

Press Release
EDELWEISS RURAL AND CORPORATE SERVICES LIMITED
July 07, 2025
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Commercial Paper (CP)	550.00	-	ACUITE A1+ Reaffirmed Removed from Rating Watch
Total Outstanding Quantum (Rs. Cr)	550.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its short-term rating of ‘**ACUITE A1+**’ (read as **ACUITE A one plus**) on the Rs.550.00 Cr. Commercial Paper of Edelweiss Rural and Corporate Services Limited. The rating is removed from rating watch.

Rationale for the rating:

Acuite has adopted a consolidated approach on Edelweiss Financial Services Limited (EFSL) along with its subsidiaries and associates collectively referred to as ‘Edelweiss Group’ (‘Group’). The approach is driven by common promoters, shared brand name, and significant operational & financial synergies between the companies.

In June 2024, Acuite had placed the ratings of Edelweiss Financial Services Ltd (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 (in May 2024) 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.

Based on 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, RBI lifted the aforementioned restrictions placed on ECLFL and EARCL, with effect from 17th December 2024.

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 EARCL’s 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 removal of the above restrictions by RBI on the Edelweiss Group entities in December 2024.

Additionally, Acuite notes the news of the scheme of amalgamation between two Edelweiss Group entities viz. Edelweiss Retail Finance Limited (ERFL) (Transferor Company) and ECL Finance Limited (ECLFL) (Transferee Company). Acuite takes cognizance of this development and will monitor the business and financial impact on the overall Group.

The assignment of the Stable Outlook factors in Edelweiss Group’s established track record in financial services, adequate capitalisation, and comfortable liquidity profile. The rating considers the Group’s strategic intent to build the fee-based-income franchise, and on the lending side, to focus on re-building the retail loan franchise with emphasis on the co-origination model, which will likely keep it asset-light and provide additional granularity to the loan portfolio. The rating also factors in the growth in the Group’s Mutual Fund business, alternative assets AUM, and the growth in number of policies issued by the insurance business. Acuite also notes that the insurance

business is expected to take around two more years before turning profitable. The rating also takes into consideration the group's reducing debt and demonstrated resource-raising ability. Acuite believes demonstrating sustainable improvement in profitability from the regular course of business operations and revenue streams in the evolving operating environment, coupled with sustained improvement in asset quality, would remain key rating monitorables.

Acuite notes the significant improvement in the Group's PBT for FY25 at Rs 802 cr against Rs 437 cr for FY24. That said, the Group's earning profile is also supported by fair value gains from asset revaluation and sale of businesses. Further, the ARC business continues to contribute a high share of the overall Group PBT, at around 66% for FY25.

Overall asset quality indicators remained elevated at FY25, albeit improved from FY24. The Group's Gross stage 3 assets were reported at 7.93% on March 31, 2025, compared with 13.00% on March 31, 2024. The Net Stage 3 assets stood at 2.67% at FY25, compared with 2.25% at FY24. The management continues to focus primarily on fee-based businesses, therefore, there has been a consistent decline in the Group's overall loan book, particularly its wholesale book which is concentrated towards real estate assets.

Based on Income Recognition and Asset Classification (IRAC) loan norms and reassessed expected credit loss (ECL), EFSL had re-valued security receipts (SRs), resulting in a provision incurred through other comprehensive income in the financial statement. Accordingly, ECL Finance had a markdown in the value of SRs on its balance sheet to the extent of ~Rs 1,100 cr as on March 31, 2025. The resultant impact on ECLFL's networth was ~Rs 1,000 cr, resulting in a provision incurred through other comprehensive income in the financial statement. However, with the conversion of CCDs of ~Rs. 1,040 cr during FY25, the overall net worth of Edel Group stood at Rs. 5,918.17 Cr. (Rs. 6,049.29 Cr. as on March 31st, 2024)

About the Company

Based in Mumbai, Incorporated in October 2006, Edelweiss Rural & Corporate Services Limited (ERCSL; erstwhile Edelweiss Commodities Services Limited) is a wholly-owned subsidiary of Edel Finance Company Limited. The company extends loans and makes investments within the group. It also houses a technology shared services center that supports group entities. Additionally, the company owns property that generates regular rental income.

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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has adopted a consolidated approach on Edelweiss Financial Services Limited (EFSL) along with its subsidiaries and associates collectively referred to as 'Edelweiss group' (refer Annexure 2 for list of entities). The approach is driven by common promoters, shared brand name, and significant operational & financial synergies between the companies. Acuite has rated secured NCDs as well as perpetual NCDs issued by Edelweiss group companies. It is pertinent to note that, Unsecured Subordinated Non-Convertible Debentures (i.e. Perpetual NCDs) are rated at a lower level vis-à-vis the regular secured debt instruments. This is in view of the significant loss absorption characteristics associated with these perpetual instruments. 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.

Key Rating Drivers

Strength

Strong parentage

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).

Diversified funding (debt & equity) profile with reducing debt

The group's financial flexibility is supported by its demonstrated ability to mobilise resources from a diversified set of lenders & investors comprising domestic banks, institutional investors and lenders, foreign investors, and domestic retail investors, amongst others. The Group has attracted investments from reputed international investors such as CDPQ (Caisse de Dépôt et Placement du Québec), and PAG Asia. In the past, the Group also raised capital from KORA Management and Sanaka Capital. As on March 31, 2025, borrowings stood at Rs. 18,004.34 Cr vs Rs. 20,358.30 cr for March 31, 2024. The Group had consolidated loan book of Rs. 12,221.30 Cr. as on March 31, 2025 as against Rs. 14,804.03 Cr. as on March 31, 2024. 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.

Adequate liquidity buffer and reduced gearing levels

As on March 31, 2025 the Group's net worth stood at Rs. 5,918.17 Cr. (Rs. 6,049.29 Cr. as on March 31st, 2024). Concurrently, capital adequacy of the NBFC business (ECL Finance Ltd) stood at 32.9 percent and HFC stood at 33.6 percent as on March 31, 2025. The Group had total liquidity of Rs 4,255 Cr. (including overnight liquidable assets of Rs 3,424 Cr.) as on March 31, 2025. Overall gearing (Debt/Equity) for the Group was at 3.04x as on March 31, 2025, a reduction from 3.36x at March 31, 2024.

Edelweiss Group's strategic intent on re-building its retail loan franchise with focus on the co-origination model, should keep it asset-light and provide granularity to the loan portfolio

The Group has been attempting to gradually increase its exposure to the retail segment and has entered into deals with multiple banks for lending under the co-origination model. It has taken several steps to reduce its exposure to the wholesale segment and reorient the portfolio toward small and mid-corporate lending segments. Besides the fund-based activities, Edelweiss Group also has an established franchise in asset management. Acuité believes Edelweiss group's established position in financial services and diversified range of fee and fund-based product offerings will continue to support its business risk profile.

Growth in the Group's Mutual Fund business, Alternative assets AUM, and growth in number of policies issued by the insurance business

As on March 31, 2025, the Edelweiss Group had mutual fund assets under management of about Rs. 1,41,800 Cr. (up ~11.6% from ~Rs. 1,27,000 Cr. on March 31, 2024). The Group's Alternative Assets business, EAAA India Alternatives Ltd (EAAA) also registered a PAT of Rs. 230 Cr on March 31, 2025 (Rs. 175 Cr on March 31, 2024) and total AUM of Rs. 59,640 Cr. (up ~9% from Rs. 54,680 Cr at March 31, 2024).

The Group's General Insurance business (Zuno General Insurance) issued 6 lakh policies in the year, up 38% YoY. The Group's Life Insurance business reported a Gross premium of Rs. 2,086 Cr in FY25, up ~8% YoY. While both the insurance businesses reported net losses during FY25, the Edelweiss Group management expects them to breakeven over the next two fiscals.

Weakness

Continued pressure on asset quality, though FY25 delinquency ratios improved y-o-y

The decline in the Group's overall loan book continued; overall loans were down ~17.4% during FY25 (driven by the reduction in wholesale loans in the ECL Finance NBFC). Overall asset quality indicators remained elevated at FY25, albeit improved from FY24. The Group's Gross stage 3 assets were reported at 7.93% on March 31, 2025, compared with Gross stage 3 assets 13.00% on March 31, 2024. The Net Stage 3 assets stood at 2.67% at FY25, compared with 2.25% at FY24.

The group's wholesale segment mostly comprises exposures to real estate developers for their projects. The cash flows of these realtors and the quality of these exposures is linked to the revival in the real estate cycle. The Group has already initiated steps to prune its exposure to the wholesale segment through various initiatives such as slowing down fresh sanctions and sell down of existing assets to dedicated funds and ARCs. Acuité believes that the Group's ability to significantly improve - and sustain the improvement in - overall asset quality over the near-to-medium term will remain a key rating sensitivity.

Moderate overall earnings profile

The Group reported a consolidated profit after tax of Rs. 535.82 Cr. in FY2025 as against Rs. 528.05 Cr. in FY2024, which had improved against Rs. 405.56 Cr. in FY2023. The earnings profile continued some dependency on fair value gains from asset revaluation and sale of businesses. That said, the Group's overall ROAA upticked to 1.32% in FY25, as against 1.25% in FY24. The RoAA had continuously been lower than 1.00% for the three fiscals prior to FY2024. Acuité also takes note of measures taken by the Group to rationalize cost and improve

profitability including co-lending model for building the retail portfolio and focus on non-fund business streams. Acuité believes that the Group's ability to sustain improvement in earnings profile from the regular course of business in the current operating environment (coupled with the intense competition in the retail segment), will be a key rating monitorable.

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, 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 seven 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 earning profile indicated through RoAA
- Movement in the asset quality and collection efficiency
- Movement in cost of borrowings and liquidity buffers
- Changes in the regulatory environment

Liquidity Position

Adequate

EFSL's liquidity profile is supported by the Group's adequate liquidity position. As on March 31, 2025, the Group had total liquidity of Rs 4,255 Cr. (including overnight liquidable assets of Rs 3,424 Cr). The Group's liquidity profile is supported by funding from a diversified base i.e. banks and financial institutions, along with capital market instruments such as Commercial Paper and NCDs.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets	Rs. Cr.	1208.48	2641.58
Total Income*	Rs. Cr.	-100.71	17.37

PAT	Rs. Cr. -91.05	-102.64
Net Worth	Rs. Cr. 609.39	699.88
Return on Average Assets (RoAA)	(%) -4.73	-3.91
Return on Average Net Worth (RoNW) (%)	-15.78	-22.47
Debt/Equity	Times 1.16	2.63
Gross NPA	(%) -	-
Net NPA	(%) -	-

**Total income equals to Net Interest Income plus other income*

Key Financials (Consolidated)

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets	Rs. Cr.	39842.96	41373.09
Total Income*	Rs. Cr.	6981.67	6814.63
PAT	Rs. Cr.	535.82	528.05
Net Worth	Rs. Cr.	5918.17	6049.29
Return on Average Assets (RoAA)	(%)	1.32	1.25
Return on Average Net Worth (RoNW) (%)		8.96	7.61
Debt/Equity	Times	3.04	3.36
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

**Total income equals to Net Interest Income plus other income*

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

Not applicable

Any Other Information

None

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.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. Acuite'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 Commercial Paper Program	Short Term	550.00	ACUITE A1+ (Reaffirmed (Rating Watch with Negative Implications))
07 Jun 2024	Proposed Commercial Paper Program	Short Term	550.00	ACUITE A1+ (Reaffirmed (Rating Watch with Negative Implications))
12 Dec 2023	Proposed Commercial Paper Program	Short Term	550.00	ACUITE A1+ (Assigned)

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 Commercial Paper Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	550.00	Simple	ACUITE A1+ Reaffirmed Removed from Rating Watch

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.

No. Entities

- 1 Edelweiss Financial Services Limited
- 2 Ecap Securities and Investments Limited
- 3 Edelweiss Investment Adviser Limited
- 4 Ecap Equities Limited
- 5 Edel Finance Company Limited
- 6 Edelweiss Rural & Corporate Services Limited
- 7 EdelGive Foundation
- 8 ECL Finance Limited
- 9 Nido Home Finance Limited
- 10 Edelweiss Retail Finance Limited
- 11 Edelweiss Asset Reconstruction Company Limited
- 12 EAAA India Alternatives Limited (formerly known as Edelweiss Alternative Asset Advisors Limited)
- 13 Edelweiss Asset Management Limited
- 14 Edelweiss Trusteeship Company Limited
- 15 Allium Corporate Services Private Limited (formerly known as Allium Finance Private Limited)
- 16 Edel Investments Limited
- 17 Edelcap Securities Limited
- 18 Edelweiss Global Wealth Management Limited
- 19 Comtrade Commodities Services Limited
- 20 Edelweiss Securities and Investments Private Limited
- 21 Edelweiss Life Insurance Company Limited (formerly known as Edelweiss Tokio Insurance Company Limited)
- 22 Zuno General Insurance Limited
- 23 EAAA Real Assets Managers Limited (formerly known as Edelweiss Real Assets Managers Limited)
- 24 Sekura India Management Limited
- 25 EAAA Pte. Ltd. (formerly known as Edelweiss Alternative Asset Advisors Pte. Limited)
- 26 Edelweiss International (Singapore) Pte. Limited
- 27 Nuvama Custodial Services Limited

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About Acuité Ratings & Research

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