

Press Release
EDELWEISS ASSET RECONSTRUCTION COMPANY LIMITED
July 07, 2025
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	SI Rating
Non Convertible Debentures (NCD)	300.00	ACUITE A Stable Reaffirmed Removed from Rating Watch	-
Total Outstanding Quantum (Rs. Cr)	300.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A**' (**read as ACUITE A**) on the Rs.300.00 Cr. Secured Guaranteed Non Convertible Debentures of Edelweiss Asset Reconstruction Company Limited (EARCL). The rating is removed from rating watch. The outlook is '**Stable**'.

Rationale for the rating

To arrive at its rating, Acuite has considered the standalone business and financial risk profile of EARCL.

In June 2024, Acuite had placed the ratings of Edelweiss Financial Services Limited (EFSL) and Acuite-rated Edelweiss Group ('Group') entities on Rating Watch with Negative Implications on account of material supervisory concerns raised by Reserve Bank of India (RBI) as RBI had directed ECL Finance Ltd (ECLFL) to cease and desist, with immediate effect, from undertaking any structured transactions in respect of its wholesale exposures, other than repayment and/ or closure of accounts in its normal course of business, and Edelweiss Asset Reconstruction Company Limited (EARCL) to cease and desist from acquisition of financial assets including security receipts (SRs) and reorganising the existing SRs into senior and subordinate tranches.

In December 2024, Acuite acknowledged the divestment of a 7.14 percent stake in Nuvama Wealth Management Limited by Edelweiss Financial Services for Rs 1,759 crore. Additionally, Acuite noted the RBI's decision to lift the business restrictions previously imposed on ECLFL and EARCL. The Acuite team took cognizance of this development and was in the process of assessing the business and financial impact on the ARC business. Acuite would monitor the same for its implications on the operational and financial performance of the company along with impact on financial flexibility.

Acuite removes the Rating Watch with Negative Implications on account of lifting up of the above restrictions by the RBI on the Edelweiss Group entities ECLFL and EARCL, on th December 2024 and submissions made to RBI on the remedial measures put in place by these companies to address the concerns of RBI and their commitment to ensure adherence to the regulatory guidelines at all times.

The reaffirmation of the 'Acuite A' rating, removal of the Rating Watch with Negative Implications, and assignment of stable outlook factors in EARCL's strong parentage, established track record, high capital ratio and low gearing levels. The rating also considers the ARC industry cyclicity that could create volatility in EARCL's earnings profile and uncertainty in recoveries.

About the company

Mumbai based, EARC was incorporated in October 2007 and registered with the RBI as an ARC in October 2009. The Edelweiss group currently holds 60% stake in EARC, with high-networth individuals (16%) and two foreign institutional investors (24%) holding the remaining stake.

About the Group

Incorporated in 1995, Edelweiss is a SEBI-registered merchant banker with a presence across multiple businesses in the financial services space through its subsidiaries. Currently, the Group is engaged in retail lending,

alternatives, asset management, life & general insurance, and asset reconstruction. the group has restructured the businesses into four verticals namely credit, insurance, asset management and asset reconstruction.

The group is present across various financial services businesses, including loans to individuals, mortgage finance - loans against property and small-ticket housing loans, MSME finance, alternative and domestic asset management, and life and general insurance.

Unsupported Rating

Not Applicable

Analytical Approach

To arrive at its rating, Acuité has considered the standalone business and financial risk profiles of EARCL.

Key Rating Drivers

Strength

Strong parentage: Edelweiss Group's established track record in financial services

Edelweiss Group is promoted by Mr. Rashesh Shah and Mr. Venkat Ramaswamy, who are seasoned professionals in the financial services industry with over three decades of experience. 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, wholesale lending, asset reconstruction, asset management and insurance business. The various verticals of the group as mentioned above are now under the following broad categories i.e. Credit (retail and corporate), Asset Management, Asset Reconstruction and Insurance (life and general).

As on March 31, 2025, the Edelweiss group held ~61% shareholding in EARCL through subsidiaries. CDPQ held ~20% equity shareholding as on March 31, 2025.

Established track record of EARCL

EARCL is a leader in the asset reconstruction industry in India. As on March 31, 2025, the AUM stood at Rs. 14,717 cr. The company observed decline in the AUM as compared with March 31, 2024 (Rs. 31,592 cr), due to business restrictions imposed by RBI (in May 2024) which were lifted in December 2024. The business restriction has not affected the recovery efforts and resolution of the existing portfolio to be managed by EARCL as the company recovered Rs 5,730 cr. in FY25.

The company's profitability remained healthy with Rs. 385.06 Cr. PAT generated in FY25 against Rs. 355.20 cr. in FY24. Return on capital employed stood at 8.07% at FY25, compared with 6.93% at FY24.

With the business restrictions being lifted in Dec 2024, EARCL was able to resume acquisitions, which would help boost their AUM going forward.

High capital and low gearing levels

EARCL's total capital adequacy ratio was high at 90.5% as on March 31, 2025 (regulatory requirement: 15%) compared with 60.4% as on March 31, 2024. As of March 31, 2025, the company's net worth stood at Rs. 3,534.88 Cr. (March 31, 2024: 3,149.85 Cr). Gearing stood comfortable at 0.35x as on March 31, 2025 (0.63x as on March 31, 2024).

Weakness

ARC industry cyclicality could create volatility in EARCL's earnings profile and uncertainty in recoveries

The asset reconstruction industry is subject to cyclicality which creates inherent volatility in the earnings profiles of ARCs. The ability of EARCL to procure assets at competitive pricing and the resolution time over those would play a major factor in the strength of the earning profile, owing to the nature of the industry. Given the nature of the assets, the recovery and the time frames for recoveries tend to be uncertain.

ESG Factors Relevant for Rating

Edelweiss Group offers a bouquet of financial services to a diversified client base across domestic and global geographies. The Group has presence in segments such as retail credit (including agri-finance), wholesale lending, warehousing services, asset reconstruction, asset management and insurance business. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behaviour. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector.

The material of environmental factors is low for this industry.

Edelweiss Group's board comprises of seven directors with two women directors. Of the total eight directors, four are independent directors. The Group maintains adequate disclosures for business ethics which can be inferred from its policies relating to code of conduct, whistle blower protection and related party transactions. The Group has formed a Risk Committee with four out of five members being independent directors for among other things, identifying and evaluating risks and development, implementing and tracking risk management efforts. All the members of Audit Committee are independent directors. For redressal of grievances of the security holders, it has constituted a Stakeholders' Relationship Committee. The Group also has a committee for appointment, remuneration and performance evaluation of the Board. On the social aspect, the Group has taken development and training initiatives towards career development of its employees. The Group has put in place data privacy policy to ensure adequate safeguards for collection, storage and processing of personal and sensitive information and data of customers and third parties. Further, the Group has set up EdelGive foundation, a grant-making foundation which is funding and supporting the growth of small to mid-sized grassroots NGOs committed to empowering vulnerable children, women, and communities. Over the last 13 years, EdelGive has supported over 150 organizations across 111 districts in 14 states of India.

Rating Sensitivity

- Movement in earnings profile
- Trajectory of fresh acquisitions and recoveries
- Changes in the regulatory environment

Liquidity Position Adequate

EARCL's liquidity profile is adequate. As on 31st March 2025, EARCL's cash and bank balances available were Rs. 1,395 Cr, as against total borrowings of Rs. 1,236 Cr, thus resulting in a zero net-debt position.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	FY25		FY24	
	Unit			
	(Actual)		(Actual)	
Total Assets	Rs. Cr. 4973.92		5301.82	
Total Income*	Rs. Cr. 644.80		622.93	
PAT	Rs. Cr. 385.06		355.20	
Net Worth	Rs. Cr. 3534.88		3149.85	
Return on Average Assets (RoAA)	(%)	7.49	6.32	
Return on Average Net Worth (RoNW)	(%)	11.52	11.95	
Total Debt/Tangible Net Worth (Gearing)	Times	0.35	0.63	

*Total income equals to Total Income net off interest expense

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Asset Reconstruction Companies: <https://www.acuite.in/view-rating-criteria-85.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Dec 2024	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A (Reaffirmed (Rating Watch with Negative Implications))
07 Jun 2024	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A (CE) (Downgraded (Rating Watch with Negative Implications) from ACUITE A+ (CE) Stable)
03 Aug 2023	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE A+ (CE) Stable (Downgraded (Negative to Stable) from ACUITE AA- (CE) Negative)
	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)

05 Aug 2022	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE AA- (CE) Negative (Downgraded from ACUITE AA (CE) Negative)
04 Feb 2022	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE AA (CE) Negative (Reaffirmed)
	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE AA (CE) Negative (Reaffirmed)
04 Jan 2022	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	36.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	26.50	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	10.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	5.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	3.50	ACUITE AA (CE) Negative (Reaffirmed)
	Proposed Secured Guaranteed Redeemable NCD	Long Term	203.00	ACUITE AA (CE) Negative (Reaffirmed)
	Secured Guaranteed Redeemable NCD	Long Term	6.00	ACUITE AA (CE) Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Secured Guaranteed Redeemable NCD	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	203.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	26 Jun 2019	9.90	08 Dec 2028	3.50	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	24 Jan 2020	9.90	08 Dec 2028	5.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	13 Dec 2018	9.90	08 Dec 2028	10.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	21 Dec 2018	9.90	08 Dec 2028	26.50	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	04 Jan 2019	9.90	08 Dec 2028	36.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	27 Mar 2019	9.90	08 Dec 2028	10.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch
Not Applicable	INE015L07618	Secured Guaranteed Redeemable NCD	15 Apr 2019	9.90	08 Dec 2028	6.00	Complex	ACUITE A Stable Reaffirmed Removed from Rating Watch

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