of March 31, 2018. As many of the structured and wholesale loans are extended with moratorium resulting in limited principal amortisation, the Group's ability to maintain a comfortable asset-liability matching profile, in future, would be a key rating monitorable.

Exposed to inherent cyclicality in capital markets though expansion into non-capital markets business provides diversification – The Group remains exposed to the inherent volatility in capital markets as its various businesses are directly or indirectly linked to the performance of these markets. However, the Group's focus on diversifying its business profile over the years has reduced its dependence on capital markets.

Moderate profitability levels; ability to realign business with core strategy and ensure healthy profitability remains critical – Over the years, the Group has ventured into various businesses to diversify its revenue profile and reduce its dependence on capital markets. Some of its recent forays include agri-value chain services, life insurance and general insurance. The costs associated with incubating new businesses and the attendant costs in the early stage of some of these ventures affected the Group's overall profitability levels. Further, the cost of funds for many entities in the financial services segment increased in the current fiscal. This was due to risk aversion and reduction in the usage of commercial papers as a funding source over the last few months as the companies worked on improving their asset liability profiles.

While the Group has been able to pass on the increase in funding costs to the borrowers, the asset quality remains under watch, given the profile of the borrowers.

Liquidity position

As per the information provided by the Edelweiss Group, the liquidity cushion stood at ~Rs. 5,300 crore as on May 29, 2019, including committed but undrawn bank lines of ~Rs. 1,300 crore. The Group has debt obligations (principal and interest) of ~Rs. 6,500 crore from May 29, 2019 till September 30, 2019 against which the total expected inflows (asset EMIs and repayments) are ~Rs. 3,600 crore. The Group also has the option of liquidating its treasury book of Rs. 5,200 crore, if needed. The Group has adequate liquidity in relation to its near-term debt repayment obligations. It has demonstrated its ability to raise funds at regular intervals.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	For arriving at the rating, ICRA has taken a consolidated view of the Edelweiss Group, given the close linkages between Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.
Consolidation Approach	ICRA has considered the consolidated financials of Edelweiss Financial Services Limited. Please see Annexure 2 to view the list of companies considered for consolidation.

About the company

Edelweiss Financial Services Limited

Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss Group of companies, was incorporated in 1995 by first-generation entrepreneurs to offer investment banking services primarily to technology companies. At present, the Edelweiss Group is engaged in wholesale and retail financing, distressed assets resolution, commodity financing, corporate debt syndication and debt restructuring, institutional and retail equity broking, corporate finance advisory, wealth advisory and asset management. The Group forayed into housing finance in FY2011, life insurance in FY2012 and general insurance in FY2018. The Group reported a profit after tax (PAT) of Rs. 995 crore in FY2019 compared to PAT of Rs. 863 crore in FY2018.

Edelweiss Rural & Corporate Services Limited

Incorporated in October 2004, Edelweiss Commodities Services Limited (ECSL) is a wholly owned subsidiary of EFSL. The company is involved in facilitating warehousing management, collateral management and extending credit against agri commodities. The company reported a net profit of Rs. 52 crore in FY2018 as compared to Rs. 57 crore in FY2017. The company had a net worth of Rs. 575 crore as on March 31, 2018.

Key financial indicators (IndAS - consolidated for EFSL)

	FY2018	FY2019
Total Income (Gross)	8,920	10,881
Profit after Tax	863	995
Net Worth*	7,826	8,715
Loan Book**	42,010	43,510
Total Assets	63,325	64,303
Return on Assets@	1.3%	1.6%
Return on Equity*@	10.70%	11.98%
Gross NPA	1.75%	1.87%
Net NPA	0.70%	0.83%
Capital Adequacy Ratio	17%	18%
Gearing*	6.14	5.19

*Source: Company, ICRA research, *Net worth includes minority interest and insurance, **Includes distressed credit book, @Net profit attributable to owners and minority interest*
Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

ICRA

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Chronology of Rating History for the past 3 years															
					Current Rating (FY2020)		FY2019					FY2018							FY2017	
					Jun-19	Apr-19	Sep-18	Aug-18	Aug-18	Jul-18	Jul-18	May-18	Mar-18	Feb-18	Feb-18	Jan-18	Dec-17	Sep-17	Mar-17	May-16
1	Short Term Non-convertible Debenture	Short term	500	Nil	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Non-Convertible Debenture Programme	Long Term	3,000	Nil	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	-	-	-	-	-	-	-	-	-	-	-	-
3	Non-Convertible Debenture Programme	Long Term	5,170.50	3,957.87	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
4	Bank Lines	Long Term	2,000.00	50	[ICRA]AA- (negative)	[ICRA]AA (negative)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)	[ICRA]AA (stable)
5	Short term Non-Convertible Debenture Programme	Short term	63.5	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Short Term Principal Protected Market Linked	Short term	300	NA	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+	PP-MLD [ICRA]A1+

					Chronology of Rating History for the past 3 years															
					Current Rating (FY2020)		**FY2019**					**FY2018**							**FY2017**	
	Instrument	**Type**	**Amount Rated (Rs. crore)**	**Amount Outstanding (Rs. crore)**	**Jun-19**	**Apr-19**	**Sep-18**	**Aug-18**	**Aug-18**	**Jul-18**	**Jul-18**	**May-18**	**Mar-18**	**Feb-18**	**Feb-18**	**Jan-18**	**Dec-17**	**Sep-17**	**Mar-17**	**May-16**
	Debenture Programme																			
7	Commercial Paper Programme	Short term	8,500.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA] A1+	[ICRA]A1+	[ICRA]A1+	[ICRA] A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA] A1+	[ICRA] A1+	[ICRA]A1+	-	-
8	Commercial Paper Programme (IPO financing)	Short term	8,000.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA] A1+	[ICRA]A1+	[ICRA]A1+	[ICRA] A1+	-	-	-	-	-	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Bank Lines - Term Loan and Working Capital	Sep-14	NA	Sep-19	50.00	[ICRA]AA- (negative)
	Bank Lines - Proposed	NA	NA	NA	1,950.00	[ICRA]AA- (negative)
	Short term Market Linked Debentures - Yet to be issued	NA	NA	NA	300	PP- MLD [ICRA] A1+
INE657N07258	Non-Convertible Debenture	9-Feb-17	NA	21-Apr-20	4.2	[ICRA]AA- (negative)
INE657N07266	Non-Convertible Debenture	15-Feb-17	8.70%	14-Feb-20	650	[ICRA]AA- (negative)
INE657N07274	Non-Convertible Debenture	15-Feb-17	9.00%	15-Apr-20	75	[ICRA]AA- (negative)
INE657N07282	Non-Convertible Debenture	15-Feb-17	NA	15-Apr-20	25	[ICRA]AA- (negative)
INE657N07290	Non-Convertible Debenture	3-Mar-17	NA	1-Jul-20	5.7	[ICRA]AA- (negative)
INE657N07241	Non-Convertible Debenture	31-Jan-17	8.50%	31-Jan-20	1,000.00	[ICRA]AA- (negative)
INE657N07233	Non-Convertible Debenture	13-Dec-16	8.75%	4-May-20	3.7	[ICRA]AA- (negative)
INE657N07191	Non-Convertible Debenture	27-Apr-16	9.80%	28-May-19	5	[ICRA]AA- (negative)
INE657N07183	Non-Convertible Debenture	19-Aug-15	9.00%	17-Apr-20	200	[ICRA]AA- (negative)
INE657N07126	Non-Convertible Debenture	10-Jul-15	NA	13-Jul-18	2	[ICRA]AA- (negative)
INE657N07134	Non-Convertible Debenture	10-Jul-15	NA	4-Oct-18	3.5	[ICRA]AA- (negative)
INE657N07316	Non-Convertible Debenture	18-Apr-17	9.00%	12-May-20	6.5	[ICRA]AA- (negative)
INE657N07324	Non-Convertible Debenture	24-Apr-17	8.95%	28-Apr-20	6.5	[ICRA]AA- (negative)
INE657N07290	Non-Convertible Debenture	3-Mar-17	NA	1-Jul-20	5.7	[ICRA]AA- (negative)
INE657N07340	Non-Convertible Debenture	12-Jun-17	8.80%	2-Jun-20	17	[ICRA]AA- (negative)
INE657N07332	Non-Convertible Debenture	12-Jun-17	8.80%	28-Apr-20	2.7	[ICRA]AA- (negative)
INE657N07357	Non-Convertible Debenture	29-Jun-17	8.60%	4-Apr-19	138	[ICRA]AA- (negative)
INE657N07365	Non-Convertible Debenture	29-Jun-17	8.60%	2-May-19	42	[ICRA]AA- (negative)

INE657N07373	Non-Convertible Debenture	29-Jun-17	8.70%	29-Jun-20	75	[ICRA]AA- (negative)
INE657N07381	Non-Convertible Debenture	30-Jun-17	8.70%	30-Jun-27	200	[ICRA]AA- (negative)
INE657N07340	Non-Convertible Debenture	17-Jul-17	8.79%	2-Jun-20	34.28	[ICRA]AA- (negative)
INE657N07357	Non-Convertible Debenture	25-Jul-17	8.60%	4-Apr-19	25	[ICRA]AA- (negative)
INE657N07399	Non-Convertible Debenture	11-Aug-17	8.4	9-Aug-19	50	[ICRA]AA- (negative)
INE657N07399	Non-Convertible Debenture	11-Aug-17	8.4	9-Aug-19	25	[ICRA]AA- (negative)
INE657N07407	Non-Convertible Debenture	11-Aug-17	8.45	11-Aug-20	25	[ICRA]AA- (negative)
INE657N07340	Non-Convertible Debenture	13-Sep-17	8.45%	2-Jun-20	15.46	[ICRA]AA- (negative)
INE657N07357	Non-Convertible Debenture	26-Sep-17	8.60%	4-Apr-19	25.6	[ICRA]AA- (negative)
INE657N07415	Non-Convertible Debenture	26-Oct-17	8.40%	26-Oct-20	500	[ICRA]AA- (negative)
INE657N07480	Non-Convertible Debenture	27-Feb-18	8.95%	26-Feb-21	350	[ICRA]AA- (negative)
INE657N07472	Non-Convertible Debenture	22-Feb-18	9.30%	22-Apr-21	30	[ICRA]AA- (negative)
INE657N07449	Non-Convertible Debenture	21-Feb-18	9.30%	30-Apr-21	10.03	[ICRA]AA- (negative)
INE657N07464	Non-Convertible Debenture	20-Feb-18	9.25%	15-Apr-21	100	[ICRA]AA- (negative)
INE657N07456	Non-Convertible Debenture	12-Feb-18	9.00%	12-Feb-21	250	[ICRA]AA- (negative)
INE657N07449	Non-Convertible Debenture	9-Feb-18	9.30%	30-Apr-21	50	[ICRA]AA- (negative)
	Non-Convertible Debenture - Yet to be Issued	NA	NA	NA	4,212.63	[ICRA]AA- (negative)
	Short term NCD - Yet to be Issued	NA	NA	NA	563.5	[ICRA]A1+
	Commercial Paper Programme	NA	NA	7-365 days	8,500.00	[ICRA]A1+
	Commercial Paper Programme (IPO financing)	NA	NA	7-30 days	8,000.00	[ICRA]A1+

Source: Edelweiss Commodities Services Limited

Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2018:

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Edelweiss Securities Limited	100.00%	Full Consolidation
Edelweiss Finance & Investments Limited	100.00%	Full Consolidation
ECL Finance Limited	100.00%	Full Consolidation
Edelweiss Global Wealth Management Limited	100.00%	Full Consolidation
EC Global Limited	100.00%	Full Consolidation
Edelweiss Insurance Brokers Limited	100.00%	Full Consolidation
Edelweiss Trustee Services Limited	100.00%	Full Consolidation
Edelweiss Business Services Limited	100.00%	Full Consolidation
Edelcap Securities Limited	100.00%	Full Consolidation
Edelweiss Asset Management Limited	100.00%	Full Consolidation
Ecap Equities Limited	100.00%	Full Consolidation
Edelweiss Broking Limited	100.00%	Full Consolidation
Edelweiss Trusteeship Company Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Limited	95.00%	Full Consolidation
Edelweiss Housing Finance Limited	100.00%	Full Consolidation
Edelweiss Investment Adviser Limited	100.00%	Full Consolidation
EC Commodity Limited	100.00%	Full Consolidation
Edel Commodities Limited	100.00%	Full Consolidation
Edel Land Limited	100.00%	Full Consolidation
Edelweiss Custodial Services Limited	100.00%	Full Consolidation
EC International Limited	100.00%	Full Consolidation
Edelweiss Capital (Singapore) Pte. Limited	100.00%	Full Consolidation
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	Full Consolidation
Edelweiss International (Singapore) Pte. Limited	100.00%	Full Consolidation
Aster Commodities DMCC	100.00%	Full Consolidation
EAAA LLC	100.00%	Full Consolidation
EW Special Opportunities Advisors LLC	67.00%	Full Consolidation
EW India Special Assets Advisors LLC	90.00%	Full Consolidation
Edel Investments Limited	100.00%	Full Consolidation
Edelweiss Tokio Life Insurance Company Limited	51.00%	Full Consolidation
Edelweiss Investment Advisors Private Limited	100.00%	Full Consolidation
Edelweiss Commodities Services Limited	100.00%	Full Consolidation
Edelweiss Comtrade Limited	100.00%	Full Consolidation
Edel Finance Company Limited	100.00%	Full Consolidation
Edelweiss Capital Markets Limited	100.00%	Full Consolidation
EFSL Trading Limited	100.00%	Full Consolidation
EFSL Comtrade Limited	100.00%	Full Consolidation
Edelweiss Retail Finance Limited	100.00%	Full Consolidation
Edelweiss Securities (Hong Kong) Private Limited	100.00%	Full Consolidation
Edelweiss Financial Services Inc	100.00%	Full Consolidation
Cross Border Synergy Pte. Limited (formerly known as Edelweiss Commodities Pte. Limited) (up to December 06, 2017)	100.00%	Full Consolidation
Edelweiss Agri Value Chain Limited	100.00%	Full Consolidation
Edelweiss Multi-Strategy Funds Management Private Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Edelweiss India Capital Management	100.00%	Full Consolidation
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	Full Consolidation
EFSL Wealth Advisors LLP	100.00%	Full Consolidation
EFSL International Limited	100.00%	Full Consolidation
Edelweiss Financial Services (UK) Limited	100.00%	Full Consolidation
Edelweiss Holdings Limited	100.00%	Full Consolidation
Edelweiss Tarim Urunleri Anonim Sirketi (up to February 27, 2018)	100.00%	Full Consolidation
Edelweiss AIF Fund I - EW Clover Scheme	100.00%	Full Consolidation
Edelweiss General Insurance Company Limited	100.00%	Full Consolidation
Edelweiss Finvest Private Limited	100.00%	Full Consolidation
Edelweiss Asset Reconstruction Company Limited	74.80%	Full Consolidation
Edelweiss Private Equity Tech Fund	88.90%	Full Consolidation
Edelweiss Value and Growth Fund	88.90%	Full Consolidation
Edelweiss Securities (IFSC) Limited	100.00%	Full Consolidation
EW SBI Crossover Advisors LLC (up to July 27, 2017)	100.00%	Full Consolidation
Alternative Investment Market Advisors Private Limited	100.00%	Full Consolidation
Associates		
Allium Finance Private Limited	46.13%	Equity method Consolidation
Edelweiss Fund Advisors Private Limited	40.00%	Equity method Consolidation
Dahlia Commodities Services Private Limited	50.00%	Equity method Consolidation
Magnolia Commodities Services Private Limited	50.00%	Equity method Consolidation
Aeon Credit Services India Private Limited (up to August 22, 2017)	25.00%	Equity method Consolidation

Source: Edelweiss Financial Services Limited

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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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Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2552 0194/6606 9999