

# Edelweiss plans IPO of alternatives unit

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MUMBAI

**E**delweiss Financial Services Ltd is preparing to list its step-down subsidiary Edelweiss Alternative Asset Advisors Ltd (EAAA), which will be the first initial public offering (IPO) in the Indian private capital segment, three people aware of the matter said.

The IPO, which is partly aimed at reducing the parent company's debt, is likely to be predominantly an offer for sale, the people said on the condition of anonymity.

"Axis Capital is advising on the issue," one of the people said. "The company is expected to file its draft papers in a few months."

Edelweiss will table the proposal in its upcoming board



Edelweiss chairman and chief executive Rashesh Shah. MINT

meeting in October-end, the second person cited above said. "In the US, KKR, Blackstone, Apollo have all been listed, and the company is studying that," the person said.

Earlier, in an investor call on 5 August, Edelweiss group co-founder Rashesh Shah had

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# Edelweiss to list alternatives arm

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said that a dual process of either a sale to an investor or an IPO was being considered for EAAA.

EAAA, which manages private investment vehicles across performing credit, structured credit, real estate and infrastructure yield, managed ₹56,342 crore of assets at the end of June 2024, according to its annual report for FY24.

Axis Capital and Edelweiss did not respond to a request for comment on Monday.

The company would need to win over investors who may wonder about the erratic nature of revenues in the alternatives business, some veterans said.

“Edelweiss can be bold enough to be first in this space, but the question remains if investors have the maturity to understand the value of such a business,” said Abizer Diwanji, founder of Mumbai based consultancy firm NeoStrat Advisors LLP Services.

“While a mutual fund does



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not have carried interest, investors will need to assess the carried interest of an alternate credit business,” Diwanji said.

Carried interest is the share in profits that an alternative fund manager receives after returning the principal capital and a nominal interest base to the fund’s investors.

“Retail investors typically follow quality anchor investors in a public issue,” said Arka Mookerjee, partner at J Sagar & Associates, adding that the disclosures around

promoter and promoter group will need to be examined after analysing the cap table.

“The regulator has been insistent on disclosures around the ultimate beneficial owners, and it needs to be seen if appropriate exemptions need to be sought given the unique asset class,” Mookerjee said.

The move to list EAAA follows an 18 December 2023 exchange filing when Edelweiss said it had started the process of selling 10-20% stake for ₹1,500-2,000 crore in its alternatives arm to try and retire debt at the parent level. This would suggest the company is expecting a valuation of at least ₹15,000 crore (around \$1.8 billion).

To be sure, at the end of Q1FY25, Edelweiss Financial Services’ net debt stood at ₹12,700 crore, which it said was down 17% on a year-on-year basis. At its peak, the debt was closer to ₹50,000 crore.

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