August 2, 2019

BSE Limited
P. J. Towers, Dalal Street,
Fort, Mumbai - 400 001.

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandha- Kurla Complex,
Bandra (E), Mumbai – 400 051.

Dear Sir / Madam,

Sub: Disclosure under Regulation 51(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part B of Schedule III thereto.

This is to inform you that Acuité Ratings & Research Limited (Acuité) has withdrawn the long-term rating of 'ACUITE AA+' (read as ACUITE double A plus) on the Rs. 150.00 crore proposed NCDs of the Company. The rating is being withdrawn as the company does not intend to issue these NCDs in the near term using the abovementioned rating assigned by Acuité.

Further, Acuité has re-affirmed the rating of 'ACUITE AA (read as ACUITE double A) on the Rs. 300.00 Cr. Unsecured Subordinated Perpetual Non-Convertible Debenture of the Company with the outlook being revised from 'Stable' to 'Negative'. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

You are requested to kindly take the same on record.

Thanking you,

For ECL Finance Limited

Jitendra Maheshwari

Digitally signed by Jitendra Maheshwari
DN: c=IN, o=Personal, postalCode=712248, st=Maharashtra, 2.5.4.20=f79d67397843f151ad7444a6b7c46fc6f1340826ab86275a98edc7e10586cd4c, serialNumber=4eee283ec837e72845f1b791d0c936cee7f0d965e8839a73b2955173795a36d8, cn=Jitendra Maheshwari
Date: 2019.08.02 20:21:29 +05'30'

Jitendra Maheshwari
Company Secretary

Press Release

ECL Finance Limited

August 01, 2019

Rating Reaffirmed and Withdrawn

Total Facilities Rated*	**Rs. 450.00 Cr.**
Facilities Rated	Rs. 300.00 Cr.
Long Term Rating	ACUITE AA/ Negative (Rating Reaffirmed; Outlook revised to Negative)
Facilities Rated	Rs. 150.00 Cr.
Long Term Rating	ACUITE AA+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the rating of **'ACUITE AA (read as ACUITE double A)** on the Rs. 300.00 Cr. Unsecured Subordinated Perpetual Non-Convertible Debenture of ECLFL. The outlook is revised from '**Stable'** to **'Negative'**.

Acuité has withdrawn the rating of **'ACUITE AA+' (read as ACUITE double A plus)** on the Rs. 150.00 Cr. Secured Unsubordinated Redeemable Non-Convertible Debentures as the company does not intend to issue these NCDs in the near future.

The revision in outlook from **'Stable'** to '**Negative'** is driven by Edelweiss Group's significant exposures to real estate sector entities and other big ticket exposures such as exposures based on pledge of shares. The wholesale book (comprising structured collateralized credit and wholesale mortgages) comprised ~50 percent of the overall credit book (excluding distressed assets) as on March 31, 2019. The Top 20 exposures comprised 33 percent of the overall wholesale book.

Acuité believes that the continued tepid performance of the Real estate sector, below average credit profile of some of these large borrowers and the challenging operating environment in the NBFC sector renders this portfolio increasingly vulnerable to slippages. The challenges faced by most NBFCs in attracting funding from Banks and institutions has impeded their lending ability, which in turn has constrained the refinancing ability of large borrowers especially Real estate players.

The Edelweiss Group has attempted to gradually shift from wholesale lending to retail lending. Acuité believes that, considering the current operating environment, Edelweiss Group's ability to gradually unwind these big ticket exposures could be impeded.

Analytical approach:

Acuité has taken a consolidated view on Edelweiss Financial Services Limited along with its 59 subsidiaries and 2 associates (as on March 31, 2019), collectively referred to as 'Edelweiss group'. This is on the back of common promoters, shared brand name, significant operational and financial synergies between the companies.

Acuité rates Unsecured Subordinated Non-Convertible Debenture (Perpetual NCDs) at a lower level vis. a. Vis. the other debt instruments of the same issuer, in view of the loss absorption characteristics associated with these perpetual NCDs. The issuer may be required to skip/defer the coupon/interest payment in case of certain events such as decline in CAR below regulatory thresholds.

Extent of consolidation: Full.

About the Group:

Edelweiss Financial Services Limited (EFSL), the holding company of Edelweiss Group, was incorporated in 1995 and has diversified its line of operations across various fund based and non-fund based businesses. Edelweiss offers a bouquet of financial services, to a diversified client base across domestic and global geographies. Its key line of business includes; credit (retail, corporate and distressed), advisory (wealth management, asset management and capital markets) and insurance (life and general).

The Edelweiss Group comprises Edelweiss Financial Services Limited, 59 subsidiaries and 2 associate companies (as on March 31, 2019). Edelweiss group has a pan India presence with a global footprint extending across geographies with offices in New York, Mauritius, Dubai, Singapore, Hong Kong and UK.

About the company:

ECLFL is a Non-deposit taking systemically important Non-Banking Finance Company (NBFC-ND-SI) registered with the Reserve Bank of India. The company was incorporated in 2005 as a subsidiary of Edelweiss Financial Services Limited (EFSL). ECLFL has become a wholly owned (100%) subsidiary of EFSL w.e.f. 19th September, 2017.

ECLFL is engaged in structured collateralized corporate loans, real estate financing, Security funding and initial public offering (IPO) funding, ESOP and Margin funding, sponsor finance, loans against property (LAP), SME Loans and Agri-Finance.

Key Rating Drivers:

Strengths:

- **Strong parentage and diversified product offerings:**

Edelweiss Group is promoted by Mr. Rashesh Shah and Mr. Venkat Ramaswamy, who are seasoned professionals in the financial services industry with over two decades of experienced. The promoters are supported by experienced professionals who are into financing, wealth, and asset management businesses. The group has a diverse business profile in financial services with presence in segments such as retail credit (including agri-finance), wholesale lending, warehousing services, asset reconstruction, wealth management, asset management, capital market including stock broking and insurance business.

The gradual diversification into lending and fee-based activities over the last two decades including specialized areas such as insurance and asset reconstruction has strengthened the business profile of the group significantly. Also, the group has achieved significant size and scale across each of these segments and is a leading player in majority of these business segments. Of the overall credit book (excluding distressed assets) of Rs. 36,129 Cr. as on 31 March 2019, the retail credit (SME financing, Loan against Property etc.) accounted for 50 percent (previous year: 45 percent), Wholesale credit (Structured collateralized credit and wholesale mortgage) contributed 50 percent (previous year 55 percent). The retail portfolio increased from Rs. 16,187.89 Cr. as on March 31, 2018 to Rs. 18,074.72 Cr. as on March 31, 2019. The Group has increased presence in retail mortgage and SME and business loans segment from Rs. 10,349 Cr. to Rs. 13,587 Cr. as on March 31, 2019. On the other hand, its exposure to security based lending, agri and rural finance has reduced from Rs. 5,839 Cr. to Rs. 4,487 Cr. The Group has been attempting to gradually increase its exposure to retail segment and low to mid ticket lending. It proposes to reduce its exposure to the wholesale segment and reorient the portfolio towards small and mid-corporate lending segments.

Besides the fund based activities, Edelweiss Group also has an established franchise in the capital market related business across corporate finance and advisory domains including broking, investment banking, wealth management, and asset management. The group's Assets under advice in the global wealth management business were Rs. 1,06,000 Cr. (18% y-o-y growth) and the AUM in the Asset management business were Rs. 37000 Cr. (26% y-o-y growth) as on March 31, 2019.

Most of the businesses of the group present significant growth opportunities with lending to the small business owners being one of the strategic growth areas. The increasing retail focus will help in building a granular portfolio across various product categories such as SME, Housing loans, LAP among others.

Acuité believes Edelweiss group's leading position in financial services and diversified range of fee and fund based product offerings will continue to support its business risk profile.

- **Diversified funding profile:**

Edelweiss group has always demonstrated healthy resource raising ability from diverse lenders and investors. The Group's Net worth stood at Rs. 7674 Cr. as on March 31, 2019 (previous year: Rs. 6906 Cr.). The Group has demonstrated its ability to attract investments from reputed international investors such as CDPQ (Caisse de dépôt et placement du Québec) during FY2019. CDPQ has committed US$ 250 Million approximately amounting to Rs. 1800 Cr. to the group, of which Rs. 1039.5 Cr. has already been received by ECL Finance Limited in May 2019, the balance tranches are expected to be received in FY2020 and FY2021. Edelweiss Financial Services Limited, the flagship company of Edelweiss Group is listed on the stock exchanges (Market capitalisation of Rs. 13,625 Cr. on July 30, 2019) and its public shareholding includes institutional investors like Mutual funds, and Foreign Portfolio investors. The Group's Capital adequacy stood at 18 percent as on March 31, 2019 of which Tier I capital adequacy stood at 15.1 percent.

The Group's borrowings as on March 31, 2019, were Rs. 46,537 Cr. (previous year: Rs. 48, 964 Cr.) Of the total borrowings as on March 31, 2019, ~45 percent is being funded through banks, 23 percent through retail investors, 15 percent by mutual funds, and the balance mainly through corporates, PFs, and insurance. The Group's NCD issuances targeted at the retail investor have been well accepted in the markets, which has helped the Group in increasing its retail funding from Rs. 6,244 Cr. (13 percent) in FY2018 to Rs. 10,399 Cr. (23 percent) in FY2019. The strong patronage of the Group amongst retail investors augurs well from a future funding standpoint, since retail investors are expected to be more stable than wholesale investors.
Most of the bank borrowings and NCDs are long tenured with tenures beyond 3 years. The Group has gradually reduced its dependence on short term borrowings like Commercial Paper in view of the recent NBFC crises and defaults by certain large corporates which led to lower appetite on the part of key market participants like Mutual Funds towards these instruments. In view of the tight liquidity situation caused by these events, the Group focused on conserving its liquidity rather than going in for asset growth.

Acuité expects the Group to continue to benefit from diversified funding mix across domestic banks, Institutional investors and lenders, foreign investors and domestic retail investors amongst others.

Weaknesses:

- **Vulnerability to risks inherent in the wholesale lending business:**

Edelweiss Group's key product offerings include housing finance, Loan against Property, Construction finance, SME loans, Loan against Shares, Structured Credit and wholesale mortgage. The Group's overall credit book excluding distressed assets stood at Rs. 36,129.47 Cr. of which wholesale credit book comprised 50 percent and retail comprised 50 percent. The Group extends structured collateralized credit (36 percent of wholesale credit book as on March 31, 2019) and wholesale mortgage (64 percent of wholesale credit book as on March 31, 2019) under corporate credit book and is exposed to inherent risks associated with the segment. The Group's top 20 borrowers accounted for ~33 percent of its overall wholesale book as on March 31, 2019.
The key risk inherent in wholesale exposures is that these loans are big ticket loans and any slippage in the credit quality of a few large accounts can impinge upon the profitability and asset quality metrics of the Group. Of the top 20 exposures, a sizeable proportion of Edelweiss Group's exposure is towards wholesale mortgage loans to developers, which exposes the Group to project risks of its borrowers. A sizeable portion of the top 20 exposures are yet to demonstrate their repayment track record as most of these loans are presently under moratorium. The credit quality of some of these top 20 borrowers is below average and hence likelihood of a further decline in asset quality is possible. In the event of a few slippages from the existing accounts, the Group's credit costs could increase significantly.
The Group's Gross Non-performing Assets stood at 1.87 percent as on March 31, 2019 as against 1.75 percent as on March 31, 2018. The Group's provisioning coverage ratio stood at 56 percent for FY2019 as against 60 percent for FY2018.
Acuité believes that the Group's ability to maintain healthy asset quality and contain its credit costs for the near to medium term will remain a key rating sensitivity.

Liquidity Position

ECLFL's liquidity profile is moderate with marginal mismatches in individual buckets of upto one year based on the ALM statement as on March 31, 2019. Further, there is a negative cumulative mismatch of Rs. 245 Cr. in 6 months to one year bucket. ECLFL has received first tranche of infusion from CDPQ

in May 2019 amounting to Rs. 1039 Cr. which will further support its liquidity profile. The group has demonstrated the ability to raise medium to long term funding from banks/capital markets which should support the Group's ability to plug any possible mismatches.

ECLFL can also expect support from the Group's centralized treasury operations. The Group's liquidity profile is supported by diversified funding from banks and financial institutions along with capital market instruments like CBLO borrowings, Commercial Papers and NCDs. The Group on a consolidated basis had maintained cash and cash equivalents of Rs. 3116 Cr. as on March 31, 2019. Further, the Group had working capital lines of Rs. 4212 Cr. as on March 31, 2019 of which 45 percent was utilized on an average of 12 months ending March 2019. In addition, the Group had undrawn lines of ~Rs. 600 Cr. as on March 31, 2019. ECLFL is supported by strong parentage of Edelweiss Group and can tap the excess liquidity available with the Group in case of future exigencies.

Outlook: Negative

Acuité believes that the Group's credit profile could face pressures over the near to medium term on account of its significant exposure to entities in real estate and elevated possibility of asset quality slippages in view of the below average credit profile of certain large borrowers. The outlook may be revised to Stable in case the Group is able to demonstrate a significant traction in its retail loan book while maintaining or improving its profitability, capitalization and asset quality metrics. Conversely, the rating will be downgraded in case of an increase in credit costs due to asset quality slippages or deterioration in capitalisation or profitability metrics.

EFSL- Key financials (Consolidated)

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	64052.9	62892.2	45063.9
Total Income*	Rs. Cr.	6159.2	5044.5	3809.1
PAT	Rs. Cr.	995.17	863.18	609.30
Net Worth	Rs. Cr.	7674.5	6906.0	4483.5
Return on Average Assets (RoAA)	(%)	1.65	1.55	1.37
Return on Average Net Worth(RoNW)	(%)	14.34	14.70	12.73
Total Debt/Tangible Net Worth (Gearing)	Times	6.06	7.09	7.76
Gross NPA	(%)	1.87	1.75	1.59
Net NPA	(%)	0.83	0.70	0.60

**Total income equals to Total Income net off interest expense*

ECLFL - Key Financials (Standalone)

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	27315.9	26218.8	20725.4
Total Income*	Rs. Cr.	1544.4	1381.4	1126.1
PAT	Rs. Cr.	565.9	470.5	390.3
Net Worth	Rs. Cr.	3849.4	2901.2	2345.9
Return on Average Assets (RoAA)	(%)	2.1	2.0	2.1
Return on Average Net Worth(RoNW)	(%)	16.8	17.9	18.0
Total Debt/Tangible Net Worth (Gearing)	Times	5.9	7.9	7.8
Gross NPA	(%)	1.9	1.8	1.9
Net NPA	(%)	0.7	0.7	0.6

**Total income equals to Total Income net off interest expense*

Applicable Criteria

- Non-Banking Financing Entities: https://www.acuite.in/view-rating-criteria-10.htm
- Consolidation of Companies: https://www.acuite.in/view-rating-criteria-22.htm
- Financial Ratios and Adjustments: https://www.acuite.in/view-rating-criteria-20.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-17.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03- August-2018	Proposed Secured Unsubordinated Redeemable Non-Convertible Debentures	Long Term	150.00	ACUITE AA+/ Stable (Reaffirmed)
	Proposed Unsecured Subordinated Perpetual Non-Convertible Debentures	Long Term	300.00	ACUITE AA/ Stable (Reaffirmed)
03-May-2018	Proposed Secured Unsubordinated Redeemable Non-Convertible Debentures	Long Term	150.00	ACUITE AA+/ Stable (Reaffirmed)
	Proposed Unsecured Subordinated Perpetual Non-Convertible Debentures	Long Term	300.00	ACUITE AA/ Stable (Reaffirmed)
28-April-2017	Proposed Secured Unsubordinated Redeemable Non-Convertible Debentures	Long Term	150.00	ACUITE AA+/ Stable (Assigned)
	Proposed Unsecured Subordinated Perpetual Non-Convertible Debentures	Long Term	300.00	ACUITE AA/ Stable (Reaffirmed)
18-April-2017	Proposed Unsecured Subordinated Perpetual Non-Convertible Debentures	Long Term	300.00	ACUITE AA/Stable (Assigned)

*Annexure – Details of instruments rated

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Rs. 300.00 Cr.						
INE804I08734	Unsecured Subordinated Perpetual Non-Convertible Debentures	08-May-17	10.25	NA	25.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
INE804I08734	Unsecured Subordinated Perpetual Non-Convertible Debentures	08-May-17	10.25	NA	25.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
INE804I08734	Unsecured Subordinated Perpetual Non-Convertible Debentures	08-May-17	10.25	NA	100.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
INE804I08742	Unsecured Subordinated Perpetual Non-Convertible Debentures	16-May-17	10.25	NA	20.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
INE804I08742	Unsecured Subordinated Perpetual Non-Convertible Debentures	16-May-17	10.25	NA	55.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
INE804I08742	Unsecured Subordinated Perpetual Non-Convertible Debentures	16-May-17	10.25	NA	75.00	ACUITE AA/Negative (Rating reaffirmed; Outlook revised to Negative)
Rs. 150.00 Cr.						
NA	Proposed Secured Unsubordinated Redeemable Non-Convertible Debentures	NA	NA	NA	150.00	ACUITE AA+ (Withdrawn)

- **The following Subsidiaries and Associates of EFSL have been considered for consolidation:**

Sr.No.	Name of Entity	Relationship with EFSL
1	Edelweiss Securities Limited	Subsidiary
2	Edelweiss Finance & Investments Limited	Subsidiary
3	ECL Finance Limited	Subsidiary
4	Edelweiss Global Wealth Management Limited	Subsidiary
5	Edelweiss Insurance Brokers Limited	Subsidiary
6	Edelweiss Trustee Services Limited	Subsidiary
7	Edelcap Securities Limited	Subsidiary
8	Edelweiss Asset Management Limited	Subsidiary
9	Ecap Equities Limited	Subsidiary
10	Edelweiss Broking Limited	Subsidiary
11	Edelweiss Trusteeship Company Limited	Subsidiary
12	Edelweiss Housing Finance Limited	Subsidiary
13	Edelweiss Investment Adviser Limited	Subsidiary
14	EC Commodity Limited	Subsidiary
15	Edel Land Limited	Subsidiary
16	Edelweiss Custodial Services Limited	Subsidiary
17	Edel Investments Limited	Subsidiary
18	Edelweiss Rural & Corporate Services Limited	Subsidiary
19	Edelweiss Comtrade Limited	Subsidiary
20	Edel Finance Company Limited	Subsidiary
21	Edelweiss Retail Finance Limited	Subsidiary
22	Edelweiss Multi Strategy Fund Advisors LLP	Subsidiary
23	Edelweiss Resolution Advisors LLP	Subsidiary
24	Edelweiss Holdings Limited	Subsidiary
25	Edelweiss General Insurance Company	Subsidiary
26	Edelweiss Finvest Private Limited	Subsidiary
27	Edelweiss Securities (IFSC) Limited	Subsidiary
28	Alternative Investment Market Advisors Private Limited	Subsidiary
29	Edelweiss Securities Trading and Management Private Limited	Subsidiary
30	Edelweiss Securities and Investment Private Limited	Subsidiary
31	Edelweiss Securities (Hong Kong) Private Limited	Subsidiary
32	EC Global Limited	Subsidiary
33	EC International Limited	Subsidiary
34	EAAA LLC	Subsidiary
35	EFSL International Limited	Subsidiary
36	Edelweiss Capital (Singapore) Pte. Limited	Subsidiary
37	Edelweiss Alternative Asset Advisors Pte. Limited	Subsidiary
38	Edelweiss International (Singapore) Pte. Limited	Subsidiary
39	Edelweiss Investment Advisors Private Limited	Subsidiary
40	Aster Commodities DMCC	Subsidiary
41	Edelweiss Financial Services (UK) Limited	Subsidiary
42	Edelweiss Financial Services Inc.	Subsidiary
43	Edelweiss Alternative Asset Advisors Limited	Subsidiary
44	EW Clover Scheme - 1	Subsidiary
45	Edelvalue Partners	Subsidiary

46	Edelgive Foundation	Subsidiary
47	Lichen Metals Private Limited	Subsidiary
48	EW India Special Assets Advisors LLC	Subsidiary
49	Edelweiss Private Equity Tech Fund	Subsidiary
50	Edelweiss Value and Growth Fund	Subsidiary
51	Edelweiss Asset Reconstruction Company Limited	Subsidiary
52	EW Special Opportunities Advisors LLC	Subsidiary
53	Edelweiss Tokio Life Insurance Company Limited	Subsidiary
54	Allium Finance Private Limited	Subsidiary
55	Retra Ventures Private Limited	Subsidiary
56	Edelweiss India Capital Management	Subsidiary
57	Cross Border Synergy Pte. Limited	Subsidiary
58	Edelweiss Tarim Urunleri Anonim Sirketi	Subsidiary
59	EW SBI Crossover Advisor LLC	Subsidiary
1	Allium Finance Private Limited	Associates
2	Aeon Credit Services India Private Limited	Associates

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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