

## ECL Finance Ltd NCD Issue

### Summary:

ECL Finance Ltd has come up with the 1st tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount of Rs 500 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 1,500 Crore aggregating up to Tranche I Issue Limit of Rs 2,000 Crore.

The issue is open for subscription from **July 24, 2018 to August 16, 2018** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by Board of Directors of the Company ("Board") or the NCD Public Issue Committee). The company will be paying an interest ranging between **9.25% and 9.85% p.a.** on these bonds.

The proposed NCDs issue has been rated '**CRISILAA/Stable**' by CRISIL '[ICRA]AA (stable) by ICRA Limited. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

**Object of the Issue:** The Company proposes to utilise the funds which are being raised through the this Tranche 1 Issue, after deducting the Tranche 1 Issue related expenses to the extent payable by the company ("Net Proceeds"), towards funding the following objects

1. For the purpose of onward lending and for repayment of interest and principal of existing loans; and (at least 75%); and;
2. General Corporate Purposes (upto 25%)

|                                 |  |
|---------------------------------|--|
| <b>Issuer</b>                   | ECL Finance Limited  |
| <b>Issue Size</b>               | Public Issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount of Rs 500 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 1,500 Crore aggregating up to Tranche I Issue Limit of Rs 2,000 Crore.   |
| <b>Issue opens</b>              | <b>Tuesday , 24<sup>th</sup> July 2018</b>   |
| <b>Issue closes</b>             | <b>Thursday , 16<sup>th</sup> August 2018</b>  |
| <b>Allotment</b>                | First Come First Serve Basis, Compulsory in demat form   |
| <b>Face Value</b>               | Rs 1000 per NCD  |
| <b>Issue Price</b>              | Rs 1000 per NCD  |
| <b>Nature of Instrument</b>     | Secured, Redeemable Non-convertible Debentures   |
| <b>Minimum Application</b>      | Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series  |
| <b>Listing</b>                  | NCDs are proposed to be listed on BSE and NSE  |
| <b>Rating</b>                   | 'CRISILAA/Stable' by CRISIL '[ICRA]AA (stable) by ICRA Limited   |
| <b>Security and Asset Cover</b> | The principal amount of the NCDs to be issued in terms of this Tranche I Prospectus together with all interest due on the NCDs in respect thereof shall be secured by way of pari passu charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of ECL Finance Ltd as may be decided mutually by the Company and the Debenture Trustee. ECL Finance Ltd will create appropriate security in favour of the Debenture Trustee for the NCD Holders on the assets adequate to ensure 100% asset cover for the NCDs (along with the interest due thereon). |

**Issue Details**

| Series  | I  | II      | III     | IV         | V       | VI       | VII      | VIII                               |
|---|--|---------|---------|------------|---------|----------|----------|------------------------------------|
| <b>Frequency of Interest Payment</b>                            | Cumulative   | Annual  | Monthly | Cumulative | Annual  | Monthly  | Annual   | Annual                             |
| <b>Tenor</b>  | 3 Years  | 3 Years | 5 Years | 5 Years    | 5 Years | 10 Years | 10 Years | 3 Years                            |
| <b>NCD Holders in Category I, II, III and IV</b>                |  |         |         |            |         |          |          |                                    |
| <b>Coupon (%)</b>   | NA   | 9.45%   | 9.25%   | NA         | 9.65%   | 9.43%    | 9.85%    | Benchmark MIBOR + spread of 2.50%* |
| <b>Effective Yield (per annum) (Approx)</b>                     | 9.45%  | 9.45%   | 9.65%   | 9.65%      | 9.65%   | 9.85%    | 9.85%    |                                    |
| <b>Redemption amount (Rs per NCD)</b>                           | 1311.30  | 1000    | 1000    | 1585.30    | 1000    | 1000     | 1000     | 1000                               |
| <b>Put and call option</b>                                      | NA   |         |         |            |         |          |          |                                    |
| <b>Redemption Date(Years from the Deemed Date of Allotment)</b> | 3 Years  | 3 Years | 5 Years | 5 Years    | 5 Years | 10 Years | 10 Years | 3 Years                            |
| <b>Minimum Application</b>                                      | Rs 10,000 (10 NCDs) across all Series collectively |         |         |            |         |          |          |                                    |
| <b>In multiples of thereafter</b>                               | Rs 1,000 (1 NCD)                                   |         |         |            |         |          |          |                                    |
| <b>Face Value / Issue Price (Rs Per NCD)</b>                    | Rs 1,000 (1 NCD)                                   |         |         |            |         |          |          |                                    |
| <b>Mode of Interest Payment</b>                                 | Through various options available                  |         |         |            |         |          |          |                                    |
| <b>Put/call options</b>   | Not available/applicable                           |         |         |            |         |          |          |                                    |

**Who Can Apply?**

| Category I (Institutional Investors)   | Category II (Non Institutional Investors)   | Category III (High Net-worth Individual, ("HNIs"), Investors)  | Category IV (Retail Individual Investors)   |
|--|---|--|---|
| <ol style="list-style-type: none"> <li>Public financial institutions, statutory corporations, scheduled commercial banks, co-operative banks, Indian multilateral and bilateral development financial institution and RRBs which are authorised to invest in the NCDs;</li> <li>Provident funds, pension funds with a minimum corpus of Rs 2,500 lakhs, superannuation funds and gratuity funds, which are authorized to invest in the NCDs;</li> <li>Venture Capital Funds/ Alternative Investment Fund registered with SEBI;</li> <li>Insurance companies registered with the IRDA;</li> <li>State industrial development corporations;</li> <li>Insurance funds set up and managed by the army, navy, or air force of the Union of India;</li> <li>Insurance funds set up and managed by the Department of Posts, the Union of India;</li> <li>Systemically Important Non- Banking Financial Company, a nonbanking financial company registered with the</li> </ol> | <ol style="list-style-type: none"> <li>Companies within the meaning of section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs;</li> <li>Co-operative banks and regional rural banks;</li> <li>Public/private charitable/ religious trusts which are authorised to invest in the NCDs;</li> <li>Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;</li> <li>Partnership firms in the name of the partners; and</li> <li>Limited liability partnerships</li> </ol> | <p>Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10.00 lakhs across all series of NCDs in Tranche I Issue.</p> | <p>Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10.00 lakhs across all series of NCDs in Tranche I Issue.</p> |

|   |  |  |  |
|---|--|--|--|
| Reserve Bank of India and having a net-worth of more than five hundred crore rupees as per the last audited financial statements;<br>9. National Investment Fund set up by resolution no. F. No.2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; and<br>10. Mutual Funds registered with SEBI. | formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009);<br>7. Association of Persons; and<br>8. Any other incorporated and/or unincorporated body of persons. |  |  |
|---|--|--|--|

All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

### Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name\* (A guardian may apply on behalf of a minor. However, Applications by minors must be made through Application Forms that contain the names of both the minor Applicant and the guardian);
- Foreign nationals, NRI inter-alia including any NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
- Persons resident outside India and other foreign entities;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Qualified Foreign Investors;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

\*Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

### Allocation Ratio

| QIB Portion                   | Corporate Portion             | High Net Worth Individual Portion | Retail Individual Investor Portion |
|-------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| 20% of the Overall Issue Size | 20% of the Overall Issue Size | 30% of the Overall Issue Size     | 30% of the Overall Issue Size      |

### Credit Rating:

The NCDs proposed to be issued under this Issue have been rated ‘CRISIL AA/Stable’ (pronounced as CRISIL double A rating with Stable outlook) for an amount of Rs 2,000 crore, by CRISIL Limited (“CRISIL”) vide their letter dated March 15, 2018 with letters dated June 13, 2018 and July 6, 2018, ‘[ICRA]AA (stable)’ (pronounced as ICRA Double A with Stable outlook), for an amount of upto Rs 2,000 crore, by ICRA Limited (“ICRA”) vide their letter dated April 20, 2018 with letters dated June 14, 2018 and July 5, 2018. The rating of CRISIL AA/Stable by CRISIL, ICRA AA by ICRA indicate that instruments with these ratings are considered to have a high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

**Interest on application Money:** On Allotment – 8% p.a.

**Interest on Refund:** 5% p.a.

**Liquidity and Exit Options:** The Bonds are proposed to be listed on the BSE and NSE

**Allotments in case of oversubscription:** In case of an oversubscription in a category, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis in that category and thereafter on proportionate basis, i.e. full allotment of the Secured NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchange, in each Portion).

#### **Company Background:**

ECL Finance Ltd is one of the leading systemically important non-deposit taking NBFCs, focused on offering a broad suite of secured corporate loan products, retail loan products which are customised to suit the needs of the corporates, SMEs and individuals. Its corporate and retail loan products include:

**Structured Collateralised Credit:** ECL Finance Ltd structured collateralised credit loans constituted 25.15% of its total loan book as at March 31, 2018. Structured collateralised credit loans are offered mostly to corporates against collateral such as liquid market securities, pledge of other securities, pledge of shares by promoters, immovable property, etc. The loans include bridge financing or other short term loans to corporates.

**Wholesale Mortgages:** This includes various structured financing solutions for finance to developers for real estate projects under construction, which constituted 35.46 % of the Company's total loan book as at March 31, 2018.

**SMEs and others:** This includes credit facilities and short term loans to SMEs for meeting their business requirements, which constituted 7.70 % of the Company's total loan book as at March 31, 2018.

**Loans against securities:** This includes loans to investors against their existing portfolio of investments, which constituted 21.00 % of the Company's total loan book as at March 31, 2018.

**Retail Mortgages - Loans against Property:** This includes loans offered to self-employed individuals for business purposes against a mortgage of residential or commercial property, which constituted 6.67 % of the Company's total loan book as March 31, 2018.

**Agri Credit:** As a part of agricultural value chain services, ECL extends short term finance (usually for a period of three to nine months) against agri commodities inventory stored in warehouses managed by the sister concerns of the Company, which constituted 4.02 % of the Company's total loan book as at March 31, 2018.

ECL Finance Ltd is a part of the Edelweiss Group which is one of India's prominent financial services organization having businesses organized around three broad lines – credit including retail finance; franchise & advisory businesses including wealth management, asset management, capital markets, balance sheet management and others,

and insurance business. The product/ services portfolio of the Edelweiss Group caters to the diverse investment and strategic requirements of corporate, institutional, high net worth individuals and retail clients. Edelweiss Group has a pan India presence with a global footprint extending across geographies with offices in New York, Mauritius, Dubai, Singapore, Hong Kong and UK. EFSL is listed on BSE and NSE. EFSL through its subsidiaries, offers to its customers a diversified financial services platform that provides various secured corporate loan products, retail loan products and services, SME financing, agri value chain services including agri credit, wealth advisory services, asset management, insurance, investment banking, institutional and retail broking.

ECL Finance Ltd's total loan book was Rs 220,081.23 million as of March 31, 2018. Secured loans portfolio constituted 92.32 % of the Company's total loan book as at March 31, 2018. Its capital adequacy ratio, as of March 31, 2018 computed on the basis of applicable RBI requirements was 17.09%, compared to the RBI stipulated minimum requirement of 15% as per the Master Directions of RBI. It's Gross NPAs as a percentage of total Loan Book was 1.82% as of March 31, 2018. It's net NPAs as a percentage of Loan Book was 0.75% as of March 31, 2018.

**Financial Performance:**
*(Rs in million)*

| Particulars (Amount in Rs.Cr)                       | Fiscal 2018        | Fiscal 2017        | Fiscal 2016        |
|---|--------------------|--------------------|--------------------|
| Net worth   | 29,393.79          | 23,398.22          | 19,701.09          |
| <b>Total Borrowings</b>                             | <b>2,22,944.57</b> | <b>1,78,411.57</b> | <b>1,40,168.34</b> |
| of which  |                    |                    |                    |
| - Long-term borrowings                              | 1,34,263.66        | 91,933.54          | 65,632.49          |
| - Short Term Borrowings                             | 58,117.29          | 58,812.99          | 47,333.91          |
| - Current maturities of long term Secured Borrowing | 30,563.62          | 27,665.04          | 27,201.94          |
| Fixed Assets  | 626.48             | 543.28             | 272.64             |
| Non Current Assets                                  | 10,405.57          | 9,583.78           | 11,482.77          |
| Cash and bank balances                              | 2,508.49           | 11,677.78          | 2,606.69           |
| Current Investments                                 | 0.43               | 67.23              | 102.32             |
| Current Assets                                      | 33,928.27          | 18,775.93          | 34,886.33          |
| Non Current Liabilities                             | 5,475.79           | 2,120.37           | 1,414.28           |
| Current Liabilities                                 | 9,736.32           | 7,534.68           | 9,770.26           |
| Loan Book   | 2,20,081.23        | 1,70,816.84        | 1,21,703.22        |
| Interest Income                                     | 28,981.79          | 23,117.08          | 20,205.30          |
| Finance Cost  | 17,112.09          | 13,689.69          | 11,653.57          |
| Provisions and write-offs                           | 3,345.42           | 2,733.37           | 1,156.81           |
| Profit after tax                                    | 4,795.55           | 3,849.31           | 2,460.63           |
| Gross NPA (%)                                       | 1.82%              | 1.85%              | 1.88%              |
| Net NPA (%)   | 0.75%              | 0.64%              | 0.49%              |
| Tier I Capital Adequacy Ratio (%)                   | 11.82%             | 11.35%             | 11.34%             |
| Tier II Capital Adequacy Ratio (%)                  | 5.27%              | 4.79%              | 5.22%              |

Gross Debt Equity Ratio of the Company:

|   |      |
|---|------|
| Before the issue of debt securities as at March 31, 2018            | 7.58 |
| After the issue of debt securities (assuming inflow of Rs.2,000 cr) | 8.27 |

### Competitive Strengths of the company

- Established brand and parentage
- ECL's network of offices
- Liquid balance sheet with a track record of high growth and profitability
- Diversified portfolio of products with dedicated and experienced product management teams
- Secured loan book and strong asset quality
- ECL is adequately capitalised to fund its growth
- Diversified funding profile and access to range of cost effective funding sources
- Robust risk management systems and independent processes which are well defined
- Equipped with advanced technology as a differentiator
- Professional and experienced senior management team

### Strategy

- Retail Focus
- Minimise concentration risk by diversifying the portfolio of products and expanding customer base
- Optimising return while maintaining the quality of the Company's Loan Book
- Improve the Company's credit ratings to optimise cost of funds
- Continue to attract and retain talented employees and ensure a low attrition rate among senior management
- Build on ECL's scalable platform for its SME finance business
- Achieve operations excellence by further strengthening the Company's operating processes and riskmanagement systems
- Optimizing return while maintaining the quality of Loan Book

### Key Risk and Concerns:

- Any increase in the levels of non-performing assets ("NPA") on ECL's loan portfolio, for any reason whatsoever, would adversely affect the business and results of operations;
- Any volatility in interest rates which could cause ECL's gross spreads to decline and consequently affect its profitability;
- Unanticipated turbulence in interest rates or other rates or prices; the performance of the financial and capital markets in India and globally;
- Changes in political conditions in India;
- Changes in the value of Rupee and other currency changes;
- The rate of growth of ECL's Loan Book;
- The outcome of any legal or regulatory proceedings ECL is or may become a party to;
- Changes in Indian and/or foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations;
- Any changes in connection with policies, statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact ECL's lending rates and its ability to enforce its collateral;
- Emergence of new competitors;

- Performance of the Indian debt and equity markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which ECL has operations;
- ECL's ability to attract and retain qualified personnel.

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