

May 05, 2020

## Edelweiss Asset Reconstruction Company Limited: Ratings downgraded; outlook remains Negative

### Summary of rating action

| Instrument*                                                     | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                                                                     |
|-----------------------------------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------|
| Non-convertible Debenture Programme                             | 2,500.00                             | 2,500.00                            | [ICRA]A (Negative); downgraded from [ICRA]A+ (Negative)                           |
| Non-convertible Debenture Programme                             | 1,050.00                             | 1,050.00                            | [ICRA]A+(CE)** (Negative); downgraded from [ICRA]AA-(CE) (Negative)               |
| Long-term Principal Protected Market Linked Debenture Programme | 250.00                               | 250.00                              | PP-MLD [ICRA]A+(CE)*** (Negative); downgraded from PP-MLD[ICRA]AA-(CE) (Negative) |
| Bank Lines                                                      | 500.00                               | 500.00                              | [ICRA]A (Negative); downgraded from [ICRA]A+ (Negative)                           |
| Long-term Principal Protected Market Linked Debenture Programme | 500.00                               | 500.00                              | PP-MLD [ICRA]A+(CE)*** (Negative); downgraded from PP-MLD[ICRA]AA-(CE) (Negative) |
| <b>Total</b>                                                    | <b>4,800.0</b>                       | <b>4,800.0</b>                      |                                                                                   |

\*Instrument details are provided in Annexure-1; \*\* In line with the SEBI circular dated June 13, 2019, ICRA shall use the suffix CE (credit enhancement) alongside the rating symbol for denoting the rating of instruments backed by an explicit credit enhancement instead of the earlier practice of using the suffix SO (structured obligation). The CE rating for the non-convertible debentures (NCDs) and market linked debentures is based on the strength of an unconditional, irrevocable and continuing guarantee provided by Edelweiss Financial Services Limited (EFSL; guarantor); \*\*\* PP-MLD refers to the principal protected market linked debenture programme. According to the terms of the rated market linked debentures, the amount invested, i.e. the principal, is protected against erosion while the returns on the investment could vary as they are linked to movements in one or more variables such as equity indices, commodity prices, and/or foreign exchange rates. The assigned rating expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with the variability in returns resulting from the adverse movements in the variable(s) concerned.

**Rating Without Explicit Credit Enhancement [ICRA]A**

Note: The CE suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

### Rationale

The rating downgrade action takes into account the moderation in the credit profile of the Edelweiss Group<sup>1</sup> with increased stress in the Group's wholesale portfolio resulting in a deterioration in the asset quality and impacting the financial performance. The rating action also takes into account the continued funding challenges as witnessed by reduced fund-raising by the Group from debt capital markets and elevated secondary market yields as well as a significant reduction in equity valuations, which limits its financial flexibility. As on March 31, 2019, the Edelweiss Group, through Edelweiss Custodial Services Limited (ECDSL) and other Group companies, held a 74.81% stake in Edelweiss Asset Reconstruction Company Limited (EARC).

<sup>1</sup> Edelweiss Group includes Edelweiss Financial Services Limited and its subsidiaries and associates as detailed in Annexure-2

The ratings continue to factor in EARC's parentage (a part of the Edelweiss Group), the Group's diversified business profile, its demonstrated track record and established position as a diversified financial services provider. ICRA has also noted the company's strategic importance to the Group, the close linkages with the Group and the shared brand name. Moreover, ICRA expects EARC to continue to receive timely and adequate support from the parent. The ratings also factor in EARC's leading position in the asset reconstruction space, with assets under management (AUM) of Rs. 42,896 crore as on December 31, 2019 (Rs. 46,411 crore as on March 31, 2019), and its experienced management team.

The ratings are, however, constrained by the high risk profile of the company's asset class, given its focus on large ticket exposures, its high leverage, the limited seasoning of the asset reconstruction industry and the challenges faced by the industry in continuously acquiring assets at reasonable prices. The company's ability to achieve timely resolution for and healthy recovery of its assets and improve its capital structure would remain important. The valuation of EARC's investments in security receipts (SRs) and its management fee are also governed by the recovery ratings of the SRs, which, in turn, are assigned by external credit rating agencies based on the recovery prospects of these SRs from the underlying assets. While a large portion of EARC's SRs are rated RR1 or above, which indicates recovery prospects of  $\geq 100\%$  of the underlying investments, EARC may have to write down the value of its investments in case the recovery ratings are downgraded. This may adversely impact its net worth. If the ultimate or final recovery from the underlying stressed asset remains lower than its acquisition value, the loss may also become permanent. Further, the management fees for the assets acquired after August 2014 are linked to the lower end of the rating band or net asset value (NAV), whichever is less. Therefore, a downgrade in the ratings would lead to a fall in the management fees. The complex and protracted resolution process, particularly for large ticket corporate exposures, and the uncertainty associated with the same can result in variability in cashflows. While the Group has resolved certain large ticket assets in the recent past, going forward, its ability to continue to ensure timely and adequate resolution performance would remain a key monitorable.

## Key rating drivers and their description

### Credit strengths

**Corporate guarantee from EFSL and presence of payment mechanism** – The guarantee provided by EFSL would be unconditional, irrevocable and continuing, and would cover all obligations that may arise on the rated PP-MLDs. The payment mechanism is designed to ensure timely payments to investors, as per the terms of the transaction, either by the issuer or the guarantor.

**Strong parentage, being a part of Edelweiss Group** – The Edelweiss Group, through ECdSL and other Group companies, had a stake of 74.81% in EARC as on March 31, 2019. Going forward, EARC would be a part of the advisory business of the Edelweiss Group, which is housed under Edelweiss Global Investment Advisors. The Group has a diversified business profile, demonstrated track record and established position as a diversified financial services provider. It commenced operations in the capital market related business and has established its position as a leading entity in the institutional equity broking and investment banking segments over the years. To diversify its revenue stream and reduce its dependence on capital markets, the Group forayed into other segments like credit (wholesale lending in FY2006 and retail lending in FY2011), distressed assets (FY2010), and life insurance (FY2012). With the scaling up of the credit business, the net interest income has emerged as a key revenue driver, accounting for 29% of the operating income in FY2019. The Group also draws the advantage of a healthy fee and advisory income of Rs. 2,133 crore, which accounted for 35% of the operating income in FY2019.

**Strong linkages with parent** – The Group's entities, including EARC, have close linkages in the form of common promoters and senior management teams, a shared brand name, and strong financial and operational synergies. The asset reconstruction business is strategically important to the Group, as is evidenced by the increase in the Group's stake in EARC to 74.81% as on March 31, 2019 from 47.41% as of March 31, 2016.

**Leading position in asset reconstruction industry** – The Group forayed into the distressed assets business in 2008 and obtained an asset reconstruction company (ARC) licence in 2009. The operations expanded from FY2014 with increasing opportunities in the market. The Group has successfully ramped up the scale of operations with EARC emerging as the largest player in the asset reconstruction business in India with AUM of Rs. 42,896 crore as on December 31, 2019, up from Rs. 9,245 crore as on March 31, 2014. As on December 31, 2019, EARC had acquired financial assets from ~67 banks and financial institutions and had gross investments of ~Rs. 57,756 crore. This includes a cash deployment of ~Rs. 8,559 crore and SRs subscribed by seller banks and financial institutions of ~Rs. 49,197 crore. ICRA takes comfort from EARC's experienced management team with a major part of the team continuing with the company since inception.

## Credit challenges

**Exposed to risks inherent in distressed assets space** – The company focusses on the large single borrower segment, an asset class with a high risk profile on account of its complexity, higher ticket size as well as the high degree of engagement with promoters. However, the company is also present in SME and retail segments in ARC space. The risks inherent in distressed assets, coupled with the company's strategy of focussing on resolution through the revival of operations and debt restriction, can lead to a protracted process. Given the lumpy nature of these assets, the inability to achieve resolution as per expectations, in terms of the amount recovered as well as timelines, can have a bearing on EARC's cash flow and financial profile. EARC's cumulative NPA acquisitions from banks also increased to Rs. 1,17,516 crore as of December 31, 2019 (Rs. 1,11,573 crore as of March 31, 2019) from Rs. 15,884 crore as on March 31, 2014. The company's recoveries in FY2019 were Rs. 7,019 crore on the back of the resolution of a large account compared to Rs. 2,574 crore in FY2018. The recoveries improved further in 9M FY2020 to Rs. 10,003 crore. EARC's ability to achieve timely resolution and commensurate returns remains critical.

**Valuation of investments, profitability and net worth susceptible to changes in recovery ratings** – The valuation of EARC's investments in SRs and its management fee are also governed by the recovery ratings of the SRs, which, in turn, are assigned by external credit rating agencies based on the recovery prospects of these SRs from the underlying assets. While a large portion of EARC's SRs are rated RR1 or above, which indicates recovery prospects of  $\geq 100\%$  of the underlying investments, EARC may have to write down the value of its investments in case the recovery ratings are downgraded. This may adversely impact its net worth. In case the ultimate or final recovery from the underlying stressed asset remains below its acquisition value, the loss may also become permanent. Further, the management fees for the assets acquired after August 2014 are linked to the lower end of the rating band or NAV, whichever is less. Therefore, a downgrade in the ratings would lead to a fall in the management fees. However, EARC has been generating a steady flow of revenue from fees and incentives. The income has been stable and rising over the years from Rs. 486 crore in FY2017 to Rs. 991 crore in FY2019 (9MFY2020: Rs. 976 crore).

**High gearing levels** – EARC has diversified its borrowing profile over the years. Consequently, the share of loans from Edelweiss Group entities as a share of total borrowings has reduced to 10% as of December 31, 2019. EARC's leverage ratio was 2.41 times as on December 31, 2019 (1.7 times on a net gearing basis) compared to 2.79 times as on March 31, 2019 (3.57 times as on March 31, 2018), which was on the higher side compared to its peers. Net worth/AUM was lower at 4.74% as of December 31, 2019 compared to 3.7% as of March 31, 2019 (2.7% as on March 31, 2018). The leverage is high, particularly given the inherent risk profile of assets. However, the company has a demonstrated track record of raising capital, which provides some comfort. For instance, in October 2016, the Group entered into a partnership with Caisse de Dépôt et Placement du Québec (CDPQ), the second-largest pension fund in Canada. CDPQ had infused Rs. 500-crore equity into EARC in the form of compulsorily convertible preference shares (CCPs). It was expected that these preference shares would be converted into equity in due course. However, EARC recently wrote to the Reserve Bank of India (RBI) for the approval of the transfer within the Group of 50% of CDPQ's CCPs in EARC, equivalent to 9.93% of the company's equity share capital on a fully diluted basis. The equity holding of the Group in EARC will increase to 70% (compared to 60% on a fully diluted basis currently) in due course upon the fulfilment of the put option exercised by CDPQ, subject to the receipt of approval from the RBI. The management has indicated that CDPQ is exercising a contractual right given at the time of the investment and the Group is keen on increasing its stake in its ARC business. This transaction is expected to be closed by Q1 FY2021, subject to approval from the RBI, and could result in cash

outflow for the parent. ICRA also expects the Group to provide capital support to EARC, if required, to scale up its operations over the next few years.

**Limited seasoning of industry with challenges in acquiring assets at reasonable prices** – In ICRA's view, the seasoning of the asset reconstruction industry remains limited. Also, the ability of the ARCs to judiciously acquire new assets while maintaining a comfortable capital structure and a competitive cost of borrowings remains a key rating sensitivity. In ICRA's view, any delay or inability to resolve delinquent assets could impact the company's profitability and liquidity profile and will remain a key rating monitorable. However, recent changes like the Insolvency and Bankruptcy Code (IBC) are expected to speed up the resolution process, going forward.

**Ability to scale up AUM at competitive costs while maintaining healthy capitalisation profile** – The change in the RBI's guidelines for the sale of stressed assets can lead to an increase in the provisioning requirement for banks and can thus result in disincentivising the SR route of selling assets to ARCs. The impact on long-standing NPAs with an existing high provisioning cover would be lower. While this would facilitate more efficient price discovery for assets, the upfront capital requirement for the ARCs would be higher, given the expected shift to the cash mode from the SR mode of asset acquisition. The upfront capital requirement, however, can be brought down through partnerships and other investors. Going forward, the ability of ARCs to judiciously acquire new assets and resolve them while maintaining a comfortable capital structure and a competitive cost of borrowings remains a key rating sensitivity.

## Liquidity position

The Group's liquidity is adequate. As per the information provided, the Group has on-balance sheet liquidity of Rs. 3,700 crore and undrawn bank lines of Rs. 550 crore as of March 31, 2020. It also has other assets in the form of short-term treasury assets and a short-term loan book of Rs. 3,900 crore as of March 31, 2020 that can be liquidated at a relatively short notice. The Group has repayment obligations (principal and interest) of Rs. 3,865 crore and other operating expenses of approximately Rs. 360 crore till June 30, 2020. It has adequate liquidity to service its debt obligations till June 30, 2020.

As of April 16, 2020, the Group had on-balance sheet liquidity of Rs. 3,400 crore and undrawn bank lines of Rs. 600 crore. It also has other assets in the form of short-term treasury assets amounting to Rs. 400 crore and short-term loan book of Rs. 3,500 crore as of April 16, 2020 that can be liquidated at a relatively short notice.

As per the information provided, EARC had cash and cash equivalents of Rs. 1,329 crore as of December 31, 2019. It has repayments of Rs. 607 crore till June 30, 2020. The company has adequate liquidity to service these debt obligations maturing till June 30, 2020.

## Rating sensitivities

**Positive triggers** – Given the Negative outlook, an upgrade is less likely in the next 12 months. ICRA could revise the outlook on an improvement in the credit profile of the Group.

**Negative triggers** – The ratings could be revised if there is a change in the ownership and/or linkages with the parent. ICRA could revise the ratings due to a deterioration in the credit profile of the Group.

## Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable Rating Methodologies | <a href="#">ICRA's Credit Rating Methodology for Non-Banking Finance Companies</a><br><a href="#">Approach for rating debt instruments backed by third-party explicit support</a>                                                                                                                                                                                                                                                                                     |
| Parent/Group Support            | ICRA expects Edelweiss Financial Services Limited (EFSL), the ultimate parent of EARC, to provide financial support to the company, given the close linkages between the Group entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies. The CE rating for the NCDs and market linked debentures is based on the strength of an unconditional, irrevocable and continuing guarantee provided by EFSL. |
| Consolidation/Standalone        | To arrive at the ratings, ICRA has considered the standalone financial risk profile of EARC. ICRA has also considered the consolidated financials of EFSL. Please see Annexure 2 to view the list of companies considered for consolidation.                                                                                                                                                                                                                          |

## About the company

Edelweiss Asset Reconstruction Company Limited (EARC) was incorporated in September 2009 by the Edelweiss Group, in partnership with a group of high net worth individual (HNI) investors. The Group, through ECdSL and other Group companies, held a 74.81% stake as on March 31, 2018 in EARC, up from 47.41% as on March 31, 2016, while the remaining stake is held by other investors. EARC has emerged as the largest ARC in the country with AUM of Rs. 46,616 crore as on March 31, 2019. The company operates fully in the large corporate segment, which is perceived to be risky on account of its complexity, higher ticket size, as well as the high degree of engagement with promoters and bankers. During the year ended March 31, 2019, the company forayed into the retail segment and acquired a pool of mortgage assets from a housing finance company. EARC reported a net profit of Rs. 435 crore (Ind-AS) in FY2019 compared to a net profit of Rs. 180 crore in FY2018. The company's net worth was Rs. 1,735 crore as on March 31, 2019 compared to Rs. 1,159 crore as on March 31, 2018.

### Edelweiss Financial Services Limited

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

### Key financial indicators (Ind-AS; consolidated for EFSL)

|                                        | FY2018 | FY2019 | 9M FY2020 (unaudited) |
|----------------------------------------|--------|--------|-----------------------|
| Total Income (Gross)                   | 8,921  | 10,878 | 7,637                 |
| Profit after Tax                       | 863    | 995    | 199.90                |
| Net Worth*                             | 7,826  | 8,715  | 8,829                 |
| Loan Book**                            | 42,010 | 43,510 | 36,748                |
| Total Assets                           | 63,487 | 64,543 | 59,955                |
| Return on Total Assets@                | 1.3%   | 1.6%   | 0.5%                  |
| Return on Total Equity*^               | 10.70% | 11.98% | 3.59%                 |
| Gross NPA                              | 1.75%  | 1.87%  | 2.76%                 |
| Net NPA                                | 0.70%  | 0.83%  | 1.97%                 |
| Stage 3 Assets/Loans at Amortised Cost | 2.21%  | 3.42%  | NA                    |
| Capital Adequacy Ratio                 | 17%    | 18%    | 21%                   |
| Gearing*^                              | 6.14   | 5.19#  | 4.46#                 |

Note: FY2018 and FY2019 numbers based on annual reports; Source: Company, ICRA research; \*Net worth includes minority interest and insurance, \*\* Includes distressed credit book; @ Based on net profit attributable to owners and minority interest; ^ Gearing as of March 31, 2018 and March 31, 2019 includes interest accrued as per Ind-AS; ^ Annualised ratios; # Excluding insurance net worth and including asset-specific borrowings, the gearing would be 5.90 times and 4.97 times as of March 31, 2019 and December 31, 2019, respectively. The adjusted gearing excluding the liquid treasury assets as per the management is 4.4 times and 2.9 times as on March 31, 2019 and December 31, 2019 respectively.  
Amount in Rs. crore

### Key financial indicators (Ind-AS; EARC)

|                               | FY2018 | FY2019 |
|-------------------------------|--------|--------|
| Total Revenue from Operations | 769    | 1,367  |
| Profit after Tax              | 180    | 435    |
| Net Worth                     | 1,159  | 1,735  |
| Assets Under Management       | 43,598 | 46,411 |
| Total Assets                  | 5,477  | 6,840  |
| Return on Total Assets@       | 3.3%   | 6.4%   |
| Total Capital Ratio           | 21.24% | 25.58% |
| Gearing*                      | 3.57   | 2.79   |

Source: Company, ICRA research, @ Profit after tax/total assets; \* Gearing includes ICD borrowings  
Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years

|   | Instrument                                            | Current Rating (FY2021) |              |                     |                                 | Rating History for the Past 3 Years |                                  |                                 |                              |                               |                                                  |                                           |                                           |                                           |
|---|-------------------------------------------------------|-------------------------|--------------|---------------------|---------------------------------|-------------------------------------|----------------------------------|---------------------------------|------------------------------|-------------------------------|--------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
|   |                                                       | Type                    | Amount Rated | Amount Out standing | Rating                          | FY2020                              |                                  |                                 | FY2019                       |                               | FY2018                                           |                                           |                                           |                                           |
|   |                                                       |                         |              |                     | 05-May-20                       | 30-Aug-19                           | 25-Jun-19                        | 5-Apr-19                        | 26-Sep-18                    | 16-Jul-18                     | 5-Jan-18                                         | 22-Dec-17                                 | 26-Sep-17                                 | 7-Sep-17                                  |
| 1 | Non-convertible Debenture                             | Long term               | 2,000        | Nil                 | [ICRA]A (Negative)              | [ICRA]A+ (Negative)                 | [ICRA]A+ (Negative)              | [ICRA]AA- (Negative)            | [ICRA]AA- (stable)           | -                             | -                                                | -                                         | -                                         | -                                         |
| 2 | Non-convertible Debenture                             | Long term               | 1,050        | 627.5               | [ICRA]A+ (CE) (Negative)        | [ICRA]AA- (SO) (Negative)           | [ICRA]AA- (SO) (Negative)        | [ICRA]AA (SO) (Negative)        | [ICRA]AA (SO) (stable)       | [ICRA]AA (SO) (stable)        | [ICRA]AA (SO) (stable)                           | [ICRA]AA (SO) (stable)                    | [ICRA]AA (SO) (stable)                    | [ICRA]AA (SO) (stable)                    |
| 3 | Long-term Principal Protected Market Linked Debenture | Long term               | 250          | Nil                 | PP-MLD [ICRA]A+ (CE) (Negative) | PP-MLD [ICRA]AA- (SO) (Negative)    | PP-MLD [ICRA]AA- (SO) (Negative) | PP-MLD [ICRA]AA(SO) (Negative)  | PP-MLD [ICRA]AA(SO) (stable) | PP-MLD [ICRA]AA(SO) (stable)  | PP-MLD [ICRA]AA(SO) (stable)                     | PP-MLD [ICRA]AA(SO) (stable)              | PP-MLD [ICRA]AA(SO) (stable)              | PP-MLD [ICRA]AA(SO) (stable)              |
| 4 | Non-convertible Debenture                             | Long term               | 500          | nil                 | [ICRA]A (Negative)              | [ICRA]A+ (Negative)                 | [ICRA]A+ (Negative)              | [ICRA]AA- (Negative)            | [ICRA]AA- (stable)           | [ICRA]AA- (stable)            | [ICRA]AA- (stable)                               | [ICRA]AA- (stable)                        | [ICRA]AA- (stable)                        | [ICRA]AA- (stable)                        |
| 5 | Bank Lines                                            | Long term               | 500          | 455                 | [ICRA]A (Negative)              | [ICRA]A+ (Negative)                 | [ICRA]A+ (Negative)              | [ICRA]AA- (Negative)            | [ICRA]AA- (stable)           | [ICRA]AA- (stable)            | [ICRA]AA- (stable)                               | [ICRA]AA- (stable)                        | [ICRA]AA- (stable)                        | [ICRA]AA- (stable)                        |
| 6 | Long-term Principal Protected Market Linked Debenture | Long term               | 500          | 336.59              | PP-MLD [ICRA]A+ (CE) (Negative) | PP-MLD [ICRA]AA- (SO) (Negative)    | PP-MLD [ICRA]AA- (SO) (Negative) | PP-MLD [ICRA]AA (SO) (Negative) | PP-MLD [ICRA]AA(SO) (Stable) | PP-MLD [ICRA]AA (SO) (Stable) | PP-MLD [ICRA]AA (SO) (Stable) confirmed as final | Provisional PP-MLD [ICRA]AA (SO) (Stable) | Provisional PP-MLD [ICRA]AA (SO) (Stable) | Provisional PP-MLD [ICRA]AA (SO) (Stable) |

### Complexity level of the rated instrument

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

## Annexure-1: Instrument details

| ISIN         | Instrument Name                      | Date of Issuance / Sanction | Coupon Rate                              | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook      |
|--------------|--------------------------------------|-----------------------------|------------------------------------------|---------------|--------------------------|---------------------------------|
| INE015L07113 | Non-convertible Debenture            | 13-Jun-16                   | NA (Zero Coupon Bond)                    | 03-Sep-19     | 35                       | [ICRA]A+ (CE) (Negative)        |
| INE015L07121 | Non-convertible Debenture            | 14-Jun-16                   | 10.00%                                   | 14-Jun-21     | 7                        | [ICRA]A+ (CE) (Negative)        |
| INE015L07147 | Non-convertible Debenture            | 16-Jun-16                   | 10.75%                                   | 14-Jun-19     | 100                      | [ICRA]A+ (CE) (Negative)        |
| INE015L07295 | Non-convertible Debenture            | 07-Jul-16                   | 10.75%                                   | 05-Jul-19     | 25                       | [ICRA]A+ (CE) (Negative)        |
| INE015L07345 | Non-convertible Debenture            | 14-Jul-16                   | 10.75%                                   | 14-Jun-19     | 30                       | [ICRA]A+ (CE) (Negative)        |
| INE015L07352 | Non-convertible Debenture            | 15-Jul-16                   | 10.75%                                   | 15-Jul-19     | 200                      | [ICRA]A+ (CE) (Negative)        |
| INE015L07451 | Non-convertible Debenture            | 23-Mar-17                   | NA (Zero Coupon)                         | 12-May-20     | 18                       | [ICRA]A+ (CE) (Negative)        |
| INE015L07444 | Non-convertible Debenture            | 25-Jul-16                   | Reset Rate                               | 25-Jul-19     | 200                      | [ICRA]A+ (CE) (Negative)        |
| INE015L07485 | Non-convertible Debenture            | 18-Apr-17                   | NA (Zero Coupon)                         | 12-May-20     | 12.5                     | [ICRA]A+ (CE) (Negative)        |
| -            | Non-convertible Debenture – Proposed | NA                          | NA                                       | NA            | 423                      | [ICRA]A+ (CE) (Negative)        |
| INE015L07584 | Long-term Market Linked Debenture    | 01-Feb-19                   | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 16-Nov-20     | 0.35                     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07584 | Long-term Market Linked Debenture    | 14-Nov-18                   | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 16-Nov-20     | 19.25                    | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07584 | Long-term Market Linked Debenture    | 16-Jan-19                   | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 16-Nov-20     | 0.25                     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07584 | Long-term Market Linked Debenture    | 18-Feb-19                   | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 16-Nov-20     | 0.75                     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07584 | Long-term Market Linked Debenture    | 10-Jan-19                   | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 16-Nov-20     | 6.44                     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07592 | Long-term Market Linked              | 29-Nov-18                   | NIFTY 10 YR BENCHMARK                    | 15-Nov-21     | 6                        | PP-MLD [ICRA]A+ (CE) (Negative) |

| Debenture    |                                         |           | G-SEC INDEX<br>LINKED                             |           |      |                                    |
|--------------|-----------------------------------------|-----------|---------------------------------------------------|-----------|------|------------------------------------|
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 01-Feb-19 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 0.55 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 22-Nov-18 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 4.75 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 27-Feb-19 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 0.48 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 10-Jan-19 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 1.89 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 27-Dec-18 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 3    | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07592 | Long-term<br>Market Linked<br>Debenture | 14-Nov-18 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 15-Nov-21 | 19   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07261 | Long-term<br>Market Linked<br>Debenture | 01-Jul-16 | 10.00%                                            | 26-Jun-26 | 18.5 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07279 | Long-term<br>Market Linked<br>Debenture | 04-Jul-16 | 10.00%                                            | 29-Jun-26 | 5    | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07287 | Long-term<br>Market Linked<br>Debenture | 05-Jul-16 | 10.50%                                            | 06-Jul-21 | 25   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07550 | Long-term<br>Market Linked<br>Debenture | 12-Sep-17 | 8.85%                                             | 11-Sep-24 | 60   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07246 | Long-term<br>Market Linked<br>Debenture | 30-Jun-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 01-Jul-21 | 4    | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07253 | Long-term<br>Market Linked<br>Debenture | 30-Jun-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 25-Jun-26 | 2    | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07311 | Long-term<br>Market Linked<br>Debenture | 12-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 13-Jul-21 | 15.4 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07329 | Long-term<br>Market Linked              | 12-Jul-16 | Nifty 10Yr G-<br>Sec Index                        | 13-Jul-21 | 10   | PP-MLD [ICRA]A+<br>(CE) (Negative) |

|              |                                         |           |                                                   |           |       |                                    |
|--------------|-----------------------------------------|-----------|---------------------------------------------------|-----------|-------|------------------------------------|
|              | Debenture                               |           | Linked                                            |           |       |                                    |
| INE015L07337 | Long-term<br>Market Linked<br>Debenture | 12-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 07-Jul-26 | 2     | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07378 | Long-term<br>Market Linked<br>Debenture | 18-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 19-Jul-21 | 6.85  | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07410 | Long-term<br>Market Linked<br>Debenture | 22-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 23-Jul-21 | 7     | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07386 | Long-term<br>Market Linked<br>Debenture | 18-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 13-Jul-26 | 3     | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07428 | Long-term<br>Market Linked<br>Debenture | 22-Jul-16 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 17-Jul-26 | 2     | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07428 | Long-term<br>Market Linked<br>Debenture | 16-Jan-19 | Nifty 10Yr G-<br>Sec Index<br>Linked              | 17-Jul-26 | 0.46  | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 16-Jan-19 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 3.1   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 03-Oct-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 3.75  | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 06-Sep-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 5.6   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 27-Sep-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 5.5   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 29-Sep-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 5.5   | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 09-Oct-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 35    | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked<br>Debenture | 17-Oct-17 | NIFTY 10 YR<br>BENCHMARK<br>G-SEC INDEX<br>LINKED | 06-Sep-22 | 14.86 | PP-MLD [ICRA]A+<br>(CE) (Negative) |
| INE015L07535 | Long-term<br>Market Linked              | 25-Sep-17 | NIFTY 10 YR<br>BENCHMARK                          | 06-Sep-22 | 6.5   | PP-MLD [ICRA]A+<br>(CE) (Negative) |

| Debenture    |                                                      |           | G-SEC INDEX LINKED                       |           |          |                                 |
|--------------|------------------------------------------------------|-----------|------------------------------------------|-----------|----------|---------------------------------|
| INE015L07535 | Long-term Market Linked Debenture                    | 15-Sep-17 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 06-Sep-22 | 4.99     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07535 | Long-term Market Linked Debenture                    | 10-Jan-19 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 06-Sep-22 | 2.7      | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07535 | Long-term Market Linked Debenture                    | 27-Dec-18 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 06-Sep-22 | 0.93     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07535 | Long-term Market Linked Debenture                    | 14-Nov-18 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 06-Sep-22 | 0.27     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07543 | Long-term Market Linked Debenture                    | 11-Sep-17 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 05-Sep-24 | 10       | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07543 | Long-term Market Linked Debenture                    | 06-Sep-17 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 05-Sep-24 | 4        | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07543 | Long-term Market Linked Debenture                    | 13-Oct-17 | NIFTY 10 YR BENCHMARK G-SEC INDEX LINKED | 05-Sep-24 | 3.97     | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07204 | Long-term Market Linked Debenture                    | 27-Jun-16 | -                                        | 22-Jun-26 | 2        | PP-MLD [ICRA]A+ (CE) (Negative) |
| INE015L07212 | Long-term Market Linked Debenture                    | 28-Jun-16 | -                                        | 23-Jun-26 | 4        | PP-MLD [ICRA]A+ (CE) (Negative) |
| -            | Long-term Market Linked Debenture - yet to be issued | NA        | NA                                       | NA        | 163.41   | PP-MLD [ICRA]A+ (CE) (Negative) |
| -            | Long-term Market Linked Debenture - yet to be issued | NA        | NA                                       | NA        | 250      | PP-MLD [ICRA]A+ (CE) (Negative) |
| -            | Non-Convertible debentures - yet to be allocated     | NA        | NA                                       | NA        | 2,500.00 | [ICRA]A (Negative)              |
| -            | Bank lines                                           | NA        | NA                                       | NA        | 455      | [ICRA]A (Negative)              |

|   |                          |    |    |    |    |                       |
|---|--------------------------|----|----|----|----|-----------------------|
| - | Bank lines -<br>proposed | NA | NA | NA | 45 | [ICRA]A<br>(Negative) |
|---|--------------------------|----|----|----|----|-----------------------|

Source: EARC

## Annexure-2: List of entities considered for consolidated analysis

The subsidiaries and associates considered in the consolidated financial statements as of March 31, 2019:

| Company Name                                                                                                                | Ownership | Consolidation Approach |
|-----------------------------------------------------------------------------------------------------------------------------|-----------|------------------------|
| <b>Subsidiaries</b>                                                                                                         |           |                        |
| Edelweiss Securities Limited                                                                                                | 100.00%   | Full Consolidation     |
| Edelweiss Finance & Investments Limited                                                                                     | 100.00%   | Full Consolidation     |
| ECL Finance Limited                                                                                                         | 100.00%   | Full Consolidation     |
| Edelweiss Global Wealth Management Limited                                                                                  | 100.00%   | Full Consolidation     |
| Edelweiss Insurance Brokers Limited                                                                                         | 100.00%   | Full Consolidation     |
| Edelweiss Trustee Services Limited                                                                                          | 100.00%   | Full Consolidation     |
| Edelcap Securities Limited                                                                                                  | 100.00%   | Full Consolidation     |
| Edelweiss Asset Management Limited                                                                                          | 100.00%   | Full Consolidation     |
| Ecap Equities Limited                                                                                                       | 100.00%   | Full Consolidation     |
| Edelweiss Broking Limited                                                                                                   | 100.00%   | Full Consolidation     |
| Edelweiss Trusteeship Company Limited                                                                                       | 100.00%   | Full Consolidation     |
| Edelweiss Housing Finance Limited                                                                                           | 100.00%   | Full Consolidation     |
| Edelweiss Investment Adviser Limited                                                                                        | 100.00%   | Full Consolidation     |
| EC Commodity Limited                                                                                                        | 100.00%   | Full Consolidation     |
| Edel Land Limited                                                                                                           | 100.00%   | Full Consolidation     |
| Edelweiss Custodial Services Limited                                                                                        | 100.00%   | Full Consolidation     |
| Edel Investments Limited                                                                                                    | 100.00%   | Full Consolidation     |
| Edelweiss Rural & Corporate Services Limited (formerly known as Edelweiss Commodities Services Limited (ECSL))              | 100.00%   | Full Consolidation     |
| Edel Comtrade Limited                                                                                                       | 100.00%   | Full Consolidation     |
| Edel Finance Company Limited                                                                                                | 100.00%   | Full Consolidation     |
| Edelweiss Retail Finance Limited                                                                                            | 100.00%   | Full Consolidation     |
| Edelweiss Multi Strategy Fund Advisors LLP                                                                                  | 100.00%   | Full Consolidation     |
| Edelweiss Resolution Advisors LLP (formerly known as Edelweiss Wealth Advisors LLP)                                         | 100.00%   | Full Consolidation     |
| Edelweiss Holdings Limited                                                                                                  | 100.00%   | Full Consolidation     |
| Edelweiss General Insurance Company Limited                                                                                 | 100.00%   | Full Consolidation     |
| Edelweiss Finvest Private Limited                                                                                           | 100.00%   | Full Consolidation     |
| Edelweiss Securities (IFSC) Limited                                                                                         | 100.00%   | Full Consolidation     |
| Alternative Investment Market Advisors Private Limited                                                                      | 100.00%   | Full Consolidation     |
| Edelweiss Securities Trading and Management Private Limited (formerly known as Dhalia Commodities Services Private Limited) | 100.00%   | Full Consolidation     |
| Edelweiss Securities and Investment Private Limited (formerly known as Magnolia commodities Services Private Limited)       | 100.00%   | Full Consolidation     |
| Edelweiss Securities (Hong Kong) Private Limited                                                                            | 100.00%   | Full Consolidation     |
| EC Global Limited                                                                                                           | 100.00%   | Full Consolidation     |
| EC International Limited                                                                                                    | 100.00%   | Full Consolidation     |
| EAAA LLC                                                                                                                    | 100.00%   | Full Consolidation     |
| EFSL International Limited                                                                                                  | 100.00%   | Full Consolidation     |
| Edelweiss Capital (Singapore) Pte. Limited                                                                                  | 100.00%   | Full Consolidation     |

| Company Name                                      | Ownership | Consolidation Approach |
|---------------------------------------------------|-----------|------------------------|
| Edelweiss Alternative Asset Advisors Pte. Limited | 100.00%   | Full Consolidation     |
| Edelweiss International (Singapore) Pte. Limited  | 100.00%   | Full Consolidation     |
| Edelweiss Investment Advisors Private Limited     | 100.00%   | Full Consolidation     |
| Aster Commodities DMCC                            | 100.00%   | Full Consolidation     |
| Edelweiss Financial Services (UK) Limited         | 100.00%   | Full Consolidation     |
| Edelweiss Financial Services Inc                  | 100.00%   | Full Consolidation     |
| Edelweiss Alternative Asset Advisors Limited      | 95.00%    | Full Consolidation     |
| EW Clover Scheme - 1                              | 100.00%   | Full Consolidation     |
| Edelvalue Foundation                              | 100.00%   | Full Consolidation     |
| Edelgive Foundation                               | 100.00%   | Full Consolidation     |
| Lichen Metal Private Limited                      | 100.00%   | Full Consolidation     |
| EW India Special Assets Advisors LLC              | 90.00%    | Full Consolidation     |
| Edelweiss Private Equity Tech Fund                | 88.90%    | Full Consolidation     |
| Edelweiss Value and Growth Fund                   | 88.90%    | Full Consolidation     |
| Edelweiss Asset Reconstruction Company Limited    | 74.80%    | Full Consolidation     |
| EW Special Opportunities Advisors LLC             | 67.00%    | Full Consolidation     |
| Edelweiss Tokio Life Insurance Company Limited    | 51.00%    | Full Consolidation     |
| Allium Finance Private Limited                    | 70.00%    | Full Consolidation     |
| Retra Ventures Private Limited                    | 70.00%    | Full Consolidation     |

Source: Edelweiss Financial Services Limited

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