

June 06, 2024

## Nido Home Finance Limited: Update on material event

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Retail non-convertible debentures	530.03	530.03	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Subordinated debt programme	50.00	50.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Non-convertible debenture programme	525.00	525.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
Bank lines – Long-term fund-based TL	2,715.00	2,715.00	[ICRA]A+ Rating Watch with Negative Implications; outstanding
<b>Total</b>	<b>3,820.03</b>	<b>3,820.03</b>	

\*Instrument details are provided in Annexure I

### Rationale

While arriving at the rating, ICRA has considered the consolidated financials (excluding insurance businesses) of Edelweiss Financial Services Limited (Edelweiss) and has taken a consolidated view of the credit profiles of Edelweiss and its subsidiaries, which are engaged in the asset management business and retail and wholesale lending, due to the common promoters and senior management team, shared brand name, and financial and operational linkages. ICRA expects financial, managerial and operational support from the Edelweiss Group to continue to be available to all key Group companies.

### Material event

On May 29, 2024, the Reserve Bank of India (RBI) had imposed business restrictions on two Edelweiss Group companies, namely ECL Finance Limited (ECLF) and Edelweiss Asset Reconstruction Company Limited (EARC). The [order](#) related to ECLF was on account of the observations about the wholesale business with respect to the company's financial position as of March 2023. The regulator directed ECLF to cease and desist from undertaking any structured transactions in respect of its wholesale exposures other than the repayment and closure of accounts in its normal course of business. The [order](#) related to EARC was on account of the observations in its operations and governance frameworks with respect to the financial position as of March 2023. The regulator directed EARC to cease and desist from the acquisition of financial assets, including security receipts (SRs), and reorganising existing SRs into senior and subordinate tranches. Both orders directed the Group to strengthen its assurance functions within the specified timelines. The business restrictions on ECLF and EARC would be reviewed after the rectification of the supervisory observations by the Group to the satisfaction of the regulator.

As per ECLF's press release dated May 29, 2024, the Group believes that these directions will not materially impact its strategy and business. Moreover, the reduction of the wholesale exposures will continue, as permitted, in the normal course of business. As per EARC's press release dated May 29, 2024, there will not be any material impact on the company's resolution and recovery efforts, which would continue normally, and it will take immediate steps to address the concerns raised by the RBI. Further, the company mentioned that its operations will be aligned with the regulatory expectations, wherever needed.

### Impact of material event

The Edelweiss Group had witnessed a reduction in wholesale exposures in the past 2-3 years, supported by structured deals with investors. With the discontinuation of the wholesale business at ECLF (as announced in Q4 FY2024), the incremental impact of the order on the segment's profitability is expected to be remote. However, if the restrictions on ECLF continue for an extended period, the pace of decline in wholesale assets could be impacted even though the management had recently expressed their intent to drive a further decline in this book through collections.

For EARC, continued business restrictions would likely impact the ARC segment’s growth plans and consequently its profitability. However, cash flows and income from the existing assets under management are not expected to be impacted. The management informed that they had addressed some of the regulator’s observations in Q4 FY2024 and they intend to address the pending observations within the specified timelines. However, given the likely reputational impact, the timely resolution of the business restrictions on EARC and ECLF along with compliance with regulatory norms going forward, the impact on financial flexibility and developments pertaining to the proposed stake monetisation, the Group’s fund-raising ability, and the rundown of its wholesale exposures in a timely manner will remain key monitorables.

Earlier, driven by the [regulations](#) on investments by regulated entities (RE) in the units of alternative investment funds (AIFs) with exposure to direct/indirect debtors of the RE, the Group had undertaken strategic arrangements for the impacted AIFs (in January 2024). Subsequently, it had also un-winded the AIF structures held in RE entities, wherein the underlying exposures continue to be with the Group. ICRA also notes the Group’s publicly disclosed intent of monetising a 10-20% stake in Edelweiss Alternative Asset Advisors Limited (EAAA), which is expected to support it in augmenting its cushion for absorbing any impairment related to the residual risks residing in the balance sheet, liquidity generation and debt reduction. Additionally, given the appreciation of the investment in Nuvama Wealth Management Limited (Nuvama; stake valued at Rs. 2,300+ crore as of June 03, 2024) since its listing on September 26, 2023, the management’s stated intention to divest the residual stake will also help pare down the debt, apart from residual fair valuation gains on the same, which shall offer some headroom to absorb losses, if required.

ICRA is cognisant that one of the erstwhile companies of the Edelweiss Group (Nuvama Clearing Services Limited or NCSL; erstwhile Edelweiss Custodial Services Limited) had received a Securities Appellate Tribunal (SAT) order in the matter of Anugrah Stock & Broking Ltd. in December 2023. ICRA will continue to monitor developments in this matter and their impact on the Group’s financial profile, if any. NCSL has currently initiated an appeal against the SAT order in the Supreme Court.

The Group's liquidity position is currently adequate with on-balance sheet liquidity of about Rs. 2,500 crore in May 2024 against debt repayment obligations (principal + interest) of ~Rs. 4,566 crore between June 2024 and March 2025. The on-balance sheet liquidity and envisaged inflows from the loan book are expected to support the Group in its repayment obligations. Additionally, the planned monetisation of its stake in Nuvama and EAAA is expected to support the liquidity position.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, key financial indicators and rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
<b>Applicable rating methodologies</b>	<a href="#">Rating Methodology for Non-banking Finance Companies</a>
<b>Parent/Group support</b>	Not applicable; while arriving at the rating, ICRA has considered the consolidated financials (ex-insurance) of Edelweiss and has taken a consolidated view of the credit profiles of Edelweiss and its subsidiaries, which are engaged in retail lending and wholesale lending, and the asset management business due to the close linkages between the entities, common promoters and senior management team, shared brand name, and strong financial and operational synergies.
<b>Consolidation/Standalone</b>	ICRA has considered the consolidated financials (ex-insurance) of Edelweiss. Details of the subsidiaries are provided in Annexure II.

## About the company

Nido Home Finance Limited (Nido) is a housing finance company registered with National Housing Bank. It was incorporated in FY2011 following the Group’s strategy of creating a footprint in the affordable housing space. As a part of the Group’s positioning exercise, the company was rechristened Nido Home Finance Limited (Formerly Edelweiss Housing Finance Limited) in May 2023. In recent years, the company has realigned its strategy to focus on low ticket-sized home loans. Nido reported a

net profit of Rs. 19 crore in FY2024 compared to Rs. 16 crore in FY2023. As of March 31, 2024, its capitalisation profile was characterised by a net worth of Rs. 815 crore, a gearing of 3.5 times and a capital adequacy ratio of 39.1%.

**Edelweiss Financial Services Limited (parent)**

Edelweiss Financial Services Limited (Edelweiss), the holding company of the Edelweiss Group of companies, was incorporated in 1995 to offer investment banking services primarily to technology companies. At present, the Group is engaged in alternatives, asset management, wholesale and retail lending, home finance, distressed assets resolution, general insurance, and life insurance. On a consolidated basis, it posted a total income of Rs. 9,601 crore and a profit after tax (PAT) of Rs. 528 crore in FY2024 compared to Rs. 8,633 crore and Rs. 406 crore, respectively, in FY2023. As of March 31, 2024, the Group's capitalisation profile was characterised by a consolidated net worth of Rs. 6,049 crore and a gearing of 3.3 times compared to Rs. 7,846 crore and 2.8 times as of March 31, 2023.

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

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022
				Jun 06, 2024	May 09, 2024	Dec 28, 2023	Jun 30, 2023	Jun 22, 2023	Jun 24, 2022	Jun 29, 2021
1 Non-convertible debenture	Long term	525.00	75.00 <sup>^</sup>	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
2 Subordinated debt	Long term	50.00	50.00	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
3 Bank lines – Long-term fund-based TL	Long term	2,715.00	1,009.72 <sup>^</sup>	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)
4 Retail non-convertible debenture	Long term	530.03	380.03	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+; Rating Watch with Negative Implications	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)

<sup>^</sup> Balance yet to be issued/allocated

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Retail non-convertible debenture programme	Simple
Non-convertible debenture programme	Simple
Subordinated debt programme	Moderately Complex
Bank lines – Long-term fund-based TL	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 instrument's 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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE530L07210	Retail non-convertible debentures	Jul 19, 2016	9.57%	Jul 18, 2026	24.84	[ICRA]A+; Rating Watch with Negative Implications
INE530L07228	Retail non-convertible debentures	Jul 19, 2016	10.00%	Jul 18, 2026	349.21	[ICRA]A+; Rating Watch with Negative Implications
INE530L07236	Retail non-convertible debentures	Jul 19, 2016	Zero Coupon	Jul 18, 2026	5.98	[ICRA]A+; Rating Watch with Negative Implications
INE530L07160	Non-convertible debentures	Apr 29, 2016	9.62%	Apr 29, 2026	25.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Non-convertible debentures – Proposed	NA	NA	NA	500.00	[ICRA]A+; Rating Watch with Negative Implications
INE530L08010	Subordinated debt	Feb 04, 2015	11.25%	May 03, 2025	50.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Bank lines – Term loans and working capital	Feb 13, 2015	NA	Dec 01, 2024	2,015.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Bank lines – Term loans and working capital (unallocated)	NA	NA	NA	700.00	[ICRA]A+; Rating Watch with Negative Implications
NA	Retail non-convertible debentures (Yet to be issued)	NA	NA	NA	65.13	[ICRA]A+; Rating Watch with Negative Implications
INE530L07582	Retail non-convertible debentures	Sep 15, 2023	8.95%	Sep 15, 2025	21.02	[ICRA]A+; Rating Watch with Negative Implications
INE530L07541	Retail non-convertible debentures	Sep 15, 2023	Zero	Sep 15, 2025	2.02	[ICRA]A+; Rating Watch with Negative Implications
INE530L07533	Retail non-convertible debentures	Sep 15, 2023	9.20%	Sep 15, 2026	19.43	[ICRA]A+; Rating Watch with Negative Implications
INE530L07624	Retail non-convertible debentures	Sep 15, 2023	9.60%	Sep 15, 2026	10.25	[ICRA]A+; Rating Watch with Negative Implications
INE530L07616	Retail non-convertible debentures	Sep 15, 2023	Zero	Sep 15, 2026	1.72	[ICRA]A+; Rating Watch with Negative Implications
INE530L07608	Retail non-convertible debentures	Sep 15, 2023	9.67%	Sep 15, 2028	5.00	[ICRA]A+; Rating Watch with Negative Implications
INE530L07558	Retail non-convertible debentures	Sep 15, 2023	10.10%	Sep 15, 2028	15.88	[ICRA]A+; Rating Watch with Negative Implications
INE530L07566	Retail non-convertible debentures	Sep 15, 2023	Zero	Sep 15, 2028	0.77	[ICRA]A+; Rating Watch with Negative Implications
INE530L07574	Retail non-convertible debentures	Sep 15, 2023	10.00%	Sep 15, 2033	2.51	[ICRA]A+; Rating Watch with Negative Implications
INE530L07590	Retail non-convertible debentures	Sep 15, 2023	10.45%	Sep 15, 2033	6.27	[ICRA]A+; Rating Watch with Negative Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis\***

	<b>Edelweiss's Ownership</b>	<b>Consolidation Approach</b>
<b>Edelweiss Financial Services Limited</b>	Parent	
<b>Subsidiaries:</b>		
ECL Finance Limited	100.00%	
Edelcap Securities Limited	100.00%	
Edelweiss Asset Management Limited	100.00%	
ECap Equities Limited	100.00%	
Edelweiss Trusteeship Company Limited	100.00%	
Edelweiss Housing Finance Limited	100.00%	
Edelweiss Investment Adviser Limited	100.00%	
Edel Land Limited	100.00%	
Edel Investments Limited	100.00%	
Edelweiss Rural & Corporate Services Limited	100.00%	
Comtrade Commodities Services Limited	100.00%	
Edel Finance Company Limited	100.00%	
Edelweiss Retail Finance Limited	100.00%	
Edelweiss Multi Strategy Fund Advisors LLP	100.00%	ICRA has considered the consolidated financials (ex-insurance) of Edelweiss
Edelweiss Resolution Advisors LLP	100.00%	
Edelweiss Securities and Investment Private Limited	100.00%	
EC International Limited	100.00%	
EAAA LLC	100.00%	
Edelweiss Alternative Asset Advisors Pte. Limited	100.00%	
Edelweiss International (Singapore) Pte. Limited	100.00%	
Edelgive Foundation	100.00%	
Edelweiss Alternative Asset Advisors Limited	99.05%	
Edelweiss Private Equity Tech Fund	95.60%	
Edelweiss Value and Growth Fund	70.05%	
Edelweiss Asset Reconstruction Company Limited	59.82%	
EW Special Opportunities Advisors LLC	67.00%	
Allium Finance Private Limited	85.00%	
Edelweiss Global Wealth Management Limited	100.00%	
Edelweiss Capital Services Limited	51.00%	
India Credit Investments Fund - II	100.00%	
Edelweiss Real Assets Managers Limited	100.00%	
Sekura India Management Limited	100.00%	

Source: Edelweiss Financial Services Limited; As on June 23, 2023

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