

EW/Sec/2021/108

June 11, 2021

BSE Limited
P J Towers, Dalal Street,
Fort, Mumbai - 400 001.

Dear Sirs,

Ref.:- Scrip Code: 532922

Sub: Update on ECL Finance Limited

Please find enclosed an update on ECL Finance Limited, a subsidiary of the Company.

Kindly take the same on record.

Thanking you,

For Edelweiss Financial Services Limited

Tarun Khurana
Company Secretary

Encl: a/a



Update on ECLF Finance Ltd

Where we are today

ECLF wholesale book

Plan for future



Where we are today

Journey since 2018

ECL Finance Snapshot



Net Worth

INR 3,347 Cr

Liquidity

INR 2,250 Cr

DE ratio

3.6x

Capital Adequacy Ratio

25.3%

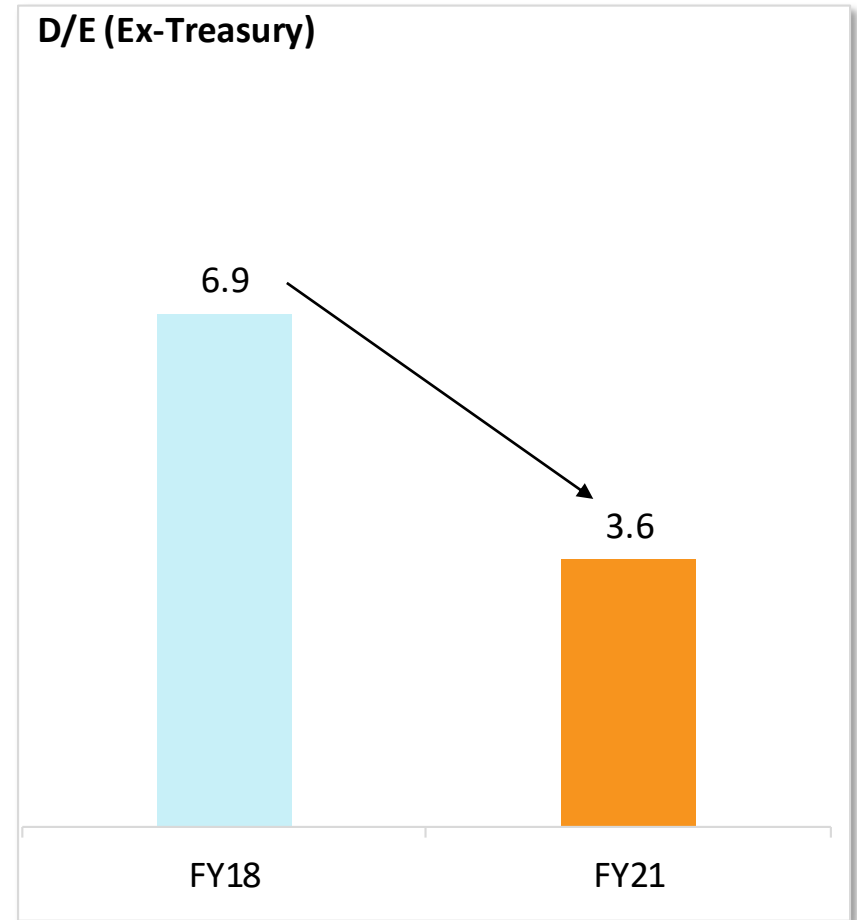
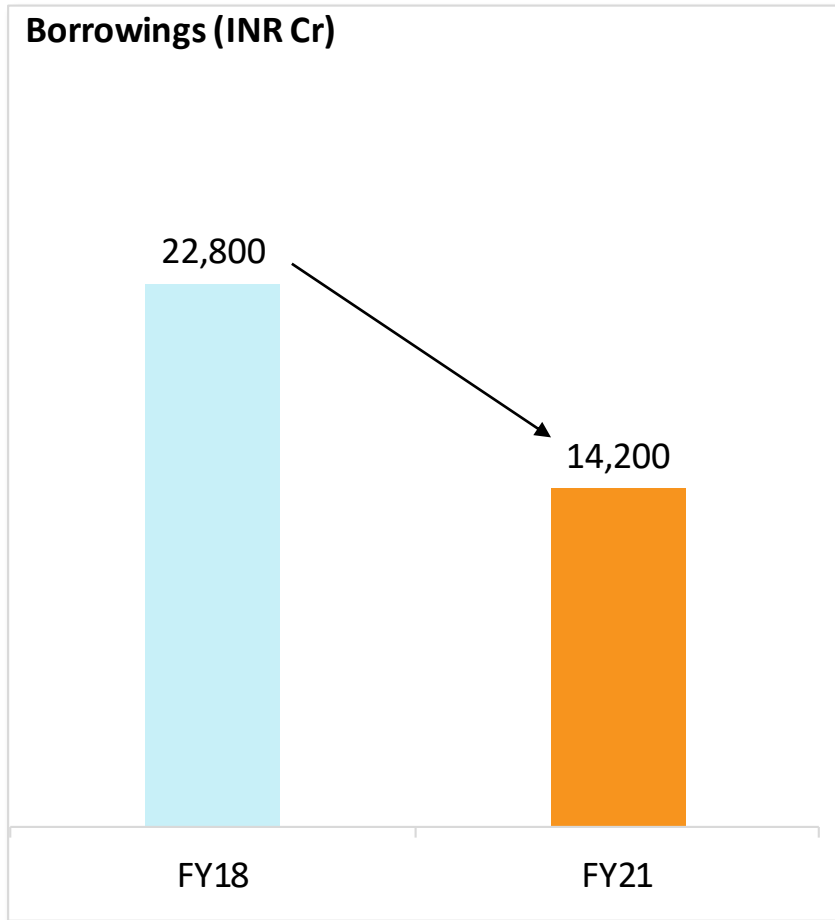
Strong, Well-Capitalized Balance Sheet..



| Assets | INR Cr | Liabilities | INR Cr |
|----------------------|---------------|-----------------------------|---------------|
| Wholesale Assets | 11,400 | Net worth | 3,350 |
| Retail Assets | 2,500 | Long-term borrowings | 8,400 |
| Cash & Treasury | 2,600 | Borrowings due in 12 months | 5,800 |
| Fixed & Other assets | 2,200 | Other liabilities | 1,150 |
| Total | 18,700 | Total | 18,700 |

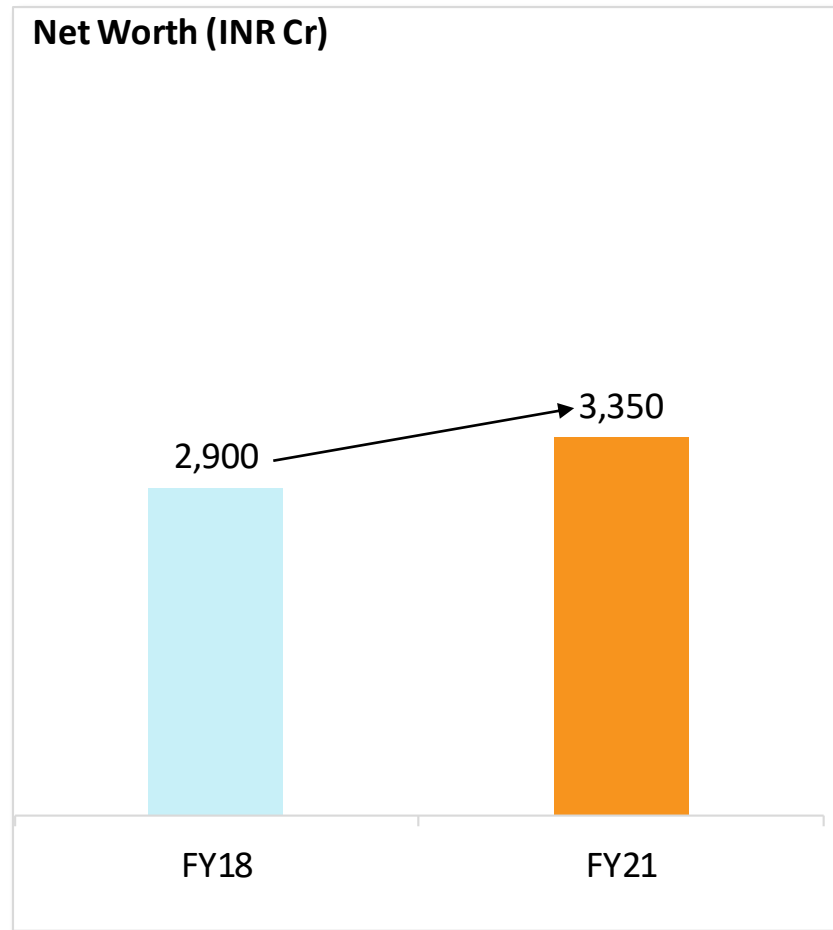
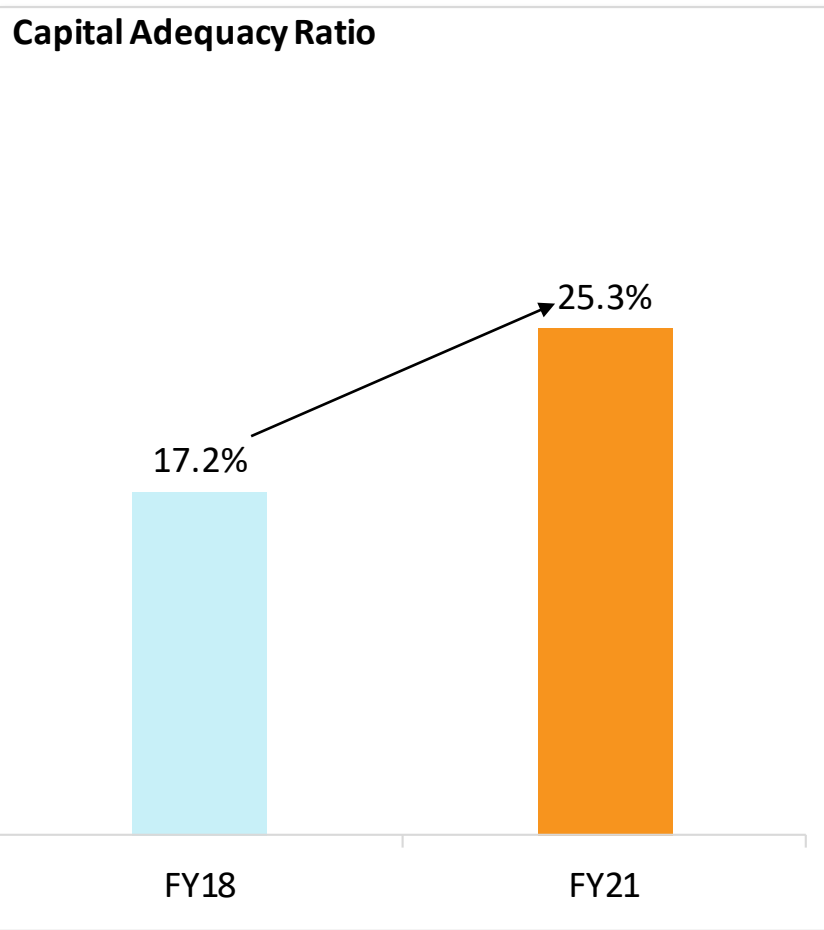
**Wholesale assets supported by
Net worth of INR 3,350 Cr and long-term borrowings of INR 8,400 Cr**

..With 37% Reduction In Borrowings, D/E Improved To 3.6x



D/E ratio will improve further with continued repayments in the wholesale book and an asset light SME model

Significantly Higher Capital Adequacy, With Higher Net Worth



**One of the first NBFCs to raise additional equity capital
Well-capitalized with no further equity requirement**

Maintained Adequate Liquidity..



| INR Cr | Sep'20 | Mar'21 |
|------------------------|--------------|--------------|
| Total Liquidity | 2,350 | 2,250 |
| Borrowings | 15,150 | 14,200 |
| Liquidity % | 16% | 16% |

Bought back ECL Finance bonds of INR 450 Cr in FY21

..Along With Conservative Cash Flow Planning



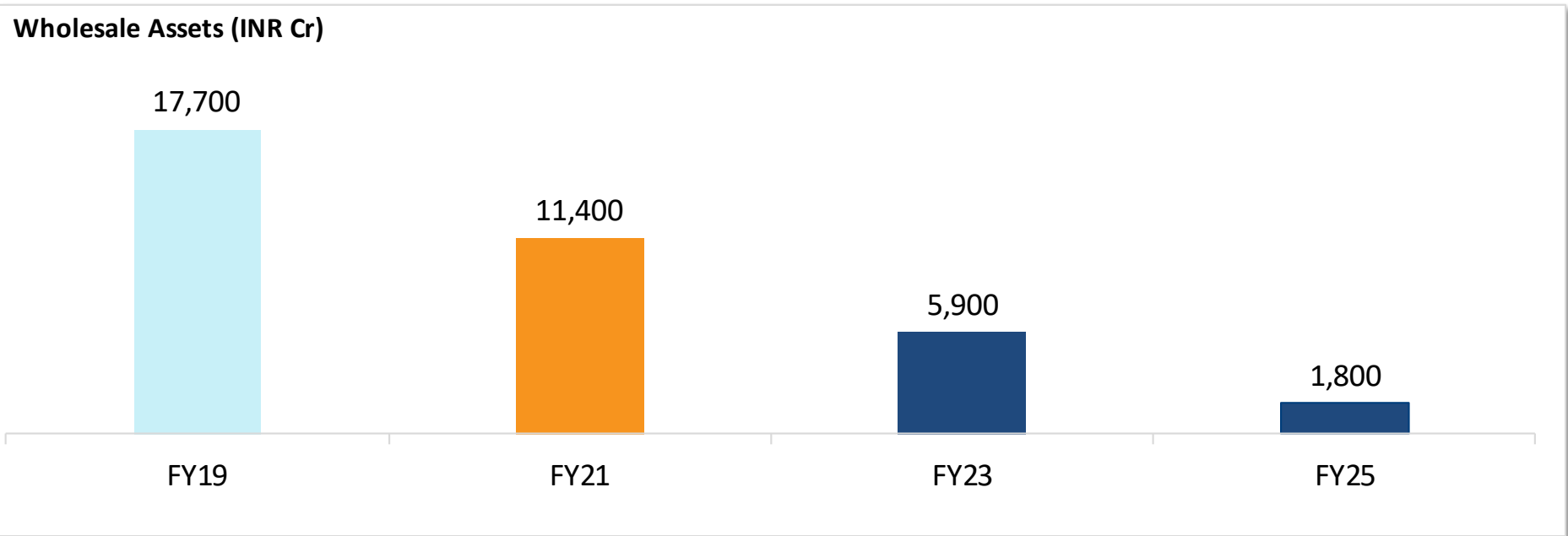
| Particulars (INR Cr) | Apr'21-Mar'22 | Apr'22-Mar'23 |
|--|---------------|---------------|
| Opening Available Liquidity (A) | 2,250 | 2,150 |
| Inflows | | |
| Expected Inflows | 5,500 | 5,000 |
| Fresh Borrowings | 2,250 | 1,500 |
| Total Inflows (B) | 7,750 | 6,500 |
| Outflows | | |
| Repayments | 5,850 | 4,050 |
| Disbursements | 2,000 | 2,800 |
| Total Outflows (C) | 7,850 | 6,850 |
| Closing Available Liquidity (A+B-C) | 2,150 | 1,800 |

Fresh disbursements will be for the MSME portfolio



ECLF Wholesale Book

INR 6,300 Cr Reduction In Assets In Last Two Years; Set To Continue On Back Of Strong Inflows



| INR Cr | FY22 | FY23 | FY24 | FY25 |
|-------------------------|-------|-------|-------|-------|
| Wholesale Asset inflows | 3,700 | 3,800 | 3,400 | 2,300 |

Wholesale book to reduce to ~50% by Mar-23

Successful Workouts Of ~INR 1,500 Cr In Last 12 Months



Change of Developer

Strengthening the Developer group through addition or replacement of Developers

Projects Streamlining

Ensuring project progress by way of last mile financing and sales support for renewed buyer interest

Cash flow improvement

Improved cash flows by sales of ready and under-construction inventory, and monetization of non-core collateral

Improving traction on workouts expected in FY22 and FY23 as Covid impact subsides

Wholesale Mortgage Portfolio Snapshot



| | |
|-----------------------------|---------------|
| # of Projects | ~145 |
| Residential Real Estate | ~90% projects |
| Units < INR 1 Cr category | ~84% of total |
| Average Project Ticket Size | ~INR 60 Cr |
| Collateral Cover | ~ 1.6x |

Asset Quality Under Control; Impairments Taken And Workouts Underway



- Accelerated impairments have been taken
- Provisions under IndAS is ~INR 400 Cr in excess of the provision required under IRAC norms
- Recent workouts have seen success, expected to improve further as Covid impact subsides
- Overall portfolio continues to be adequately collateralized
- Real Estate sector has started seeing green shoots and some macro tailwinds which are expected to accelerate going forward

We do not expect any significant portfolio impairments going forward



Plan Going Forward



Asset-light Retailisation

- MSME AUM of INR 9,000 Cr by FY26; 50-50 split between on-book and off-book
- Wholesale Credit to reduce ~50% in two years

Profitability

- P/L drag to go away by Mar-22; growth to be a function of pandemic recovery
- Profitability supported by MSME scale-up and significant wholesale write-backs

Liquidity Management

- Will continue to be conservative on liquidity management till the complete impact of Covid is mitigated

Journey Of Transition Will Be Completed In 12 Months



Growth in ECL Finance will be driven by an asset-light MSME credit model



Strong recoveries in wholesale book will help profitability from FY23 onwards further strengthening the capital adequacy



ALM will continue to be comfortable even in stressed scenarios



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NOTES:

Slide 3, 4, 6: Net worth includes investment in CCD by CDPQ of INR 866 Cr

Slide 3, 7, 8: Available Liquidity is calculated as on balance sheet liquidity, liquid able assets and undrawn bank lines; Numbers are based on management estimates and rounded off to nearest 100

Slide 3: DE ratio is excluding treasury assets

Slide 4: Wholesale and Retail assets include loan book and SR investments; All the numbers are rounded off to nearest 100

Slide 5, 7: Borrowings are excluding CBLO & CCDs

Slide 10 : Wholesale assets include loan book and SR investments