CARE Ratings
Professional Risk Opinion

CARE RATINGS PRESS RELEASE

May 07, 2020

Name Of The Company	Instruments	Rating	Amount (Rs.Cr.)
Goan Real Estate and Construction Pvt. Ltd.	Bank Facilities	CARE D; Issuer not co-operating*	67.86
N Rose Developers Pvt. Ltd.	Bank Facilities	CARE BBB-; [Placed under credit watch with negative implication]	120
Edelweiss Securities Limited	CP	CARE A1+ [Reaffirmed]	1000
Edelweiss Rural & Corporate Services Limited	NCD NCDs Bank Facilities CP CP (IPO Financing)	CARE AA-; Negative CARE AA- (CE); Negative * CARE AA-; Negative/ CARE A1+ [outlook revised from 'Stable' to 'Negative'] CARE A1+ CARE A1+ [Reaffirmed]	807.50 170 1000 8500 6000
Edelweiss Finance and Investments Limited	PP-MLD NCDs CP CP (IPO Financing)	CARE PP-MLD AA-; Negative CARE AA-; Negative [outlook revised from 'Stable' to 'Negative'] CARE A1+ CARE A1+ [Reaffirmed]	500 1200 1000 2500
Edelweiss Custodial Services Ltd	Bank Facilities	CARE A1+ [Reaffirmed]	1,500
Edelweiss Retail Finance Limited	NCD Subordinate Debt CP	CARE AA-; Negative CARE AA-; Negative [Outlook revised from 'Stable' to 'Negative'] CARE A1+ [Reaffirmed]	225 300 500
Edelweiss Housing Finance Limited	NCD Retail NCD Subordinate Debt NCD Bank Facilities CP	CARE AA- (CE); Negative CARE AA-; Negative CARE AA-; Negative CARE AA-; Negative CARE AA-; Negative [Outlook revised from 'Stable' to 'Negative'] CARE A1+ [Reaffirmed]	38 500 300 665 1675 1000
Edelweiss Finvest Private Limited	PP-MLD NCD PP-MLD	CARE PP-MLD AA-; Negative CARE AA- Negative CARE PP-MLD AA-; Negative [Outlook revised from 'Stable' to 'Negative']	87.52 150 500
ECL Finance Limited	Bank Facilities NCDs Subordinate Debt PP-MLD	CARE AA-; Negative CARE AA-; Negative CARE AA-; Negative CARE PP-MLD AA-; Stable	12,686.66 3711 1,400 203.28

	Retail Bonds PP-MLD CP CP (IPO Financing)	CARE AA-; Negative CARE PP-MLD AA-; Negative [Outlook revised from 'Stable' to 'Negative'] CARE A1+ CARE A1+ [Reaffirmed]	151.57 300 5000 5000
Edelweiss Asset Reconstruction Company	PP-MLD NCDs Bank Facilities Bank Facilities CP	CARE PP-MLD AA- (CE); Negative CARE A+ (CE); Negative CARE A+ (CE); Negative CARE A+ (CE); Negative* [Outlook revised from 'Stable' to 'Negative'] CARE A1+ [Reaffirmed]	1095.5 490.25 128.25 220 300

***Provisional Rating**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at*www.careratings.com. *Investors/*market *intermediaries /regulators or others are welcome to write to* care@careratings.com *for any clarifications

Explanatory notes regarding rating symbols of CARE

Symbol	Explanation	Symbol	Symbol	Explanation		*Symbol*	
CARE A1	Superior	CARE AAA	CARE AAA (FD)	Best Quality	High Investment Grade	CCt 1	Very high project execution capability[
CARE A2	Strong	CARE AA	CARE AA (FD)	High Quality	-do-	CCt 2	High project execution capability
CARE A3	Adequate	CARE A	CARE A (FD)	Adequate Safety	Investment Grade	CCt 3	Moderate project execution capability
CARE A4	Risk prone	CARE BBB	CARE BBB (FD)	Moderate Safety	-do-	CCt 4	Inadequate project execution capability
CARE D	Default	CARE BB	CARE BB (FD)	Inadequate safety	Speculative Grade	CCt 5	Poor project execution capability
		CARE B	CARE B (FD)	Risk Prone	-do-		
		CARE C	CARE C (FD)	High Risk	Poor Grade		
		CARE D	CARE D(FD)	Default	-do-		

Disclaimer

CAREs ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the
Concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from
sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or
completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use
of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based
on the amount and type of bank facilities/instruments.

Goan Real Estate and Construction Pvt. Ltd.
May 7, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	67.86	**CARE D; Issuer not cooperating (Single D; Issuer Not cooperating)**	**Placed under Issuer not cooperating; based on best available information**
Total	**67.86 (Rs. Sixty seven crore and eighty six lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers
Goan Real Estate Construction Pvt. Ltd. (GRECPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on GRECPL's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.
Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).
The ratings take into account the on-going delays in servicing of its debt obligations.

Detailed description of the key rating drivers
Key Rating Weaknesses
Delays in repayment of term loan: There are ongoing delays in repayment of term loan on account of cash flow mismatches and liquidity stress in the company.

Analytical approach: Standalone

Applicable Criteria
[Policy in respect of Non-cooperation by issuer]
[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]
[Rating Methodology – Real Estate Sector]

About the Company
Goan Real Estate and Construction Pvt Ltd (GRECPL), incorporated in 1989, has been promoted by the Dynamix Group. The Dynamix Group was founded in the early 1970's by Mr. K. M. Goenka with a foray in real estate development.
GRECPL is developing an integrated township-type project named "Aldeia de Goa" located at Bambolim, Goa, spread over nearly 145 acres of land. The project is being developed in a phase wise manner. The project encompasses exclusive plots, villas, apartments, landscaped gardens, multiple clubhouses, a five star hotel and a proposed mall with commercial and retail spaces. Out of the five phases, Phases I, II, IV and V (Sector 1) are completed.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	3.38	3.73
PBILDT	3.35	3.73
PAT	2.38	2.43
Overall gearing (times)	3.30	2.26

[2]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Interest coverage (times)	NM	18.65

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 31, 2020	67.86	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	67.86	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D (07-Feb-19) 2)CARE B; Stable (28-Sep-18) 3)CARE D (07-Apr-18)	1)CARE D (17-Apr-17)

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

N Rose Developers Pvt. Ltd.
May 07, 2020

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[2]	**Rating Action**
Bank Facilites – Fund based – LT –Term Loan	120.00	**CARE BBB-; Under Credit watch with Negative implications (Triple B Minus; Under Credit watch with Negative implications)**	Placed under credit watch with negative implication

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the ratings on long term bank facilities of N Rose Developers Private Ltd. (NRDPL) under 'Credit watch with negative implications' on account of disruption in operation due to ongoing lockdown imposed by the central government towards containment of COVID-19. This has resulted in the disruption in operational activities i.e. stoppage of the construction activities coupled with diminished sales and collection activities which is expected to impact the cash flows of the company adversely. In the near term, the company has scheduled principal repayment commencement from June 2020 for which the company is seeking deferment of the same. CARE shall continue to closely monitor the situation and timely deferment of the scheduled principal repayment may result in easing the liquidity position of the company which otherwise shall create short term liquidity mismatch for the company and therefore shall remain crucial and key rating monitorable.

The company has availed moratorium for its interest payments during March-May 2020 period, the same will be accumulated and shall be repaid along with the Principal redemption starting from June 2020. While the central government's lockdown is applicable till May 17, 2020, clarity is yet to emerge on possible extension or staggered exit from the lockdown, which in turn will be contingent on the extent of spread of COVID-19. Thus, the business risk profile of the companies in the sector will remain under pressure even after commencement of operations due to slow recovery in the real estate sector. CARE will continue to monitor the situation and possible impact on the risk profile of the companies in the sector.

The reaffirmation in the ratings assigned to the bank facilities of N Rose Developers Pvt. Ltd. takes into account improvement in the financial risk profile, and decline in the approval and execution risk with the ongoing projects nearing completion. The rating also factors in favorable location of the project and vast experience of the promoters in the real estate business.

The above rating strengths are, however, tempered by small scale of operations and geographically concentrated revenues, cyclical nature of real estate industry, and stretched liquidity position due to temporary mismatch in cash flows.

Rating Sensitivities

Positive rating sensitivities:

- Increase in scale of operations and Diversification in revenues without negatively effecting the financial risk profile of the entity

Negative rating sensitivities:

- Decline in tied-up receivables to outstanding debt and pending construction cost below 50%.
- Decline in area sold to area launched for sales below 35%.
- Extended lockdown or slower than anticipated ramp-up in collections post resumption of operations, resulting in further moderation in company's financial risk profile. Besides, higher than anticipated debt and reduction in liquidity buffer may adversely impact the rating.

Detailed description of the key rating drivers

Key Rating Strengths

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Well experienced promoters and management team

NRDPL is promoted by Mr. Narayan Anand Shelar, Mr. Natwarlal Purohit and Mr. Hiren Ashar and their respective families. Mr Shelar is a civil engineer and has been in the construction and hotel industry for more than 25 years. Mr Purohit is a science graduate and has been in the construction industry for more than 20 years. Mr Ashar is a commerce graduate with an experience of more than 20 years in the real estate industry. The promoter along with the directors and family members form the core management team of NRDPL. All of them are well versed with the nuances of the real estate industry and also have expertise in generating Transferable Development Rights (TDR). Further, since most of the earlier successfully launched projects executed by NRDPL were in the Borivali-Dahisar belt, the builders have a reputation in this location and its vicinity.

Favourable location of the Project

The Project is located at Dahisar (East) which is the northernmost suburb of Mumbai. The surrounding area is primarily residential with few commercial spaces and retail shops. The project location is well connected by road to other parts of the city through Western Express Highway and SV Road. It is also very close to Dahisar suburban railway station. The proposed Mumbai Metro Line from Andheri to Dahisar shall further improve the connectivity once it is implemented. The construction work for the proposed metro has also commenced. The residential real estate market in Dahisar has grown considerably over the years as it is one of the most favoured locations for people who do not prefer the busy, crowded places in the city and incur high cost of living.

Decline in approval and execution risk with the ongoing projects nearing completion

NRDPL currently has two ongoing projects namely “Heaven Plaza (HP)” and “Northern Height (NH)”. The company has already received occupancy certificate for its “Heaven Plaza” project. Moreover, the company has complete commencement certificate in place for completing its “Northern Height” project. Hence, the project approval risk has declined as compared to the last year.

Moreover, till January 31, 2020 the company had already incurred 87.71% of the budgeted project cost towards the projects. In terms of construction progress the company’s NH project’s construction work has reached till 31 and 38 floors (out of total 42 floors) and finishing work has been going on concurrently with the structure work. This has resulted in decline in the project execution risk for the company.

However, the company is yet to execute Phase-2 of the project. As per the management, the company is expected to enter into agreement with a reputed developer wherein the execution portion of the project will be handled by the developer and NRDPL will be responsible for obtaining the requisite approvals. Any significant change in the plans of the company in this regard remains a key rating monitorable.

Improvement in the financial risk profile

The company has already sold ~80.21% of the planned saleable area of the ongoing project. This has also resulted in improvement in the tied up receivable to outstanding debt plus pending project cost to 105.83%. Hence, the tied-up receivables are sufficient to meet the pending construction cost and debt obligations.

Key Rating weaknesses:

Small scale of operations and geographically concentrated revenues

The company’s scale of operations continues to be small with tangible networth of Rs.16.45 crore (excluding Redeemable Preference shares and Unsecured loans). Owing to its small scale of operations and real estate nature of industry, the company’s credit profile remains vulnerable to project risk as addition of a single project may result in significant change in the company’s business risk. Moreover, NRDPL’s area of operations is concentrated in Mumbai suburb, resulting in significant geographical concentration. Any downturn in these micro markets may impact the cash flows adversely.

Cyclical nature of real estate industry

Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household thereby also influencing their buying decision. Besides, as leverage forms an important part of funding for the buyer, availability of loan and interest rates also affects the demand of real estate properties. On the other hand land, labour, cement and metal prices being some of major cost centres for the sector, availability of these factors plays important role in pricing and supply of new units. Hence, cyclicality associated with economic outlook, interest rates, metal prices etc. also renders the real estate sector towards cyclicality. Moreover, the companies in the sector are also exposed to regulatory changes, especially in the countries such as India with evolving regulations.

Stretched liquidity position

As on March 31, 2020 the company had cash and bank balance of Rs.8.28 crore (including DSRA). However, stoppage of construction has impacted the company's construction linked cash flows. Hence, although the company has tied-up receivables are sufficient to meet its pending construction cost and outstanding debt, stoppage of construction activity coupled with diminished sales and collection activities which is expected to impact the cash flows of the company adversely. Further, although the company has availed moratorium for its interest payments during March-May 2020 period, the same will be accumulated and shall be repaid along with the Principal redemption starting from June 2020. This has resulted in short term mismatch in the company's cash flow resulting into stretched liquidity position for the company. However, as per the management, the company is in the process of seeking deferment of principal repayment, which if approved by the lender shall ease the liquidty position of the company. Therefore, CARE shall CARE shall continue to closely monitor the situation and timely deferment is crucial and therefore shall remain crucial and key rating monitorable.

Analytical approach: Standalone.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios - Non-Financial sectorC
Rating Methodology – Real Estate Sector

About the Company

N. Rose Developers Private Ltd. (NRDPL) is a Mumbai based real estate developer which was established in the year 2004 by Mr Narayan Anand Shelar, Mr Natwarlal Purohit and Mr Hiren Ashar. NRDPL has been primarily focusing on redevelopment and SRA residential projects in and around Mumbai. NRDPL is currently developing residential projects in a total plot area of over 4 lakh ft^2 at Dahisar, East in Mumbai.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	12.07	23.23
PBILDT	17.85	13.77
PAT	0.50	1.45
Overall gearing (times)	9.87	10.56
Interest coverage (times)	1.08	1.21

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2022	120.00	CARE BBB- (Under Credit watch with Negative Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	120.00	CARE BBB- (Under Credit watch with Negative Implications)	1)CARE BBB-; Stable (01-Apr-20)	-	1)CARE BBB-; Stable (13-Feb-19)	1)CARE BB+; Stable (31-Jan-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	1)Withdrawn (13-Feb-19)	1)CARE BB+; Stable (31-Jan-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:

Financial Covenants	
Maintenance of DSRA	DSRA equivalent of 3 months interest to be created immediately and DSRA of 3 months installments to be built up before full disbursement during moratorium period and before commencement of repayment from credit in ESCROW account/sales realization.
Maintenance of ratios	Interest coverage ratio to be maintained above 2 and FACR to be maintained above 125%.
Non-financial Covenants	
Subordination of unsecured loans	Unsecured loans of minimum Rs.67.82 crore to be subordinated and not to be withdrawn during the currency of loan.
Disbursement	Disbursement of the loan is to be linked with construction progress and as specified in the drawdown schedule.
Insurance	Contractors all risk insurance should be taken by the borrower with banks name in the policy for the project being funded by the lender. Insurance cover should be obtained from the company approved by the lender.

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Securities Limited
May 7, 2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[3]	Rating Action
Commercial Paper	1000	CARE A1+ (A One Plus)	Reaffirmed
Total	**1,000 (One Thousand crore only)**		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network

EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team

EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans

On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019.

(17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.

The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.

The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.

The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality

EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.

Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.

The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.

As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.

As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of

Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.

As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings

About EFSL

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Advisory businesses (EGIA) including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT (after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Securities Limited

Incorporated in 1993, Edelweiss Securities Limited (ESL) is a **100% subsidiary of Edelweiss Financial Services Limited (EFSL rated CARE AA-; Negative; A1+)**. The Company is registered as a trading and clearing member with National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). ESL provides broking and advisory services to its clients along with trading in securities and derivatives.

ESL – Standalone

Brief Financials (Rs. crore) (IND AS)	FY18 (A)	FY19 (A)
Total income	331	410
PAT	43	79
Overall gearing (times)	0.99	1.40
Interest Coverage ratio (times)	1.55	2.12
Total Assets	1,214	1,925
ROTA (%)	2.97	4.99

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	7 days – 1 year	1000	**CARE A1+**

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Commercial Paper	ST	1000.00	CARE A1+	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)	1)CARE A1+ (02-Nov-16)

Annexure-3: List of subsidiaries taken for consolidation as on March 31, 2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%

10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Rural & Corporate Services Limited
May 7, 2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[4]	Rating Action
Non-Convertible Debenture	807.50	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed and outlook revised from 'Stable' to 'Negative'
Commercial Paper	8,500	**CARE A1+ (A One Plus)**	Reaffirmed
Proposed NCDs@	170	**Provisional CARE AA- (CE); Negative [Provisional Double A Minus (Credit Enhancement); Outlook: Negative]^**	Reaffirmed and outlook revised from 'Stable' to 'Negative'
Long Term Bank Facilities-Fund Based@	420	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed and outlook revised from 'Stable' to 'Negative'
Short term Bank Facilities-Non Fund Based@	180	**CARE A1+ (A One Plus)**	Reaffirmed
Short term/Long Term/Fund based Facilities/Non-Fund Based Facilities@	400	**CARE AA-; Negative [Double A Minus; Outlook: Negative] / CARE A1+ [A One Plus]**	Reaffirmed and outlook revised from 'Stable' to 'Negative'
Commercial Paper (IPO Financing)	6,000	**CARE A1+ (A One Plus)**	Reaffirmed
Total	**16,477.50 (Rupees Sixteen Thousand Four Hundred and Seventy Seven crore and Fifty Lakhs only)**		

Details of instruments/facilities in Anneuxre-1
^The above rating is backed by an unconditional and irrevocable corporate guarantee issued by Edelweiss Financial Services Ltd. (EFSL)
@The said instrument has been transferred from Edelweiss Agri Value Chain Limited to Edelweiss Rural & Corporate Services Limited (Erstwhile Edelweiss Commodities Services Limited) as per the scheme of amalgamation.

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.

The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network
EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team
EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans
On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.
The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.
The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.
The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

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As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.
As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).
Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth
Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.
During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.
Liquidity Profile
EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.
As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria
CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition

[Financial ratios – Financial Sector](#)
[Criteria for Short term instruments](#)
[Consolidation and Factor Linkages in Ratings](#)
[Rating of Credit Enhanced Debt](#)

About EFSL

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Advisory businesses (EGIA) including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT (after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Rural & Corporate Services Limited (Erstwhile Edelweiss Commodities Services Limited)

Edelweiss Rural & Corporate Services Ltd. (ERCSL) is a wholly-owned subsidiary of EFSL. The name of the Company was changed from 'Edelweiss Commodities Services Limited' to 'Edelweiss Rural & Corporate Services Limited' with effect from March 12, 2019. The Company is engaged in Commodities Trading and holds licenses of Mandis across India. It also provides end to end business solutions in the agri value chain including warehousing and procurement services, quality assaying & testing, commodity health management and finance enablement services offered singularly or in combination for domestic as well as international trade. Pursuant to the Order dated January 21, 2019, Edelweiss Business Services Limited, Edelweiss Agri Value Chain Limited, EFSL Comtrade Limited, Edelweiss Fund Advisors Private Limited and Edelweiss Capital Markets Limited, the five wholly owned subsidiaries of the Company, has been amalgamated with the ERCSL with the appointed date being August 01, 2018.

ERCSL – Standalone (IND AS)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total income	1,733.09	1,586.61
PAT	74.61	133.93
Overall gearing (times)	39.31	8.83
Interest coverage (times)	1.08	1.22
Total Assets	12,048.37	5,990.60
ROTA (%)	0.63	1.48

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
INE657N07217	Debentures-Non Convertible Debentures	2-Aug-16	9.70	28-Jun-19	75.00	CARE AA-; Negative
INE657N07480	Debentures-Non Convertible Debentures	27-Feb-18	8.95	26-Feb-21	350.00	CARE AA-; Negative
INE657N07498	Debentures-Non Convertible Debentures	23-Mar-18	9.10	23-Sep-22	150.00	CARE AA-; Negative
INE657N07522	Debentures-Non Convertible Debentures	27-Aug-18	9.70	15-Jul-21	8.67	CARE AA-; Negative
INE657N07563	Debentures-Non Convertible Debentures	24-Aug-18	NA	24-Aug-21	150.00	CARE AA-; Negative
INE657N07522	Debentures-Non Convertible Debentures	2-Aug-18	NA	15-Jul-21	10.01	CARE AA-; Negative
INE657N07522	Debentures-Non Convertible Debentures	11-Jul-18	9.55	15-Jul-21	50.00	CARE AA-; Negative
NA	Debentures-Non Convertible Debentures	NA	NA	NA	13.82	CARE AA-; Negative
NA	Commercial Paper	NA	NA	7 days to 1 year	8,500	CARE A1+
NA	Long Term Bank Facilities- Fund Based	NA	NA	NA	420	CARE AA-; Negative
NA	Short term Bank Facilities- Non Fund Based	NA	NA	NA	180	CARE A1+
NA	Short term/Long Term/Fund based Facilities/Non-Fund Based Facilities	NA	NA	NA	400	CARE AA-; Negative/ CARE A1+
NA	Commercial Paper (IPO Financing)	-	-	-	6,000	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	807.50	CARE AA-; Stable	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)	1)CARE AA; Stable (22-Mar-17) 2)CARE AA (02-Nov-16)
2.	Commercial Paper	ST	8,500.00	CARE A1+	1)CARE A1+	1)CARE A1+	1)CARE A1+	1)CARE A1+

					(05-Jul-19)	(06-Jul-18)	(12-Sep-17)	(22-Mar-17) 2)CARE A1+ (02-Nov-16)
3	Commercial Paper-Commercial Paper (IPO Financing)	ST	6,000.00	CARE A1+	1)CARE A1+ (02-Mar-20) 2)CARE A1+ (14-Aug-19) 3)Withdrawn (13-Aug-19) 4)CARE A1+ (22-Jul-19) 5)Withdrawn (19-Jul-19) 6)CARE A1+ (30-Apr-19)	1)Withdrawn (19-Mar-19) 2) CARE A1+ (14-Feb-19)	-	-
4.	Fund-based/Non-fund based-LT/ST	LT/ST	400.00	CARE AA-; Stable/ CARE A1+	1) CARE AA-; Stable/ CARE A1+ (05-Jul-19)	-	-	-
5.	Short term Bank Facilities- Non Fund Based	ST	180.00	CARE A1+	1)CARE A1+ (05-Jul-19)	-	-	-
6.	Long Term Bank Facilities- Fund Based	LT	420.00	CARE AA-; Stable	1)CARE AA-; Stable (05-Jul-19)	-	-	-
7.	Proposed NCD	LT	170.00	Provisional CARE AA- (CE); Stable	1)Provisional CARE AA- (CE); Stable (05-Jul-19)	-	-	-

Annexure-3: List of subsidiaries taken for consolidation as on March 31, 2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%

16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Finance and Investments Limited
May 07, 2020

Ratings

Facilities/Instrument	Amount (Rs. crore)	Ratings[5]	Rating Action
Principal Protected Market Linked Debentures	500	**CARE PP-MLD AA-; Negative (PP-MLD Double A Minus; Outlook: Negative)**	**Reaffirmed and outlook revised from 'Stable' to 'Negative'**
Non-convertible debenture (Public issue)	500	**CARE AA-; Negative (Double A Minus; Outlook: Negative]**	**Reaffirmed and outlook revised from 'Stable' to 'Negative'**
Non-convertible debenture	700	**CARE AA-; Negative (Double A Minus; Outlook: Negative]**	**Reaffirmed and outlook revised from 'Stable' to 'Negative'**
Commercial Paper	1,000	**CARE A1+**	**Reaffirmed**
Commercial Paper (IPO Financing)	2,500	**CARE A1+**	**Reaffirmed**
Total	**5,200 (Rupees five thousand two hundred crore only)**		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network

EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team

EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans

On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.

The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.

The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.

The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality

EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.

Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.

The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.

As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

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The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.

As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.

As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings
CARE's Criteria for Market Linked Notes/Debentures

About EFSL

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Advisory businesses (EGIA) including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND AS)	FY18 (A)	FY19 (A)

Total income	8,920	10,886
PAT (after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Finance and Investments Limited

EFIL (ND–SI–NBFC) was originally incorporated as a Private Limited company as "Crossborder Investments Private Limited" on October 27, 1994 in Maharashtra. The Company became the subsidiary of Edelweiss Financial Services Limited (EFSL) in March 2000. Company's registered office was shifted to Hyderabad from Mumbai in 2007. The name was changed to "Edelweiss Finance & Investments Private Limited" in July 2009. In August 2009, EFIL became a public limited company and the name was changed to Edelweiss Finance & Investments Limited. The Company had applied for Primary Dealership license with RBI and is awaiting approval for the same, though the prospects of getting the license are remote due to RBI policies. As a result the company had discontinued some of its operations and also has transferred loan portfolio to the books of other Edelweiss entities in the past and started dealing in G-secs and Fixed income segment. However, EFIL is now again building a loan book on account of loans against securities being granted to the wealth and broking clients of EGIA and expects to scale up the loan book going forward. Its products include loans against securities, ESOP financing, margin trading financing and IPO financing. The loan book comprising these products in the past used to reside in ECL Finance Ltd which is being discontinued gradually now as a part of overall strategic Group reorganization

EFIL Standalone (Ind AS)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total income	159	142
PAT	12.70	(0.36)
Overall Gearing (times)	9.57	12.79
Total Assets	2034	2585
Gross NPA (%)	-	-
ROTA (%)	0.59	(0.02)

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN No	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
NA	Non-convertible debenture	-	-	-	700	CARE AA-;Negative
INE918K07FU8	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-30	26.34	CARE AA-;Negative
INE918K07FR4	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-25	44.39	CARE AA-;Negative
INE918K07FV6	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-30	27.63	CARE AA-;Negative

INE918K07FT0	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-25	5.83	CARE AA-;Negative
INE918K07FS2	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-25	34.32	CARE AA-;Negative
INE918K07FQ6	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-23	7.81	CARE AA-;Negative
INE918K07FP8	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Feb-23	27.34	CARE AA-;Negative
INE918K07FO1	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Aug-21	17.14	CARE AA-;Negative
INE918K07FN3	Non-convertible debenture (Public Issue)	05-Feb-20	-	05-Aug-21	31.11	CARE AA-;Negative
NA	Non-convertible debenture (Public Issue) (proposed)	-	-	-	278.09	CARE AA-;Negative
NA	Principal Protected Market Linked Debentures	-	-	-	500	CARE PP-MLD AA-;Negative
NA	Commercial Paper (IPO Financing)	-	-	-	2500	CARE A1+
NA	Commercial Paper (IPO Financing)	-	-	-	1000	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Market Linked Debentures	LT	-	-	-	-	1)Withdrawn (12-Sep-17)	1)CARE PP-MLD AA; Stable (22-Mar-17) 2)CARE PP-MLD AA (02-Nov-16)
2.	Debt	LT	-	-	-	1)Withdrawn (06-Jun-18)	1)CARE AA; Stable (12-Sep-17)	1)CARE AA; Stable (22-Mar-17) 2)CARE AA (02-Nov-16)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (06-Jun-18)	1)CARE AA; Stable (12-Sep-17)	1)CARE AA; Stable (22-Mar-17) 2)CARE AA (02-Nov-16)
4.	Debentures-Market Linked Debentures	LT	-	-	-	1)Withdrawn (06-Jun-18)	1)CARE PP-MLD AA; Stable (12-Sep-17)	1)CARE PP-MLD AA; Stable (22-Mar-17) 2)CARE PP-MLD AA (02-Nov-16)

5.	Debentures-Market Linked Debentures	LT	-	-	-	1)Withdrawn (06-Jun-18)	1)CARE PP-MLD AA; Stable (12-Sep-17)	1)CARE PP-MLD AA; Stable (22-Mar-17) 2)CARE PP-MLD AA (02-Nov-16)
6.	Commercial Paper	ST	1000.00	CARE A1+	-	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)	1)CARE A1+ (22-Mar-17) 2)CARE A1+ (02-Nov-16)
7.	Commercial Paper (IPO Financing)	ST	2500.00	CARE A1+	1)CARE A1+ (31-Jul-19)	-	-	-
8	Debentures-Market Linked Debentures	LT	500.00	CARE PP-MLD AA-; Negative	1)CARE PP-MLD AA-; Stable (31-Jul-19)	-	-	-
9.	Non-convertible debenture (Public issue)	LT	500.00	CARE AA- ;Negative	1)CARE AA-; Stable (18-Dec-19)	-	-	-
10.	Non-convertible debenture	LT	700.00	CARE AA- ;Negative	CARE AA-;Stable (25-Mar-20)	-	-	-

Annexure-3: List of subsidiaries taken for consolidation as on March 31, 2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%

25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Custodial Services Ltd
May 07, 2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[6]	Rating Action
Short term Bank Facilities	1,500	**CARE A1+ (A One Plus)**	Reaffirmed
Total	**1,500 (Rupees One Thousand Five Hundred crore only)**		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network

EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team

EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans

On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka

Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.

The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.

The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.

The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality

EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.

Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.

The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.

As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.

As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds

and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.
As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria
CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings

About EFSL
Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Advisory businesses (EGIA) including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT (after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Custodial Services Limited
Edelweiss Custodial Services Limited (ECustSL), a wholly owned subsidiary of Edelweiss Securities Limited (rated CARE A1+) and a step-down subsidiary of Edelweiss Financial Services Limited (rated CARE AA-; Stable/ A1+), is a SEBI registered Custodian & Designated Depository Participant (DDP) and also a Professional Clearing Member (PCM). ECustSL was incorporated in 2008, and is engaged in the business of providing Securities Custody. ECustSL

clients include FII (Foreign Institutional Investors), Foreign Portfolio Investors (FPI), Domestic AIFs (Alternative Investment Funds) and Domestic Body corporates.

Edelweiss Custodial Services Ltd – Standalone (IGAAP)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total income	35	167
PAT	15	49
Overall gearing (times)	0.49	0.31
Interest coverage (times)	2.53	1.97
Total Assets	1,081	1962
ROTA (%)	2.00	3.24

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Annexure I- Instrument Details

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Short Term Bank Facilities	-	-	-	1500	**CARE A1+**

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - ST-Bank Guarantees	ST	1500.00	CARE A1+	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)	1)CARE A1+ (02-Nov-16)

Annexure-3: List of subsidiaries taken for consolidation as on March 31, 2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%

11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Retail Finance Limited
May 07, 2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures	225	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Subordinate Debt	300	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Commercial Paper	500	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**1025 (Rupees One Thousand and Twenty Five Crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity

[1]Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network

EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team

EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans
On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.
The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.
The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.
The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality
EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.
Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.
The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile
EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.

As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.

As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.

As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Rating Methodology- Non Banking Finance Companies
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings

About the Company

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Franchise & advisory businesses including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

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Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Housing Finance Limited (EHFL)

Edelweiss Financial Services Ltd (EFSL) and Edelweiss Commodities Services Ltd (100% subsidiary EFSL) own 100% shareholding of Edelweiss Housing Finance Limited (EHFL). EHFL is registered with the National Housing Bank (NHB) as a Housing Finance Company and offers housing loans and loan against property.

EHFL Standalone (IND AS)

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total income	534	666
PAT	85.24	62.40
Interest coverage (times)	1.47	1.25
Total Assets	4,927	5,451
Net NPA (%)	1.25	1.56
ROTA (%)	2.05	1.20

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
NA	Debentures-Non Convertible Debentures	-	-	-	225.00	CARE AA-; Negative
INE528S08027	Debt-Subordinate Debt	10-Oct-16	9.95%	9-Oct-26	12.00	CARE AA-; Negative
NA	Debt-Subordinate Debt	-	-	-	288.00	CARE AA-; Negative
NA	Commercial Paper	-	-	7 days – 1 year	500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	225.00	CARE AA-;Negative	-	1)CARE AA-; Stable (25-Mar-20) 1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
2.	Commercial Paper	ST	500.00	CARE A1+	-	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)
3.	Debt-Subordinate Debt	LT	300.00	CARE AA-;Negative	-	1)CARE AA-; Stable	1)CARE AA; Positive	1)CARE AA; Stable

						(05-Jul-19)	(06-Jul-18)	(12-Sep-17)

Annexure-3: List of subsidiaries taken for consolidation as on March 31,2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%

44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Housing Finance Limited
May 07, 2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[1]	Rating Action
Non-convertible Debenture*	38	**CARE AA- (CE); Negative [Double A Minus (Credit Enhancement) Outlook: Negative]**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Retail Non-convertible Debenture	500	**CARE AA-; Negative [Double A Minus; Outlook: Stable]**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Subordinate Debt	300	**CARE AA-; Negative [Double A Minus; Outlook: Stable]**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-convertible Debenture	665	**CARE AA-; Negative [Double A Minus; Outlook: Stable]**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Bank Facilities	1,675	**CARE AA-; Negative [Double A Minus; Outlook: Stable]**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Commercial Paper	1000	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**4178 (Four Thousand One hundred seventy eight crore only)**		

Details of instruments/facilities in Annexure-1
**The above rating is backed by an unconditional and irrevocable corporate guarantee issued by Edelweiss Financial Services Ltd. (EFSL) rated CARE AA-; Negative/CARE 1+.*

Detailed Rationale & Key Rating Drivers
The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.
The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.
Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.
At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network
EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team
EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans
On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.
The group’s debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group’s gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.
The group’s gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group’s gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.
The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality
EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.
Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20,

the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.
The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.
As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.
As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.
As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth
Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.
During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile
EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.
As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria
CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Criteria for Short term instruments
Rating Methodology- Housing Finance Companies
Consolidation and Factor Linkages in Ratings
Rating of Credit Enhanced Debt

About the Company
Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and

is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Franchise & advisory businesses including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND-AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT(after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Housing Finance Limited (EHFL)

Edelweiss Financial Services Ltd (EFSL) and Edelweiss Commodities Services Ltd (100% subsidiary EFSL) own 100% shareholding of Edelweiss Housing Finance Limited (EHFL). EHFL is registered with the National Housing Bank (NHB) as a Housing Finance Company and offers housing loans and loan against property.

EHFL Standalone (IND AS)

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total income	534	666
PAT	85.24	62.40
Interest coverage (times)	1.47	1.25
Total Assets	4,927	5,451
Net NPA (%)	1.25	1.56
ROTA (%)	2.05	1.20

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
INE530L07178	Debentures-Non Convertible Debentures	19-Jul-16	9.50%	19-Jul-19	51.7	CARE AA-; Negative
INE530L07194	Debentures-Non Convertible Debentures	19-Jul-16	9.75%	19-Jul-21	58.9	CARE AA-; Negative

INE530L07160	Debentures-Non Convertible Debentures	29-Apr-16	9.62%	29-Apr-26	25.0	CARE AA-; Negative
INE530L07210	Debentures-Non Convertible Debentures	19-Jul-16	9.57%	18-Jul-26	24.8	CARE AA-; Negative
INE530L07228	Debentures-Non Convertible Debentures	19-Jul-16	10.00%	18-Jul-26	349.2	CARE AA-; Negative
INE530L07186	Debentures-Non Convertible Debentures	19-Jul-16	-	19-Jul-19	5.2	CARE AA-; Negative
INE530L07202	Debentures-Non Convertible Debentures	19-Jul-16	-	19-Jul-21	4.2	CARE AA-; Negative
INE530L07236	Debentures-Non Convertible Debentures	19-Jul-16	-	18-Jul-26	6.0	CARE AA-; Negative
INE530L07327	Debentures-Non Convertible Debentures	23-Mar-18		23-Sep-22	150.0	CARE AA-; Negative
-	Debentures-Non Convertible Debentures(Proposed)	-	-	-	490.0	CARE AA-; Negative
INE530L08010	Debt-Subordinate Debt	4-Feb-15	11.25%	3-May-25	50.0	CARE AA-; Negative
-	Debt-Subordinate Debt (Proposed)	-	-	-	250.0	CARE AA-; Negative
-	Debentures-Non Convertible Debentures (Proposed)	-	-	-	38	CARE AA-(CE);Negative
-	Commercial Paper	-	-	-	-	CARE A1+
-	Fund Based- Bank Facilities	-	-	-	1675	CARE AA-; Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
3.	Debentures-Non Convertible Debentures	LT	38.00	CARE AA- (CE); Negative	-	1) CARE AA- (CE); Stable (05-Jul-19)	1)CARE AA(SO); Positive (06-Jul-18)	1)CARE AA (SO); Stable (12-Sep-17)
4.	Fund-based - LT-Term Loan	LT	1675.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
5.	Debt-Subordinate Debt	LT	50.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
6.	Commercial Paper	ST	1000.00	CARE A1+	-	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)

7.	Debt-Subordinate Debt	LT	250.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
8.	Debentures-Non Convertible Debentures	LT	165.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
9.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
10.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)

Annexure-3: List of subsidiaries taken for consolidation as on March 31,2019

	Subsidiaries of Edelweiss Financial Services Limited	**Shareholding by EFSL (directly/indirectly)**
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%

28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Edelweiss Finvest Private Limited

May 07, 2020

Ratings

Instruments	**Amount (Rs. crore)**	**Ratings**[9]	**Rating Action**
Principal Protected Market Linked Debentures	87.52	**CARE PP-MLD AA-; Negative (PP-MLD Double A Minus; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	150	**CARE AA- Negative (Double A Minus; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Principal Protected Market Linked Debentures	500	**CARE PP-MLD AA-; Negative (PP-MLD Double A Minus; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Total Instruments	**737.52 (Rupees Seven Hundred Thirty Seven crore and Fifty Two Lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured

[9] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.
At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers

Key rating strengths

Diversified business profile of the group

EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network

EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice

(Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team
EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans
On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.
The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.
The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.
The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality
EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.
Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.
The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile
EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of

investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.
As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.
As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.
As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).
Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.

As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Rating Methodology- Non Banking Finance Companies
CARE's Criteria for Market Linked Notes/Debentures

Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings

About the Company

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Franchise & advisory businesses including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND-AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT(after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

About Edelweiss Finvest Private Limited

Edelweiss Finvest Private Limited (EFPL) is registered with the Reserve Bank of India as a Systemically Important Non Deposit Accepting Non-Banking Financial Company. The Company was incorporated on 23 August 2006, and is a subsidiary of Ecap Equities Limited which is a 100% subsidiary of Edelweiss Financial Services Limited (the ultimate holding company). The Company is primarily engaged in the business of corporate credit and retail credit. Under the corporate credit vertical it offers structured collateralized credit to corporates and Real Estate Finance to developers and under the retail credit vertical it offers loan against securities.

EFPL Standalone (I-GAAP)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total income	110	333
PAT	46	133
Overall Gearing (times)	1.22	2.82
Total Assets	1222	3563
Gross NPA (%)	-	1.77
ROTA (%)	5.26	5.57

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
INE918K07EK2	Debentures-Market Linked Debentures	11-Jan-16	-	15-Jul-19	3.83	CARE PP-MLD AA- ; Negative
INE918K07EM8	Debentures-Market Linked Debentures	25-Jan-16	-	29-Jul-19	9.32	CARE PP-MLD AA- ; Negative
INE918K07EP1	Debentures-Market Linked Debentures	12-Feb-16	-	16-Aug-19	4.26	CARE PP-MLD AA- ; Negative
INE918K07CF6	Debentures-Market Linked Debentures	11-Sep-15	-	9-Sep-20	1	CARE PP-MLD AA- ; Negative
INE918K07854	Debentures-Market Linked Debentures	25-Feb-15	-	23-Feb-22	5	CARE PP-MLD AA- ; Negative
INE918K07888	Debentures-Market Linked Debentures	27-Feb-15	-	25-Feb-22	5	CARE PP-MLD AA- ; Negative

INE918K07896	Debentures-Market Linked Debentures	27-Feb-15	-	25-Feb-22	1	CARE PP-MLD AA- ; Negative
INE918K07912	Debentures-Market Linked Debentures	2-Mar-15	-	28-Feb-22	1.99	CARE PP-MLD AA- ; Negative
INE918K07AB9	Debentures-Market Linked Debentures	27-Mar-15	-	25-Mar-22	10	CARE PP-MLD AA- ; Negative
INE918K07AC7	Debentures-Market Linked Debentures	27-Mar-15	-	25-Mar-22	0.3	CARE PP-MLD AA- ; Negative
	Debentures-Market Linked Debentures (Proposed)	-	-	-	45.82	CARE PP-MLD AA- ; Negative
-	Debentures-Market Linked Debentures (Proposed)	-	-	-	500	CARE PP-MLD AA- ; Negative
-	Debentures-Non-Convertible Debentures (Proposed)	-	-	-	150	CARE AA-;Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18) 2) CARE AA; Stable (07-June-18	-
2.	Debentures-Market Linked Debentures	LT	189.32	CARE PP-MLD AA-; Negative	-	1)CARE PPMLD-AA-; Stable (05-Jul-19)	1)CARE PP-MLD AA; Positive (06-Jul-18) 2) CARE PP-MLD AA; Stable (07-June-18)	-
3.	Debentures-Market Linked Debentures	LT	500.00	CARE PP-MLD AA-; Negative	-	1)CARE PP-MLD AA-; Stable (05-Jul-19)	1)CARE PP-MLD AA; Positive (13-Mar-19)	-
4	Commercial Paper-IPO Financing	ST	1000.00	-	-	1)Withdrawn (02-Mar-20) 2)CARE A1+ (31-Jul-19)		

Annexure-3: List of subsidiaries taken for consolidation as on March 31,2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%

3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

ECL Finance Limited

May 07,2020

Ratings

Instrument	Rated Amount (Rs. crore)	Rating[10]	Rating Action
Long term Bank Facilities	12,686.66	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	1,711	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Subordinate Debt	1,400	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Principal protected Market-linked Debenture	203.28	**CARE PP-MLD AA-; Stable (PP-MLD Double A Minus ; Outlook: Stable)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Retail Bonds	151.57	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Principal protected Market-linked Debenture	300	**CARE PP-MLD AA-; Negative (PP-MLD Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures (Public Issue)	1000	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	1000	**CARE AA-; Negative (Double A Minus ; Outlook: Negative)**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Commercial Paper	5000	**CARE A1+ (A One Plus)**	**Reaffirmed**
Commercial Paper (IPO Financing)	5000	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**28,452.51 (Rupees Twenty-Eight Thousand Four Hundred Fifty Two Crore and Fifty One lakh only)**		

Details of instruments/facilities in Annexure-1

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Detailed Rationale & Key Rating Drivers

The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL), parent company holding 100% of ECL Finance Limited (ECLF) continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.

The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.

Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.

At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.

Rating Sensitivities

Negative Factor

- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors

- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL (consolidated) due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the asset quality going forward. Going forward, given the tough operating environment for real estate

& SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Detailed description of the key rating drivers
Key Rating Strengths
Diversified business profile of the group
EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.
Established institutional equity broking business and good retail distribution network
EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team
EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management has been with Edelweiss for a long period.

Adequate capitalization levels
On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.
The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.
The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.

The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Comfortable asset quality

EFSL's has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018).Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31,2019 as compared to 2.91 % as on March 31,2018. Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 29% of the total credit book. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderation in asset quality

EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.

Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.

The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key Rating Weakness

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.
As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses
The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.
As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).
Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth
Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.
During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile:

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.
As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach:
Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria
CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Rating Methodology- Non Banking Finance Companies
CARE's Criteria for Market Linked Notes/Debentures
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings

About the Company
Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Advisory businesses (EGIA) including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT(after share of profit and minority interest)	863	995
Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87

ROTA (%)	1.57	1.65

A: Audited

About ECL Finance Limited

ECLF is the primary NBFC arm of Edelweiss Financial Services Limited (EFSL) with 100% shareholding. The credit business of EFSL, which includes wholesale lending like corporate loans, sponsor funding, real estate loans, collateralized loans against liquid securities and capital market related loans.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total income	3,272	4,018
PAT	470.6	565.9
Interest coverage (times)	1.56	1.43
Total Assets	26,210	27,303
Net NPA (%)	0.75	0.69
ROTA (%)	1.99	2.12

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
	Fund Based- LT Bank Facilities	-	-	Jun-2023	12,686.66	CARE AA-;Negative
-	Commercial Paper	-	-	-	-	CARE A1+
INE804I07ZL1	Debt-Retail Bonds	11-Mar-15	10.15%	11-Mar-20	41.98	CARE AA-;Negative
INE804I07ZM9	Debt-Retail Bonds	11-Mar-15	10.60%	11-Mar-20	75.4	CARE AA-;Negative
INE804I07ZN7	Debt-Retail Bonds	11-Mar-15	Zero Coupon	11-Mar-20	23.46	CARE AA-;Negative
-	Debt-Retail Bonds (Proposed)	-	-	-	10.73	CARE AA-;Negative
INE804I08601	Debt-Subordinate Debt	26-Jun-14	12.00%	26-Apr-20	334.05	CARE AA-;Negative
INE804I08619	Debt-Subordinate Debt	26-Jun-14	12.00%	26-Apr-20	18.27	CARE AA-;Negative
INE804I08627	Debt-Subordinate Debt-	26-Jun-14	Zero Coupon	26-Apr-20	47.68	CARE AA-;Negative
INE804I08650	Debt-Subordinate Debt	19-Mar-15	11.25%	18-Sep-20	50	CARE AA-;Negative
INE804I08593	Debt-Subordinate Debt	30-Dec-13	12.00%	30-Dec-20	20	CARE AA-;Negative
INE804I08635	Debt-Subordinate Debt	30-Dec-14	11.25%	30-Jun-22	50	CARE AA-;Negative

INE804I08643	Debt-Subordinate Debt	4-Feb-15	11.25%	3-May-25	300	CARE AA-;Negative
INE804I08767	Debt-Subordinate Debt	14-Jun-17	9.60%	13-Jun-25	5	CARE AA-;Negative
INE804I08668	Debt-Subordinate Debt	3-Sep-15	10.62%	3-Sep-25	10	CARE AA-;Negative
INE804I08676	Debt-Subordinate Debt	30-Sep-15	10.60%	30-Sep-25	10	CARE AA-;Negative
INE804I08692	Debt-Subordinate Debt	16-Jun-16	10.15%	16-Jun-26	250	CARE AA-;Negative
INE804I08726	Debt-Subordinate Debt	5-May-17	9.75%	30-Apr-27	45	CARE AA-;Negative
INE804I08759	Debt-Subordinate Debt	13-Jun-17	9.65%	8-Jun-27	10	CARE AA-;Negative
-	Debt-Subordinate Debt (Proposed)	-	-	-	250	CARE AA-;Negative
INE804I07VQ9	Debentures-Non Convertible Debentures	3-Jul-14	11.00%	3-Jul-19	12.00	CARE AA-;Negative
INE804I07I30	Debentures-Non Convertible Debentures	31-Dec-15	9.80%	31-Dec-19	165.00	CARE AA-;Negative
INE804I07I48	Debentures-Non Convertible Debentures	31-Dec-15	9.80%	31-Dec-19	170.00	CARE AA-;Negative
INE804I07XM4	Debentures-Non Convertible Debentures	16-Oct-14	10.35%	16-Oct-20	400.00	CARE AA-;Negative
INE804I077P8	Debentures-Non Convertible Debentures	9-Jan-17	9.00%	9-Jan-24	50.00	CARE AA-;Negative
INE804I07YF6	Debentures-Non Convertible Debentures	1-Dec-14	10.50%	1-Dec-24	10.00	CARE AA-;Negative
INE804I07YP5	Debentures-Non Convertible Debentures	24-Dec-14	10.40%	24-Dec-24	10.00	CARE AA-;Negative
INE804I07ZE6	Debentures-Non Convertible Debentures	16-Feb-15	10.10%	14-Feb-25	5.00	CARE AA-;Negative
INE804I07ZT4	Debentures-Non Convertible Debentures	28-Mar-15	10.20%	28-Mar-25	10.00	CARE AA-;Negative
INE804I07ZY4	Debentures-Non Convertible Debentures	21-Apr-15	10.00%	21-Apr-25	10.00	CARE AA-;Negative
INE804I07E34	Debentures-Non Convertible Debentures	5-Oct-15	9.80%	3-Oct-25	20.00	CARE AA-;Negative
INE804I07E42	Debentures-Non Convertible Debentures	6-Oct-15	9.81%	6-Oct-25	12.50	CARE AA-;Negative
INE804I07H49	Debentures-Non Convertible Debentures	22-Dec-15	9.80%	22-Dec-25	25.00	CARE AA-;Negative
INE804I077X2	Debentures-Non Convertible Debentures	23-Mar-18	-	23-Sep-22	650.00	CARE AA-;Negative
-	Debentures-Non Convertible Debentures (Proposed)	-	-	-	508.5	CARE AA-;Negative
INE804I07YS9	Debentures-Market Linked Debentures	2-Jan-15	-	1-Jan-20	1.3	CARE PP-MLD AA –; Negative
INE804I074W1	Debentures-Market Linked Debentures	1-Jan-14	-	30-Oct-20	5.4	CARE PP-MLD AA –; Negative

INE804I07ZU2	Debentures-Market Linked Debentures	31-Mar-15	-	29-Mar-22	2.0	CARE PP-MLD AA –; Negative
-	Debentures-Market Linked Debentures(Proposed)	-	-	-	194.54	CARE PP-MLD AA –; Negative
INE804IA7139	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	9.95	23-May-29	36.00	CARE AA- ;Negative
INE804IA7147	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	10.4	23-May-29	6.57	CARE AA- ;Negative
INE804IA7121	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	10.4	23-May-24	14.84	CARE AA- ;Negative
INE804IA7113	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	10.4	23-May-24	29.9	CARE AA- ;Negative
INE804IA7105	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	9.95	23-May-24	67.41	CARE AA- ;Negative
INE804IA7097	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	10.2	23-Aug-22	19.04	CARE AA- ;Negative
INE804IA7089	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	10.2	23-Aug-22	65.48	CARE AA- ;Negative
INE804IA7071	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	9.9	23-May-21	16.22	CARE AA- ;Negative
INE804IA7063	Debentures-Non Convertible Debentures (Public Issue)	23-May-19	9.9	23-May-21	16.97	CARE AA- ;Negative
INE804IA7170	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-21	74.01	CARE AA- ;Negative
INE804IA7196	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Feb-23	38.95	CARE AA- ;Negative
INE804IA7204	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Feb-23	15.67	CARE AA- ;Negative
INE804IA7220	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-24	47.36	CARE AA- ;Negative
INE804IA7238	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-24	94.66	CARE AA- ;Negative
INE804IA7246	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-29	49.00	CARE AA- ;Negative

INE804IA7253	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-29	40.48	CARE AA-;Negative
INE804IA7212	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-24	86.14	CARE AA-;Negative
INE804IA7188	Debentures-Non Convertible Debentures (Public Issue)	28-Nov-19	-	28-Nov-24	14.45	CARE AA-;Negative
-	Debentures-Non Convertible Debentures (Public Issue)(Proposed)	-	-	-	266.85	CARE AA-;Negative
-	Debentures-Non Convertible Debentures (Proposed)	-	-	-	1000	CARE AA-;Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debt-Subordinate Debt	LT	100.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
4.	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
5.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
6.	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
7.	Bonds	LT	-	-	-	-	1) CARE AA; Positive (06-Jul-18)	1) CARE AA; Stable (12-Sep-17)
8.	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (12-Sep-17)
9.	Fund-based - LT-Term Loan	LT	4686.66	CARE AA-;Negative	-	1)CARE AA-; Stable (05-Jul-19)	1)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)

10.	Debt-Subordinate Debt	LT	400.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	11)CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17
11.	Debentures-Non Convertible Debentures	LT	-	-	-	-		1)Withdrawn (12-Sep-17)
12.	Debentures-Market Linked Debentures	LT	-	CARE PP-MLD AA-;Negative	-	1)CARE PP-MLD AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
13.	Debentures-Non Convertible Debentures	LT	-	-	-	-		1)Withdrawn (12-Sep-17)
14.	Debt-Subordinate Debt	LT	400.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
15.	Bonds	LT	294.16	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
16.	Debentures-Non Convertible Debentures	LT	-	-	-	-		1)Withdrawn (12-Sep-17)
17.	Commercial Paper	ST	5000.00	CARE A1+	-	-	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Sep-17)
18.	Debentures-Non Convertible Debentures	LT	-	-	-	-		1)Withdrawn (12-Sep-17)
19.	Debentures-Non Convertible Debentures	LT	1965.70	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
20.	Debentures-Market Linked Debentures	LT	228.63	CARE PP-MLD AA-; Negative	-	1)CARE PP-MLD AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE PP-MLD AA; Stable (12-Sep-17)
21.	Debt-Subordinate Debt	LT	500.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1)CARE AA; Stable (12-Sep-17)
22.	Fund-based - LT-Term Loan	LT	8000.00	CARE AA-; Negative	-	1)CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (06-Jul-18)	1) CARE AA; Stable (12-Sep-17)
23	Commercial Paper- Commercial Paper(IPO Financing)	ST	5000.00	CARE A1+	-	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (20-Mar-19) 2)Temp Withdrawn (19-Mar-19) 3)CARE A1+ (14-Feb-19)	-
24	Debentures-Market Linked Debentures	LT	300.00	CARE PP MLD AA-; Negative	-	1)CARE PP-MLD AA-; Stable	1)CARE PP MLD AA; Positive	-

						(05-Jul-19)	(13-Mar-19)	
25	Debentures-Non Convertible Debentures	LT	2000.00	CARE AA-; Negative	-	1) CARE AA-; Stable (05-Jul-19)	1) CARE AA; Positive (28-Mar-19)	-

Annexure-3: List of subsidiaries taken for consolidation as on March 31, 2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%
13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%

41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us atwww.careratings.com**

Edelweiss Asset Reconstruction Company
May 07, 2020

Ratings

Facilities/Instrument	Amount (Rs. crore)	Ratings[11]	Rating Action
Principal Protected Market Linked Debentures (PP-MLD)	595.50	**CARE PP-MLD AA- (CE); Negative [PP-MLD Double A Minus (Credit Enhancement); Outlook: Stable]***	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Principal Protected Market Linked Debentures (PP-MLD)	500.00	**CARE PP-MLD AA- (CE); Negative [PP-MLD Double A Minus Negative (Credit Enhancement); Outlook: Stable]***	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	90.25	**CARE AA- (CE); Negative [Double A Minus (Credit Enhancement); Outlook: Stable]***	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	30	**CARE A+ (CE); Negative [Single A Plus (Credit Enhancement); Outlook: Stable]#**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Non-Convertible Debentures	370	**Provisional CARE A+ (CE); Negative [Provisional Single A Plus (Credit Enhancement); Outlook: Negative]#**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Long-term Bank Facilities	128.25	**CARE A+ (CE); Negative [Single A Plus (Credit Enhancement); Outlook: Negative]#**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Long-term Bank Facilities	220	**Provisional CARE A+ (CE); Negative [Provisional Single A Plus (Credit Enhancement); Outlook: Negative]#**	**Re-affirmed and Outlook revised from 'Stable' to 'Negative'**
Commercial Paper	300	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**2,234 (Rupees Two Thousand Two Hundred and Thirty Four crore only)**		

Details of instruments/facilities in Annexure-1
**The above rating is backed by an unconditional and irrevocable corporate guarantee issued by Edelweiss Financial Services Ltd. (EFSL)*
#The above ratings are backed by a letter of comfort issued by Edelweiss Financial Services Ltd. (EFSL)

Unsupported Rating [12]	**CARE A+ (Single A)**

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
[12] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).*

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers
The ratings on a consolidated basis of Edelweiss Financial Services Limited (EFSL)continue to factor in the diversified business profile of the Edelweiss group with experienced management team, adequate capitalization with continuous plans for equity infusion, moderate asset quality and moderate liquidity profile. The ratings are, however, constrained by dependence on revenue from the capital market related activities including ARC have been showing consistent profitability over years however, which has inherent volatility, client concentration and credit risk in its wholesale credit book, risk associated with distressed assets and substantial moderation in the profitability in 9MFY20.
The rating continues to factor in challenges in resource mobilisation for the NBFC sector in general and wholesale NBFCs in particular post confidence crisis in the NBFC sector post ILFS crisis, however, CARE takes note of approx. Rs. 4,400 crore of resource mobilisation by EFSL and subsidiaries till H1FY20 at a relatively increased cost of borrowings due to increased risk perception of the lenders towards entities operating in NBFC/HFC segment. Further, ECL Finance Ltd, (NBFC in Edelweiss group) has successfully closed a public issue of NCDs of Rs.500 crore in December 2019 and Edelweiss Finance and Investment Limited, (another NBFC of Edelweiss Group) raised Rs.250 crore through public issue of NCDs in February 2020. While the company has been raising incremental funds from banks by way of bank lines, securitization and few retail NCDs in the interest range of 10-11%, the yields in the secondary market continue to remain relatively higher than the retail NCD's.
Therefore, continuous mobilisation of resources for EFSL group and maintaining liquidity during this current operating environment remains a key rating monitorable. The rating also continues to take into account the exposure of EFSL Group to real estate sector which is witnessing further slowdown and experiencing heightened refinancing risk. During 9MFY20, EFSL has witnessed sell down in the wholesale book to Asset Reconstruction Companies as well as the towards real estate fund formed by Edelweiss Global Investment Advisors Business (EGIA) along with investment from Meritz Group, a South Korean financial conglomerate. The company expects further sell down in the wholesale book during Q1FY21 for reducing the total exposure towards real estate and structured credit. Apart from provisions, any losses arising out of sale of assets beyond the allocated provisions will also impact the profitability.
At present, the asset quality remains moderate with write offs and sell down in Q3FY20. Further, the collateral cover taken on the real estate exposures and control over project cash flows through escrow mechanism also provide comfort to an extent but continuation of slowdown in the real estate market may put some pressure on the liquidity with any increase in proportion of stressed assets in real estate portfolio and structured finance in the short to medium term. Further impact of COVID 19 on the asset quality will also remain key monitorable.
Rating Sensitivities
Negative Factor
- Increase in the gearing levels [Debt (excluding CBLO)/ Tangible Net worth (excluding minority interest)] above 7x on a consolidated basis.
- Deterioration in asset quality with Gross Non-Performing assets (GNPA) increasing above 4% levels on consolidated basis.
- Lower than expected scale down of the wholesale loan portfolio
- Rise in the provisions above Rs. 850-900 crore as envisaged for FY20
- Widening gap of the asset inflows and outflows going forward

Positive Factors
- Improvement in the profitability parameters on a consolidated basis on a sustained basis
- Increase in the mobilization of resources on a steady basis at improved rates
- Increase in the granularity of the overall credit book with decline in the wholesale book.

Outlook: Negative
The outlook has been revised to 'Negative' from 'Stable' on account of the heightened risk profile of the overall credit book of EFSL due to the current outbreak of COVID-19 and the nationwide lockdown which could impact the

asset quality going forward. Going forward, given the tough operating environment for real estate & SME players on the back of expected lower economic growth, the asset quality and profitability of EFSL may be under pressure.
The outlook would be revised to 'Stable' if the company is able to maintain the asset quality and the profitability at the current levels.

Key Rating Drivers of Edelweiss Asset Reconstruction Company Limited
The unsupported rating assigned to Edelweiss Asset Reconstruction Company Limited (EARC) takes into consideration the synergies derived by EARC from its parent, EFSL through financial, operational and management linkages. EARC has demonstrated an established market position by being the largest Asset Reconstruction Company in India with Assets under Management (AUM) of about Rs.47,000 crore as on September 30, 2019. The company is adequately capitalized with gearing levels of 2.47 times as on September 30, 2019 and Capital Adequacy Ratio of 25.58% as on March 31, 2019.
However, the rating is constrained on account of the limited track record on recovery of the assets with SRs aggregating only Rs.8,335 crore (15% of the assets acquired) have been redeemed or written off so far as majority of EARC's AUM has been acquired in the last few years. The rating is also constrained on account of the risks associated with the distressed asset sector and the volatility of the earnings profile. The profitability of an asset reconstruction company hinges on successful resolution of the stressed assets that have been acquired from banks and FIs. Volatility of the cash flows generated from the unpredictable schedule of NPA resolution also poses additional risk. Even though the ARC business has demonstrated growth in the past year with resolution of Rs.30,136 crore of assets (54% of the acquired assets) and growth in profitability, the inherent riskiness of business model leads to uncertainty and credit risk. However, the recent development through the Insolvency and Bankruptcy Code (IBC) and the order by the Supreme Court has led to healthy cash-flows to EARC with regards to the resolution of Essar Steel exposure. Going forward, the developments by the government towards IBC and National Company Law Tribunal (NCLT) is positive development to EARC.

Detailed description of the key rating drivers
Key rating strengths
Diversified business profile of the group
EFSL is a diversified financial services company with presence in various business segments related to credit in retail credit including mortgage finance (housing loans, loans against property) and SME credit, corporate credit and distressed assets credit including asset reconstruction. Its Advisory businesses include wealth management, asset management, and capital market businesses which include equity broking (both institutional and retail) and investment banking. Its insurance business includes both life and general insurance businesses. The share of the group's total interest income accounted for 60% of the total income in FY19 on consolidated basis. (FY18: 56.5%). The share of broking and fee based income has reduced to 22% of total income in FY19 from 27% of total income in FY18. This was mainly due to the slowdown in the advisory and broking business due to the volatility in the capital market in FY19 though the fees from distressed credit business were higher. The share of the insurance premium increased marginally.

Established institutional equity broking business and good retail distribution network
EFSL on group basis has established institutional equity business comprising institutional equity sales and research. It provides services to a large and diversified base of Foreign Institutional Investors (FIIs) and domestic institutional investors. Its clients include large pension funds, long only funds, Exchange Traded Funds (ETFs) and hedge funds. It is one of the largest domestic institutional broking houses in India with around 700 foreign and domestic institutional investors. The institutional equity business is supported by a strong equity sales team and relevant and timely research. EFSL manages an AUM of Rs. 2,00,900 crore of customer assets which comprises of Assets under advice (Wealth Management), Distressed Credit (ARC Assets) (excluding Edelweiss contribution), Funds under Management (Asset Management) (excluding Edelweiss contribution) and Assets under custody and clearing.

Experienced management team
EFSL has a strong management team with a rich experience in the financial sector. The senior management team of Edelweiss has been quite stable over the last few years and most of the senior management have been with Edelweiss for a long period.

Adequate capitalization levels with fresh capital infusion plans

On a consolidated basis, the tangible net worth (excluding minority interest) stood at Rs. 6919 crore as on March 31, 2019 compared to Rs. 6027 crore as on March 31, 2018. In March 2019, the company has signed an agreement with CDPQ (Canadian Pension Fund) for investment in the NBFC arm ECL Finance Limited of ~Rs. 1800 crore in a span of 2 years. Out of the said investment, Rs. 1040 crore was received in May 2019 in the form of compulsorily convertible debenture. The group maintained the Capital Adequacy levels (as per company) at 18.01% as on March 31, 2019. (17.4% as on March 31, 2018). During FY20, the company announced capital infusion plans in the advisory arm of the group i.e. EGIA to the tune of Rs. 883 crore from two foreign investor viz. Kora Management Limited and Sanaka Capital. Out of the said investment, Rs. 177 crore was received in November 2019 from KORA Management in the form of compulsorily convertible preference shares and the company received Rs. 117 crore from Sanaka Capital during Q3FY20.

The group's debt levels have decreased from Rs.48031 crore as on March 31, 2018 to Rs.45217 crore as on March 31, 2019. Consequently, gearing levels (excluding minority interest) decreased from 7.97 times as on March 31, 2018 to 6.53 times as on March 31, 2019. The gearing (excluding MI) post the capital infusion in May 2019 stood at 5.60 times (based on March 2019 debt figures). The group's gearing excluding the liquid treasury assets maintained for liquidity management as on March 31, 2019 as per the management is 4.45 times based on reported net worth.

The group's gearing (excluding MI and CBLO borrowings) further decreased to 4.43 times as on December 31, 2019. The group's gearing excluding the liquid treasury assets maintained for liquidity management as on December 31, 2019 as per the management has also come down to 2.9 times based on reported net worth.

The Group has demonstrated a track record of raising funds at regular intervals to take care of the leverage at the group level. Further, the Group has a strong track record of raising and deploying managed funds, which supports its overall business capabilities.

Moderation in asset quality

EFSL has been able to maintain comfortable asset quality on the book including the wholesale book over the years. As on March 31, 2019, Gross NPA ratio was 1.87% (1.75% as on March 31, 2018). Net NPA ratio was 0.83% (0.70% as on March 31, 2018) while Net NPA to Net-worth ratio was 4.32% (3.43% as on March 31, 2018). Including the written off amounts, Adjusted GNPA ratios stood at 2.5% as on March 31, 2019 as compared to 2.91 % as on March 31, 2018.

Edelweiss group has outstanding exposure to real estate with financing to developers accounting for 26% of the total credit book as on December 31, 2019. The current environment prevailing in the real estate sector with funding constraints on account of crisis in the NBFC sector coupled with higher inventory is expected to put pressure on the asset quality of the NBFCs including Edelweiss which has relatively higher exposure to real estate developers in the NBFC segment. As on December 31, 2019, the group on a consolidated basis witnessed deterioration in the asset quality metrics. Gross NPA ratio was 2.76% as on December 31, 2019 as compared to 1.87% as on March 31, 2019. The Net NPA ratio was 1.97% as on December 31, 2019 as compared to 0.83% as on March 31, 2019. During 9MFY20, the company has witnessed sell down in the wholesale book to ARC's and Completion financing fund managed by EGIA with Meritz Group. The company has plans for further sell down of the wholesale book during Q1FY21.

The current global outbreak of COVID-19 would further put pressure on the overall economy going forward. Thus, the ability of the group in maintaining the asset quality across the business cycles is a key rating sensitivity.

Moderate liquidity profile and diversified resource profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. At the group level, the company maintained liquidity to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs.900 crore of investment in government securities and bonds, Rs 1300 crore of investment in mutual funds and bonds and off balance sheet liquidity in the form of undrawn bank lines amounted to Rs.700 crore. As per management, the liquidity stood at Rs. 10300 crore (including short term loan book) as on December 31,2019.

As on December 31, 2019, resource profile (excluding CBLO) is well diversified with NCDs / Sub debt / MLD - 58% (FY19: 53%), Bank borrowings- 41% (FY19: 34%), Commercial Paper- 1% (FY19: 2%) of total borrowings respectively. EFSL has reduced its dependence on the commercial paper in FY19 and continues to maintain the CP borrowings as negligible in FY20 as well.

Key rating weaknesses

Substantial proportion of revenue from the capital markets related activities

A significant proportion of ESFL's revenue is related to the capital markets led activities, which include equity broking, investment banking, capital market related loan portfolio, asset management. However with increase in size of the credit and distressed assets business, dependency on capital markets has been declining over past few years.

Client concentration and credit risk in its wholesale credit book

As on March 31, 2019, the total loan portfolio comprised of retail book of 42% (March 2018: 41%), wholesale book of 41% (March 2018: 45%) and distressed asset book of 17% (March 2018:14%). Wholesale credit book of EFSL comprises of the real estate financing and the structured collateralised credit book. The real estate financing accounted for 27% of the total credit book as on March 31, 2019 as compared to 24% of the total credit book as on March 31, 2018. Even though the company has demonstrated a reduction on the concentration in the wholesale book as compared to the last year, the real estate segment continues to dominate the credit book. As on December 31, 2019, top 50 exposures (of which 41 accounts were from real estate segment) shared by the company accounted for 1.04 times of Tangible Net-worth. The top 10 accounts accounted for 41% of the tangible net-worth. (March 2019: 45% of tangible net worth). As on December 31, 2019, the retail and wholesale proportion of the total loan portfolio (including distress asset) stood at 51:49. However, there has been a considerable decline in the wholesale book (excluding distress assets) from Rs. 18055 crore as on March 31, 2019 to Rs. 13927 crore as on December 31, 2019 as the company has witnessed considerable sell down in the wholesale book.

As on March 31, 2019, the real estate book which has high ticket concentration and higher proportion of the book (based on analysis of information provided for 32 top exposures in RE book) under principal moratorium is expected to impact the liquidity in the short to medium term given the prolonged slowdown in the real estate sector. However, the company tries to mitigate the risk associated with the real estate exposures by the adequate collateral cover of 2-3x maintained on each exposure and control over the cash flows of the projects through Escrow mechanism. The company undertakes regular monitoring of each projects by an in-house team of 70+ employees which is engaged in fortnightly physical verification of the projects, marketing and controlling the construction if required.

Risk associated with distressed assets and new businesses

The insurance business is characterized by high competition and the group's ability to successfully establish a position in these segments is yet to be seen. Furthermore, the group has acquired a large portfolio of distressed assets in the past few years and the resolution in such cases needs to be seen.

As on March 31, 2019, the distressed assets (DA) accounted for 17% of credit book stood as on March 31, 2019 compared to 15% as on March 31, 2018. Till date the ARC has redeemed Rs.7553 crore of security receipts which account of approximately 13.99% of the issued security receipts. The ARC has made recoveries of Rs. 7019 crore during FY19 (FY18: Rs.2574 crore) and recoveries of Rs.10003 crore in 9MFY20. Edelweiss ARC reported a Profit after tax (PAT) of Rs.435.02 crore in FY19 (Rs.180.02 crore in FY18).

Even though the ARC business has demonstrated growth in the past year with steady recoveries and growth in profitability, the inherent high riskiness of business leads to uncertainty and credit risk. At the same time, the implementation of IBC has improved the pace of resolution. The company's ability to demonstrate adequate and timely resolution performance is a key rating sensitivity.

Moderation in profitability growth

Moderation in the growth in profitability is on account of moderate growth in the advisory income due to capital market volatility in FY19 and increase in the loss in the life insurance business coupled with the rise in the cost of borrowings of the group post H2FY19 on account of liquidity crunch in the market and also the lower dependence on the commercial paper borrowings. The operating expense as a % of average assets increased from 5.73% in FY18 to 6.24% in FY19 on account of creation of capacity to build the retail book. Credit cost has declined from 1.17% in FY18 to 0.77% in FY19 on account of reduction in the provisions in FY19. As a result of the above, the Return on total assets continued to be maintained at 1.66% in FY19.

During 9MFY20, the group reported a decline in the profitability (Profit after tax) by 74% on a Y-o-Y basis. The major reasons for the decline in the profitability are decline in the interest income due to de-growth in the loan portfolio, negative carry due to maintenance of higher liquidity cushion and rise in the provisions. The company witnessed decline in the total loan portfolio (including distress assets) by 15% from Rs. 43510 crore as on March 31, 2019 to

Rs. 36783 crore as on December 31, 2019. The company has envisaged a decline in the profitability for FY20 as the company aims at strengthening the balance sheet.

Liquidity Profile

EFSL on a consolidated basis maintained a cumulative positive asset-liability mismatch across the time buckets as on December 31, 2019. EFSL has contractual inflows of advances of Rs. 8816 crore upto one year against which EFSL has contractual outflow of debt obligations of Rs. 14067 crore (excluding CBLO) due to continuous sell down of assets. For the said mismatch, at the group level, the company maintained liquidity (unencumbered) to the tune of Rs.6150 crore as on December 31, 2019 which comprised of Rs. 3250 crore of cash/bank balance & fixed deposit, Rs 1300 crore of investment in mutual funds and bonds, Rs.900 crore of investment in government securities and bonds and Rs. 700 crore of undrawn bank lines. The above liquidity is exactly adequate to take care of the said mismatch. Going forward, any stress witnessed in the credit book of EFSL would lead to further stretch in the liquidity maintained by EFSL. Thus, any further widening of the asset-liability mismatch leading to stretch in the liquidity maintained by EFSL would be a key rating monitorable.

As per management's cash flow projection plan as on December 31,2019, the asset EMI and repayments (excluding short term loan book) stood at Rs. 7700 crore upto one year and debt repayments stood at Rs. 13500 crore upto one year. For the said mismatch, the company has liquidity of Rs. 10300 crore (including short term loan book). Also, recently the company has taken efforts in mobilization of resources under the Targeted Long Term Repo Operations and planned primary issues of NCD.

Analytical approach: Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA-'; Negative), the flagship company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating. The list of the subsidiaries considered for consolidation is as per Annexure 3.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings
Policy of Default Recognition
Financial ratios – Financial Sector
Rating Methodology- Non Banking Finance Companies
Criteria for Short term instruments
Consolidation and Factor Linkages in Ratings
Rating of Credit Enhanced Debt
CARE's Criteria for Market Linked Notes/Debentures

About the Company

Previously known as Edelweiss Capital Limited, Edelweiss Financial Services Limited (EFSL) was incorporated in 1995 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss Group. The company on a standalone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss Group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around three broad lines – credit including housing finance, SME loans, Loans against Property, Loans against Securities, Rural finance, Agri credit, Structured collateralised credit to corporates and real estate developer finance, Franchise & advisory businesses including wealth management, asset management and capital markets and insurance including life and general insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The group conducts its business from 476 offices (including 8 international offices in 6 locations) in around 200 cities as on March 31, 2019. EFSL caters to the total client base of 12 Lakh served by 11,410 employees pan India as on March 31, 2019.

Brief Financials (Rs. crore) (IND-AS)	FY18 (A)	FY19 (A)
Total income	8,920	10,886
PAT(after share of profit and minority interest)	863	995

Overall Gearing (excluding minority interest) (times)	7.97	6.53
Total Assets	62,554	63,630
Gross NPA (%)	1.75	1.87
ROTA (%)	1.57	1.65

A: Audited

EARC

Edelweiss Asset Reconstruction Company Ltd. (EARC) was incorporated in October 2007 and registered with the Reserve Bank of India as a Securitization and Asset Reconstruction company in October 2009. As on March 31, 2018, the Edelweiss group held 74.81% equity stake. As on September, EARC had Rs.47000 crore of AUM in outstanding SRs with Rs.5962.8 crore of SRs held on its own books. EARC's management team is led by Mr. Siby Antony and Chairman and Mr. R. K. Bansal, MD & CEO.

EARC – Standalone (Ind AS)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total income	769	1,367
PAT	180	435
Interest coverage (times)	1.66	2.19
Overall Gearing	3.58	2.79
Total Assets	5,475	6,840
ROTA (%)	3.71	7.06

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details
Annexure I- Instrument Details

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the issue (Rs. Crore)	Rating assigned along with Rating Outlook
NA	Fund-based - LT-Term Loan	NA	NA	NA	128.55	CARE A+ (CE); Negative
NA	Fund-based - LT-Term Loan	NA	NA	NA	200	Provisional CARE A+ (CE); Negative
INE015L07048	Debentures-Market Linked Debentures	27-May-16	MLD	30-Sep-19	5	CARE PP-MLD AA- (CE); Negative
INE015L07089	Debentures-Market Linked Debentures	3-Jun-16	MLD	7-Oct-19	2	CARE PP-MLD AA- (CE); Negative
INE015L07162	Debentures-Market Linked Debentures	17-Jun-16	MLD	18-Oct-19	3	CARE PP-MLD AA- (CE); Negative
INE015L07196	Debentures-Market Linked Debentures	24-Jun-16	MLD	25-Oct-19	3	CARE PP-MLD AA- (CE); Negative

INE015L07055	Debentures-Market Linked Debentures	27-May-16	MLD	28-May-21	1	CARE PP-MLD AA- (CE); Negative
INE015L07097	Debentures-Market Linked Debentures	10-Jun-16	MLD	11-Jun-21	10	CARE PP-MLD AA- (CE); Negative
INE015L07170	Debentures-Market Linked Debentures	22-Jun-16	MLD	23-Jun-21	5	CARE PP-MLD AA- (CE); Negative
INE015L07188	Debentures-Market Linked Debentures	22-Jun-16	MLD	17-Jun-26	5	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	13-Feb-19	MLD	15-Nov-21	1.16	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	13-Feb-19	MLD	6-Sep-22	0.55	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	13-Feb-19	MLD	17-Jul-26	1.79	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	13-Feb-19	MLD	16-Nov-20	0.87	CARE PP-MLD AA- (CE); Negative
INE015L07659	Debentures-Market Linked Debentures	4-Apr-19	MLD	28-Mar-24	29.94	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	4-Apr-19	MLD	15-Nov-21	4	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	28-Mar-19	MLD	15-Nov-21	7.31	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	4-Apr-19	MLD	16-Nov-20	5	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	30-Mar-19	MLD	17-Jul-26	15.19	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	7-Mar-19	MLD	17-Jul-26	2.7	CARE PP-MLD AA- (CE); Negative
INE015L07659	Debentures-Market Linked Debentures	28-Mar-19	MLD	28-Mar-24	5	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	7-Mar-19	MLD	15-Nov-21	1.3	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	6-Mar-19	MLD	17-Jul-26	2.19	CARE PP-MLD AA- (CE); Negative

INE015L07535	Debentures-Market Linked Debentures	7-Mar-19	MLD	6-Sep-22	2.1	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	8-Mar-19	MLD	16-Nov-20	9.85	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	8-Mar-19	MLD	17-Jul-26	10.54	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	6-Mar-19	MLD	16-Nov-20	0.16	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	1-Mar-19	MLD	16-Nov-20	1.81	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	1-Mar-19	MLD	15-Nov-21	1.09	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	1-Mar-19	MLD	6-Sep-22	0.8	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	7-Mar-19	MLD	16-Nov-20	1.1	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	22-May-19	MLD	15-Nov-21	12.31	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	29-May-19	MLD	15-Nov-21	5.47	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	29-May-19	MLD	6-Sep-22	7.11	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	10-May-19	MLD	6-Sep-22	0.78	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	31-May-19	MLD	15-Nov-21	12.54	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	5-Apr-19	MLD	6-Sep-22	1.68	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	23-Apr-19	MLD	6-Sep-22	5.43	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	4-Apr-19	MLD	6-Sep-22	54.72	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	5-Apr-19	MLD	15-Nov-21	1.08	CARE PP-MLD AA- (CE); Negative

INE015L07428	Debentures-Market Linked Debentures	5-Apr-19	MLD	17-Jul-26	16.82	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	5-Apr-19	MLD	16-Nov-20	3.68	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	23-Apr-19	MLD	15-Nov-21	12.21	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	3-May-19	MLD	17-Jul-26	2.25	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	9-May-19	MLD	15-Nov-21	1.88	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	9-May-19	MLD	17-Jul-26	0.78	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	9-May-19	MLD	6-Sep-22	0.3	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	10-May-19	MLD	17-Jul-26	0.74	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	19-Mar-19	MLD	16-Nov-20	0.1	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	19-Mar-19	MLD	6-Sep-22	0.9	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	19-Mar-19	MLD	17-Jul-26	0.5	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	19-Mar-19	MLD	15-Nov-21	1	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	28-Mar-19	MLD	16-Nov-20	29.25	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	28-Mar-19	MLD	6-Sep-22	0.92	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	26-Feb-19	MLD	15-Nov-21	1.7	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	26-Feb-19	MLD	6-Sep-22	3.4	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	14-Mar-19	MLD	16-Nov-20	0.74	CARE PP-MLD AA- (CE); Negative

INE015L07535	Debentures-Market Linked Debentures	6-Mar-19	MLD	6-Sep-22	13.79	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	14-Mar-19	MLD	15-Nov-21	1	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	13-Mar-19	MLD	16-Nov-20	1.92	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	13-Mar-19	MLD	15-Nov-21	0.95	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	13-Mar-19	MLD	6-Sep-22	0.93	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	13-Mar-19	MLD	17-Jul-26	0.43	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	28-Feb-19	MLD	16-Nov-20	28.98	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	28-Feb-19	MLD	15-Nov-21	1.78	CARE PP-MLD AA- (CE); Negative
INE015L07584	Debentures-Market Linked Debentures	26-Feb-19	MLD	16-Nov-20	1.6	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	26-Feb-19	MLD	17-Jul-26	0.9	CARE PP-MLD AA- (CE); Negative
INE015L07642	Debentures-Market Linked Debentures	28-Feb-19	MLD	31-Mar-20	24.38	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	15-Feb-19	MLD	6-Sep-22	0.47	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	10-May-19	MLD	15-Nov-21	2.42	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	24-Apr-19	MLD	15-Nov-21	1.22	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	24-Apr-19	MLD	6-Sep-22	1.35	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	24-Apr-19	MLD	17-Jul-26	2.57	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	21-May-19	MLD	6-Sep-22	1.11	CARE PP-MLD AA- (CE); Negative

INE015L07592	Debentures-Market Linked Debentures	21-May-19	MLD	15-Nov-21	0.34	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	11-Jun-19	MLD	15-Nov-21	0.80	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	11-Jun-19	MLD	17-Jul-26	0.70	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	11-Jun-19	MLD	06-Sep-22	1.50	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	29-Jun-19	MLD	17-Jul-26	7.41	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	29-Jun-19	MLD	15-Nov-21	0.65	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	27-Jun-19	MLD	15-Nov-21	1.85	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	27-Jun-19	MLD	06-Sep-22	9.44	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	27-Jun-19	MLD	17-Jul-26	9.45	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	29-Jul-19	MLD	17-Jul-26	3.75	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	29-Jul-19	MLD	16-Nov-20	5.33	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	29-Jul-19	MLD	06-Sep-22	1.90	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	29-Jul-19	MLD	15-Nov-21	0.95	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	30-Jul-19	MLD	16-Nov-20	2.00	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	30-Jul-19	MLD	15-Nov-21	1.00	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	30-Jul-19	MLD	17-Jul-26	0.50	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	31-Jul-19	MLD	16-Nov-20	2.50	CARE PP-MLD AA- (CE); Negative

INE015L07535	Debentures-Market Linked Debentures	30-Jul-19	MLD	06-Sep-22	0.50	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	01-Aug-19	MLD	17-Jul-26	10.28	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	20-Aug-19	MLD	06-Sep-22	0.17	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	21-Aug-19	MLD	16-Nov-20	3.50	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	21-Aug-19	MLD	06-Sep-22	0.75	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	09-Jul-19	MLD	06-Sep-22	3.57	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	04-Sep-19	MLD	17-Jul-26	7.25	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	27-Sep-19	MLD	06-Sep-22	3.20	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	27-Sep-19	MLD	16-Nov-20	3.66	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	12-Sep-19	MLD	06-Sep-22	0.12	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	12-Sep-19	MLD	16-Nov-20	0.25	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	12-Sep-19	MLD	17-Jul-26	0.42	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	30-Aug-19	MLD	16-Nov-20	0.45	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	30-Aug-19	MLD	17-Jul-26	1.97	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	04-Sep-19	MLD	06-Sep-22	4.28	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	20-Aug-19	MLD	16-Nov-20	1.63	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	18-Oct-19	MLD	06-Sep-22	0.86	CARE PP-MLD AA- (CE); Negative

INE015L07535	Debentures-Market Linked Debentures	29-Oct-19	MLD	06-Sep-22	1.72	CARE PP-MLD AA- (CE); Negative
INE015L07691	Debentures-Market Linked Debentures	18-Oct-19	MLD	16-Nov-20	0.72	CARE PP-MLD AA- (CE); Negative
INE015L07758	Debentures-Market Linked Debentures	06-Mar-20	MLD	31-Mar-22	1.82	CARE PP-MLD AA- (CE); Negative
INE015L07766	Debentures-Market Linked Debentures	06-Mar-20	MLD	31-Mar-23	1.66	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	13-Dec-19	MLD	17-Jul-26	0.60	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	06-Dec-19	MLD	15-Nov-21	0.35	CARE PP-MLD AA- (CE); Negative
INE015L07428	Debentures-Market Linked Debentures	30-Oct-19	MLD	17-Jul-26	1.53	CARE PP-MLD AA- (CE); Negative
INE015L07592	Debentures-Market Linked Debentures	15-Nov-19	MLD	15-Nov-21	0.25	CARE PP-MLD AA- (CE); Negative
INE015L07535	Debentures-Market Linked Debentures	06-Dec-19	MLD	06-Sep-22	2.73	CARE PP-MLD AA- (CE); Negative
INE015L07717	Debentures-Market Linked Debentures	12-Dec-19	MLD	12-Mar-21	23.00	CARE PP-MLD AA- (CE); Negative
INE015L07774	Debentures-Market Linked Debentures	06-Mar-20	MLD	29-Mar-24	1.51	CARE PP-MLD AA- (CE); Negative
INE015L07725	Debentures-Market Linked Debentures	31-Jan-20	MLD	24-Jan-30	5.33	CARE PP-MLD AA- (CE); Negative
INE015L07741	Debentures-Market Linked Debentures	06-Mar-20	MLD	31-Mar-21	2.00	CARE PP-MLD AA- (CE); Negative
INE015L07733	Debentures-Market Linked Debentures	06-Mar-20	MLD	31-Mar-25	13.01	CARE PP-MLD AA- (CE); Negative
NA	Debentures-Market Linked Debentures	NA	NA	NA	543.8	CARE PP-MLD AA- (CE); Negative
INE015L07204	Debentures-Non Convertible Debentures	27-Jun-16	10.00%	22-Jun-26	2	CARE AA- (CE); Negative
INE015L07212	Debentures-Non Convertible Debentures	28-Jun-16	10.00%	23-Jun-26	4	CARE AA- (CE); Negative

INE015L07261	Debentures-Non Convertible Debentures	1-Jul-16	10.00%	26-Jun-26	18.5	CARE AA- (CE); Negative
INE015L07279	Debentures-Non Convertible Debentures	4-Jul-16	10.00%	29-Jun-26	5	CARE AA- (CE); Negative
INE015L07550	Debentures-Non Convertible Debentures	12-Sep-17	8.50%	11-Sep-24	60	CARE AA- (CE); Negative
INE015L07014	Debentures-Non Convertible Debentures	22-Jun-16	10.75%	22-Feb-21	30	CARE AA- (CE); Negative
INE015L07675	Debentures-Non Convertible Debentures	2-Apr-19	-	28-Mar-29	0.25	CARE AA- (CE); Negative
NA	Debentures-Non Convertible Debentures	NA	NA	NA	0.5	CARE AA- (CE); Negative
NA	Debentures-Non Convertible Debentures	NA	NA	NA	370	Provisional CARE A+ (CE); Negative
NA	Commercial Paper	NA	NA	7 days to 1 year	300	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	220.00	Provisional CARE A+ (CE); Negative	-	1)Provisional CARE A+ (CE); Stable (25-Dec-19) 2)Provisional CARE A+ (CE); Stable (05-Jul-19)	1)Provisional CARE AA- (SO); Positive (06-Jul-18)	1)Provisional CARE AA- (SO); Stable (12-Sep-17)
2.	Debentures-Non Convertible Debentures	LT	370.00	Provisional CARE A+ (CE); Negative	-	1)Provisional CARE A+ (CE); Stable (25-Dec-19) 2)Provisional CARE A+ (CE); Stable (05-Jul-19)	1)Provisional CARE AA- (SO); Positive (06-Jul-18)	1)Provisional CARE AA- (SO); Stable (12-Sep-17)
3.	Fund-based - LT-Term Loan	LT	48.25	CARE A+ (CE); Negative	-	1)Provisional CARE A+ (CE); Stable (25-Dec-19)	1)CARE AA- (SO); Positive (06-Jul-18)	1)CARE AA- (SO); Stable (12-Sep-17)

						2) CARE A+ (CE); Stable (05-Jul-19)		
4.	Fund-based - LT-Bank Overdraft	LT	80.00	CARE A+ (CE); Negative	-	1)CARE A+ (CE); Stable (25-Dec-19) 2) CARE A+ (CE); Stable (05-Jul-19)	1)CARE AA- (SO); Positive (06-Jul-18)	1)CARE AA- (SO); Stable (12-Sep-17)
5.	Debentures-Non Convertible Debentures	LT	30.00	CARE A+ (CE); Negative	-	1)CARE A+ (CE); Stable (25-Dec-19) 2) CARE A+ (CE); Stable (05-Jul-19)	1)CARE AA- (SO); Positive (06-Jul-18)	1)CARE AA- (SO); Stable (12-Sep-17)
6.	Debentures-Market Linked Debentures	LT	595.50	CARE PP-MLD AA- (CE); Negative	-	1)CARE PP-MLD AA- (CE); Stable (05-Jul-19)	1) CARE PP-MLD AA (SO); Positive (06-Jul-18)	1)CARE PP-MLD AA (SO); Stable (12-Sep-17)
7.	Debentures-Market Linked Debentures	LT	500.00	CARE PP-MLD AA- (CE); Negative	-	1)CARE PP-MLD AA- (CE); Stable (05-Jul-19)	1)CARE PP-MLD AA (SO); Positive (13-Feb-19)	-
8.	Debentures-Non Convertible Debentures	LT	90.25	CARE AA- (CE); Negative	-	1)CARE AA- (CE); Stable (05-Jul-19)	1)CARE AA (SO); Positive (06-Jul-18)	1)CARE AA (SO); Stable (12-Sep-17)
9.	Commercial Paper	ST	300.00	CARE A1+	-	1)CARE A1+ (05-Jul-19)	1)CARE A1+ (20-Aug-18) 2)Provisional CARE A1+ (SO) (06-Jul-18)	1)Provisional CARE A1+ (SO) (12-Sep-17)

Annexure-3: List of subsidiaries taken for consolidation as on March 31,2019

	Subsidiaries of Edelweiss Financial Services Limited	Shareholding by EFSL (directly/indirectly)
1	Edelweiss Securities Limited (ESL)	100%
2	Edelweiss Comtrade Ltd.	100%
3	Edelweiss Securities (Hong Kong) Private Limited	100%
4	Edelweiss Financial Services Inc.	100%
5	Edelweiss Custodial Services Limited	100%
6	Edelweiss Asset Reconstruction Company Limited	74.8%
7	Edelweiss Financial Services (UK) Limited	100%
8	Edelweiss Finance & Investments Limited	100%
9	EC Global Limited, Mauritius	100%
10	Edelweiss Rural & Corporate Services Limited (ERCSL) (Formerly Edelweiss Commodities Services Ltd. (ECSL))	100%
11	Edelweiss Housing Finance Limited (EHFL)	100%
12	Edelweiss Broking Limited (EBL)	100%

13	Edel Finance Company Ltd.	100%
14	Edelweiss Capital (Singapore) Pte. Limited (ECSPL)	100%
15	Edelweiss Alternative Asset Advisors Pte. Limited	100%
16	Edelweiss International (Singapore) Pte. Limited	100%
17	Edelweiss Investment Advisors Private Limited, Singapore	100%
18	EC International Limited, Mauritius (ECIL)	100%
19	Aster Commodities DMCC, Dubai	100%
20	EAAA LLC, Mauritius	100%
21	EFSL International Limited	100%
22	EW Special Opportunities Advisors LLC, Mauritius	67%
23	EW India Special Assets Advisors LLC, Mauritius	100%
24	ECap Equities Limited	100%
25	Edelcap Securities Limited	100%
26	Edelweiss Finvest Private Limited (formerly Arum Investments Private Limited)	100%
27	Edelweiss Retail Finance Limited	100%
28	ECL Finance Limited	100%
29	Edelweiss Alternative Asset Advisors Limited	95%
30	Edelweiss Global Wealth Management Limited	100%
31	Edelweiss Insurance Brokers Limited	100%
32	EC Commodity Limited	100%
33	Edelweiss Investment Adviser Limited	100%
34	Edelweiss Tokio Life Insurance Company Limited	51%
35	Edelweiss Trustee Services Limited	100%
36	Edel Investments Limited	100%
37	Edel Land Limited	100%
38	Edelweiss Trusteeship Company Limited	100%
39	Edelgive Foundation	100%
40	Edelweiss Asset Management Limited	100%
41	Edelweiss Holdings Limited	100%
42	Edelweiss General Insurance Company Limited	100%
43	Edelweiss Securities (IFSC) Limited	100%
44	Alternative Investment Market Advisors Private Limited	100%
45	Allium Finance Private Limited	55.48%
46	Lichen Metals Private Limited	50.32%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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