

ECL Finance Ltd NCD Issue

Summary:

ECL Finance Ltd will 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 250 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 750 Crore aggregating up to Tranche-I Issue Limit of Rs 1,000 Crore.

The issue will open for subscription from **December 13, 2018 to January 11, 2019** (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 **9.95% and 10.60% p.a.** on these bonds.

The proposed NCDs issue has been rated '**CRISILAA/Stable**' by CRISIL and '**[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%)

Issuer	ECL Finance Limited
Issue Size	Public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount of Rs 250 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 750 Crore aggregating up to Tranche I Issue Limit of Rs 1,000 Crore.
Issue opens	Thursday, 13th December 2018
Issue closes	Friday, 11th January 2019
Allotment	First Come First Serve Basis, Compulsory in demat form
Face Value	Rs 1000 per NCD
Issue Price	Rs 1000 per NCD
Nature of Instrument	Secured, Redeemable Non-convertible Debentures
Minimum Application	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
Listing	NCDs are proposed to be listed on BSE and NSE
Rating	'CRISILAA/Stable' by CRISIL '[ICRA]AA (stable)' by ICRA Limited
Security and Asset Cover	The principal amount of the NCDs to be issued in terms of this Tranche Prospectus together with all interest due on the NCDs in respect thereof shall be secured by way of exclusive and / or pari passu charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of ECL as may be decided mutually by the Company and the Debenture Trustee and shall not include such present or future receivables over which the Issuer has created or shall create exclusive charge. ECL 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
Frequency of Interest Payment	Annual	Cumulative	Monthly	Annual	Cumulative	Monthly	Annual
Tenor	39 months	39 months	60 months	60 months	60 months	120 months	120 months
NCD Holders in Category I, II, III and IV							
Coupon (%per annum)for NCDHolders inCategory I,II,III &CategoryIV	10.20%	NA	9.95%	10.40%	NA	10.15%	10.60%
EffectiveYield(per annum)for NCDHolders inCategory I,II,III andIV	10.20%	10.20%	10.42%	10.40%	10.40%	10.64%	10.60%
Redemption amount (Rs per NCD)	1000	1371.08	1000	1000	1640.45	1000	1000
Put and call option	NA						
Redemption Date(Years from theDeemed Date ofAllotment)	39 months	39 months	60 months	60 months	60 months	120 months	120 months
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively						
In multiples of thereafter	Rs 1,000 (1 NCD)						
Face Value / IssuePrice (Rs Per NCD)	Rs 1,000 (1 NCD) Through various options available						
Mode of InterestPayment	Through various options available						

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"> Public financial institutions scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs; 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; Mutual Funds registered with SEBI; Venture Capital Funds/ Alternative Investment Fund registered with SEBI; subject to investment conditions applicable to them under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; Insurance Companies registered with IRDA; State industrial development corporations; Insurance funds set up and managed by the army, navy, or air force of the Union of India; Insurance funds set up and managed by the Department of Posts, the Union of India Systemically Important Non-Banking Financial Company, a nonbanking financial company registered 	<ol style="list-style-type: none"> 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; Co-operative banks and regional rural banks; Public/private charitable/ religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; Partnership firms in the name of the partners; Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); 	<p>High Net-worth individuals which include Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs10 lacs across all series of NCDs in Issue.</p>	<p>Retail Individual Investors which include Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs10 lacs across all series of NCDs in Issue.</p>

with the Reserve Bank of India and having a net worth of more than ₹50,000 lakh as per the last audited financial statements; 10. 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	8. Association of Persons; and 9. Any other incorporated and/ or unincorporated body of persons		
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Persons' resident outside India shall not be entitled to participate in the Issue and any Application(s) from such persons are liable to be rejected.

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;
- 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;
- FIIs;
- FPIs;
- Qualified foreign investors;
- Overseas Corporate Bodies; and
- Person 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 Rs20,000 million, by CRISIL Limited ("CRISIL") vide their letter dated November 6, 2018 and revalidated vide letter dated November 29, 2018 read with, '[ICRA]AA (stable)' (pronounced as ICRA Double A with Stable outlook), for an amount of upto Rs20,000 million, by ICRA Limited ("ICRA") vide their letter dated November 12, 2018 and revalidated vide letter dated November 29, 2018. The rating of CRISIL AA/Stable by CRISIL, ICRAAA 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.

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 21.63% of its total loan book as at September 30, 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 32.84 % of the Company's total loan book as at September 30, 2018.

SMEs and others: This includes credit facilities and short term loans to SMEs for meeting their business requirements, which constituted 4.97 % of the Company's total loan book as at September 30, 2018.

Loans against securities: This includes loans to investors against their existing portfolio of investments, which constituted 29.71 % of the Company's total loan book as at September 30, 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 9.01 % of the Company's total loan book as September 30, 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 1.83 % of the Company's total loan book as at September 30, 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. As on September 30, 2018, its Promoter along with three of its subsidiaries held 100% of ECL Finance's paid up share capital. 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 Rs270,956.24 million as of September 30, 2018. Secured loans portfolio constituted 87.90 % of the Company's total loan book as at September 30, 2018. Its capital adequacy ratio, as of September 30, 2018 computed on the basis of applicable RBI requirements was 15.87%, compared to the RBI

stipulated minimum requirement of 15% as per the Master Directions of RBI. Its Stage 3 Assets as a percentage of total Loan Book as per Ind AS was 1.87% as of September 30, 2018 and its Stage 3 Assets net of Stage 3 Provision as a percentage of Loan Book as per Ind AS was 0.74% as of September 30, 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
Total Borrowings	2,22,944.57	1,78,411.57	1,40,168.34
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 September 30, 2018	7.66
After the issue of debt securities (assuming inflow of Rs.2,000 cr)	8.24

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

Key Risk and Concerns:

- Any increase in the levels of non-performing assets ("NPA") on ECL's loan portfolio, for any reasonwhatsoever, 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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