

EW/Sec/2024-25/63

May 29, 2024

BSE Limited P J Towers, Dalal Street, Fort, Mumbai - 400 001. Scrip Code:- 532922	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Symbol:- EDELWEISS
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Dear Sir/Madam,

Sub: Update on Edelweiss Asset Reconstruction Company Limited

Enclosed is the update filed by Edelweiss Asset Reconstruction Company Limited, a Subsidiary of the Company.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Edelweiss Financial Services Limited

Tarun Khurana
Company Secretary

Encl.: as above

EdelARC/932/2024-2025

May 29, 2024

BSE Limited

P J Towers, Dalal Street,
Fort, Mumbai – 400 001.

Dear Sirs,

Sub: Intimation under Regulation 51 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”)

Pursuant to Regulation 51 of the Listing Regulations (as amended from time to time) of the Listing Regulations, Edelweiss Asset Reconstruction Company Limited (“the Company”) acknowledges receipt of order and its press release issued by the Reserve Bank of India (“RBI”) on its website dated May 29, 2024, under section 12(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, directing the Company to cease and desist from acquisition of financial assets. The Company takes note of RBI’s guidance and will take necessary remedial steps as required immediately.

We are reviewing the order and will address the observations mentioned in the RBI order. We are dedicated to maintaining transparency and upholding highest standards of corporate governance and committed to compliance with regulatory requirements. There will not be any material impact on Company’s resolution and recovery efforts which would continue normally.

We assure all our stakeholders that we are taking immediate steps to address the concerns raised by the RBI and to align our operations with regulatory expectations.

The press release issued by the RBI dated May 29, 2024 is enclosed as **Annexure A**.

Kindly take the above on record.

Thanking you,
Yours faithfully,

For Edelweiss Asset Reconstruction Company Limited

Deepak
Dineshchan
dra Nautiyal

Digitally signed by
Deepak Dineshchandra
Nautiyal
Date: 2024.05.29
21:47:59 +05'30'

Deepak Nautiyal
Company Secretary & Compliance Officer

Encl. as above

Edelweiss Asset Reconstruction Company Limited

Corporate Identity Number: U67100MH2007PLC174759

Registered Office: Edelweiss House, Off CST Road, Kalina, Mumbai – 400 098 | Tel: +91 22 4183 0600 | earc.info@edelweissarc.in

Grievance Redressal Officer: Please visit website www.edelweissarc.in or call at +91 22 4183 0600

Website: www.edelweissarc.in



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

May 29, 2024

Supervisory Action against ECL Finance Limited and Edelweiss Asset Reconstruction Company Limited based on material supervisory concerns

The Reserve Bank of India has today, in exercise of its powers under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) and the Reserve Bank of India Act, 1934 imposed business restrictions on the following supervised entities respectively, belonging to the Edelweiss Group.

The Reserve Bank has directed:

- (i) **ECL Finance Ltd (ECL) 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.**
- (ii) **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.**

The above directions will have immediate effect.

The action is based on material concerns observed during the course of supervisory examinations, essentially arising out of conduct of the group entities acting in concert, by entering into a series of structured transactions for evergreening stressed exposures of ECL, using the platform of EARCL and connected AIFs, thereby circumventing applicable regulations. Incorrect valuation of SRs was also observed in both ECL and EARCL. Apart from the above, in ECL, supervisory observations included submission of incorrect details of its eligible book debts to its lenders for computation of drawing power, non-compliance with loan to value norms for lending against shares, incorrect reporting to Central Repository for Information on Large Credits system (CRILC) and non-adherence to Know Your Customer (KYC) guidelines. ECL, by taking over loans from non-lender entities of the group for ultimate sale to the group ARC, allowed itself to be used as a conduit to circumvent regulations which permit ARCs to acquire financial assets only from banks and Financial Institutions.

In EARCL, other violations included not placing the Reserve Bank's supervisory letter issued after the previous inspection for 2021-22 before the Board, non-compliance with regulations pertaining to settlement of loans and sharing of non-public information of its clients with group entities.

Instead of taking meaningful remedial action to rectify the said deficiencies, it was observed that the group entities were resorting to new ways to circumvent regulations. Over the last few months, the Reserve Bank has been engaging with the senior management of the captioned entities and their statutory auditors, but no meaningful corrective action has been evidenced so far, necessitating the imposition of business restrictions. Further, both the companies have been directed to strengthen their assurance functions to ensure regulatory compliance in letter and spirit at all times.

The business restrictions being placed now shall be reviewed after the rectification of the supervisory observations by the group to the satisfaction of the Reserve Bank. These restrictions are without prejudice to any other regulatory or supervisory action against the captioned entities, that may be initiated by the RBI.

Press Release: 2024-2025/397

(Puneet Pancholy)
Chief General Manager