

July 13, 2023

## Credit Suisse Finance (India) Private Limited: Rating reaffirmed and removed from Rating Watch with Developing Implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	1,200.00	1,200.00	[ICRA]A1+; reaffirmed and removed from Rating Watch with Developing Implications
<b>Total</b>	<b>1,200.00</b>	<b>1,200.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The removal of the rating watch on Credit Suisse Finance (India) Private Limited's (CSFIPL) rating follows the conclusion of the merger of Credit Suisse Group AG (CS Group) and UBS Group AG {UBS Group; rated A3 (Positive) by Moody's}. The rating now factors in the parentage in the form of UBS Group with the Group becoming the ultimate holding company of CSFIPL. While the integration of both groups is expected to take a while, given their size and complexity, CS Group entities in India will remain operational under the 'Credit Suisse' name and structure for the time being. Furthermore, CS Group entities in India (including CSFIPL) have received relevant approvals for continuing operations under the changed ownership. Given the limited overlap with UBS' product offerings in India, CSFIPL is expected to remain strategically important to UBS Group. CSFIPL's loan against securities (LAS) business, which complements the product offerings to the wealth management clients, is expected to gain more importance going forward.

ICRA will continue to monitor the developments at the Group level and could downgrade CSFIPL's rating if there is a significant deterioration in the credit profile of the UBS Group or a dilution in CSFIPL's strategic role and importance to the Indian operations of UBS Group. Furthermore, the eventual renaming of CSFIPL could potentially demonstrate a closer degree of integration with the UBS Group, although this is not likely to happen in the near term as integration will remain a long-drawn-out affair.

ICRA takes into consideration CSFIPL's strong capitalisation and high on-balance sheet liquidity. The rating also takes note of the company's dependence on capital markets, which could lead to volatility in its business volume and income. This also exposes CSFIPL to the risks of the underlying security pledged against the loans given by it, though the same is somewhat mitigated by its strong risk management and monitoring processes. Additionally, the overall scale of operations remains modest with the loan book being lower than its net worth. Going forward, CSFIPL may require additional borrowings to improve its scale of operations, though its leverage level is not expected to exceed 1.0 times.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage by virtue of being part of UBS Group** – CS Group was the ultimate holding company of CSFIPL. However, CS Group and UBS Group entered into a merger agreement on March 19, 2023, following the intervention of Swiss regulatory authorities, including the Swiss Federal Department of Finance, the central bank of Switzerland – the Swiss National Bank (SNB), and the Swiss Financial Market Supervisory Authority (FINMA). The merger was concluded on June 12, 2023 after receiving all the customary approvals and clearances. Following the merger, UBS Group is now the ultimate holding company of CSFIPL.

Prior to the merger, UBS Group had reported a net profit of \$7.63 billion in CY2022 on total consolidated assets of \$1,104.36 billion<sup>1</sup>. The major portion of the net profit was attributable to the global wealth management segment (52%). Given the scale of the entities and the complex group structures, the integration of both groups will be spread out over the medium term.

All CS Group entities are expected to continue their operations in India as usual for the time being. Credit Suisse Securities (India) Private Limited (CSSIPL) provides broking, merchant banking and wealth advisory services. Besides this, CS AG carries out banking operations in India through its Indian branch. The Group has an established presence and track record in the wealth management business in India operating under CSSIPL, as well as support and oversight from the bank branch in India. Going forward, India remains strategically important to the UBS Group in terms of its footprint in the emerging markets. CSFIPL operates as a non-banking financial company (NBFC) arm and has synergies with Group companies involved in the core wealth management business, drawing the advantage of access to their clientele. Operational and capital help and managerial oversight from UBS support ICRA's opinion of CSFIPL's importance to the Group.

**Strong capitalisation levels** – CSFIPL's capitalisation profile remains strong with a net worth of Rs. 2,374 crore as on March 31, 2023 against a total loan book of Rs. 1,983 crore and a cash and bank balance of Rs. 361 crore. The high capitalisation has ensured that the gearing has remained at a comfortable level. Additionally, the company has unutilised as well as backup lines of credit from CS AG' India Branch to take care of any adverse situation.

### Credit challenges

**Scale of operations remains modest with concentrated loan book** – CSFIPL's loan book comprises investment banking clients as well as wealth management clients, primarily sourced from its Group company – CSSIPL. The loan book is dominated by Lombard loans to the wealth management clients. The overall scale remained modest with assets (including investments) of Rs. 1,983 crore as on March 31, 2023 vis-à-vis Rs. 2,268 crore as on March 31, 2022 and Rs. 2,185 crore as on March 31, 2021. Given the regulatory limitations around capital market exposure, CSFIPL's scale of operations is likely to remain moderate. The company focuses on a select clientele within the Group and the top 20 exposures accounted for almost 81% of the total exposures as on March 31, 2023 (82% as on March 31, 2022). Given the recent emphasis on growing wealth management-led lending, the concentration is expected to reduce.

**Exposure to volatility in capital markets** – Any adverse event in the capital markets could lead to the erosion in the value of the underlying collateral stocks and would result in loan call-backs/squaring-off of positions, which would adversely affect the company's income or asset quality. However, CSFIPL has adequate risk mitigation policies with continuous monitoring of the same on an ongoing basis. It ensures that the loan-to-value (LTV) coverage is higher than the stipulated level, thereby ensuring greater security.

### Liquidity position: Strong

CSFIPL has a strong asset-liability profile because of nil borrowings and hence repayments and had a cash and bank balance of Rs. 361 crore as well as INR 480 Crores deployed in TREPS as on March 31, 2023. In addition to this, it had a Rs. 350-crore unsecured credit line from CS Bank Indian Branch as on March 31, 2023.

### Rating sensitivities

**Positive factors** – NA

**Negative factors** – ICRA could downgrade the rating in case of a dilution in CSFIPL's strategic role and importance to the Indian operations of the parent or a significant deterioration in the credit profile of the parent.

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<sup>1</sup> 1 CHF = 1.0817 USD (exchange rate as on December 31, 2022)

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA Rating Methodology for NBFCs</a> <a href="#">Rating Approach – Implicit Support from Parent or Group</a>
Parent/Group support	<p><b>Group companies: UBS Group AG</b></p> <p>ICRA expects CSFIPL’s parent, Credit Suisse AG, which is held by UBS Group AG, to be willing to extend financial support to CSFIPL, if needed, given the company’s high strategic importance for meeting its diversification objectives.</p> <p>Even though Credit Suisse is now a part of UBS Group and does not share a common name with the ultimate holding company, the Group would provide financial support to CSFIPL to protect its reputation from the consequences of a group entity’s distress.</p>
Consolidation/Standalone	Standalone

## About the company

Credit Suisse Finance (India) Private Limited (CSFIPL) is a wholly-owned subsidiary of Credit Suisse AG, which is wholly owned by UBS Group AG. The key business segments include promoter financing, acquisition financing, loans against shares, margin financing, and debt syndication. These segments are structured under two main verticals – investment banking and private banking. While CSFIPL offers lending services in India to its clients (both investment banking and private banking), its Group company, Credit Suisse Securities (India) Private Limited (CSSIPL), is engaged in institutional broking and wealth management and helps source clients for its lending arm as well. Besides this, the Group’s banking operations are housed under its Indian branch – Credit Suisse AG.

### UBS Group AG

UBS Group AG (UBS Group) is a global banking and financial services group and the holding company of the Switzerland-based bank – UBS AG. It provides wealth and asset management, as well as corporate and investment banking services to high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) and corporate, institutional and government clients worldwide, and serves retail clients in Switzerland.

UBS Group has across four divisions: Global Wealth Management (GWM), Investment Bank (IB), Personal & Corporate Banking (P&C), and Asset Management (AM). In CY2022, UBS Group reported a profit of \$7.63 billion on total assets of \$1,104.36 billion as on December 31, 2022. Following the merger with Credit Suisse Group on June 12, 2023, UBS Group’s profit stood at \$1.02 billion on total assets base of \$1,053.13 billion in Q1 CY2023.

### Credit Suisse AG

The banking business under the erstwhile Credit Suisse Group AG was housed under Credit Suisse AG. Following the conclusion of the merger, this has shifted entirely under UBS Group AG. UBS Group’s banking business is handled by UBS AG (UBS) and its direct and indirect subsidiaries. For the time being, the banking operations of the entities (i.e. Credit Suisse AG and UBS AG) have not been merged and Credit Suisse AG and its subsidiaries continue to operate independently. However, these entities/operations are likely to integrate/merge over time. CS AG is domiciled in Zurich, Switzerland with four divisions (Wealth Management, Investment Bank, Swiss Bank, and Asset Management) and five geographical regions, i.e. Switzerland, Europe, the Middle East and Africa (EMEA), the Asia Pacific (APAC), and the Americas.

### Key financial indicators (standalone)

Credit Suisse Finance (India) Private Limited	FY2021	FY2022	FY2023
Net interest income	139	153	148
Profit before tax	138	137	144
Profit after tax	102	102	107
Net advances	1,948	2,003	1,983
Investments	236	265	0
Total assets	2,241	2,537	2,387
Return on assets	4.29%	4.27%	4.34%
Return on net worth	4.84%	4.60%	4.60%
Gross gearing (times)	0.03	0.11	0.00
Tier I	103.85%	109.64%	150.64%
CRAR	103.89%	109.70%	150.67%
Gross NPA	0.00%	0.00%	0.00%
Net NPA	0.00%	0.00%	0.00%

Source: Credit Suisse Finance (India) Private Limited, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations

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

**Any other information: None**

### Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	
				Jul 13, 2023	Mar 21, 2023	Nov 14, 2022	Dec 08, 2021	Feb 12, 2021	
1 Commercial paper programme	Short term	1,200.00	0.00*	[ICRA] A1+	[ICRA] A1+&	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	

\*As on July 07, 2023; & - Rating on Watch with Developing Implications

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instruments credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unplaced	Commercial paper	NA	Unplaced	7-365 days	1,200.00	[ICRA] A1+

Source: Credit Suisse Finance (India) Private Limited

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit [www.icra.in](http://www.icra.in)

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### Branches



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