Edelweiss Asset Reconstruction Company Limited (Revised)

November 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	128.25	CARE A; Stable	Reaffirmed
Market linked debentures	181.44 (Reduced from 194.45)	CARE PP-MLD A; Stable	Reaffirmed
Market linked debentures	130.34	CARE PP-MLD A; Stable	Reaffirmed
Non-convertible debentures	30.25	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities and instruments of Edelweiss Asset Reconstruction Company Limited (EARC) factors in the company's established market position in asset reconstruction business, adequate capitalisation, and low gearing levels, and benefits derived from being part of the Edelweiss group.

However, ratings are constrained by moderate track record on recovery of assets, evolving nature of the stressed market with inherent risk in its model, and volatility in profitability due to lumpy nature of cash flows.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Gradual increase in acquisitions leading to increase in assets under management (AUM); and sustained improvement in the earnings profile.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Any adverse event in the assets acquired by EARC impacting recovery performance which will impact the overall profitability and solvency of the company.
- Increase in the gearing levels beyond 1.5x on a sustained basis.

Analytical approach:

Standalone approach of EARC has been considered and factoring linkages with the parent, Edelweiss Financial Services Limited (EFSL) and its subsidiaries, which holds 61% in the company.

Outlook: Stable

CareEdge Ratings believes that the EFSL will remain majority shareholder in EARC and will continue to provide strong support to the company. Furthermore, the maintenance of stable outlook factors in comfortable capitalisation and adequate gearing over the medium term.

Detailed description of key rating drivers:

Key strengths

Strong support from the parent

As on June 30, 2025, EFSL holds 61% of the shareholding in EARC along its subsidiaries, while CDPQ (Canada based pension fund) owns 20% and the remaining 19% is held by other investors. EARC shares the Edelweiss brand and has strong financial, operational, and managerial linkages with the Group. Rashesh Shah, Chairman of the Edelweiss Group, serves as a Non-Executive Director on EARC's Board, while Mohan Vasant Tanksale is the Chairman of EARC. The companies share operational synergies through common premises, treasury, and technology platforms. Given that EARC contributes ~72% of the Group's overall

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

profitability and dividend payouts to the parent, CareEdge Ratings believes the Edelweiss Group will continue to extend strong support to EARC.

Established market position of Edelweiss ARC

EARC is one of the leading asset reconstruction companies in India. As on March 31, 2025, its AUM stood at ₹14,717 crore (March 31, 2024: ₹31,592 crore), further declining to ₹12,267 crore as on June 30, 2025. The reduction in AUM in FY25 was primarily driven by write-offs in the 5:95 book, undertaken to align recovery expectations with the realisable value of non-performing assets (NPAs). According to the management, EARC's focus will remain on recoveries through restructuring and rehabilitation of acquired companies.

Comfortable Capitalization and gearing levels

As of June 30, 2025, EARC's capital adequacy ratio remained strong at 90.7%, well above the regulatory requirement of 15%. The company's gearing stood at 0.36 as on June 30,2025 compared to 0.35x as on March 31, 2025, and 0.64x as on March 31, 2024. Borrowings declined to ₹1,065 crore as on June 30, 2025, from ₹1,236 crore as on March 31, 2025, and ₹1,974 crore as on March 31, 2024, owing to a reduction in AUM and higher recoveries that facilitated debt prepayment. Going forward, supported by healthy internal accruals, the gearing is expected to remain below 1.5x.

Key weaknesses

Moderate track record on recovery of assets

Majority EARC's AUM has been acquired in the last few years; the recovery rate of the assets acquired is yet to be seen. The gross recoveries in FY25 stood at ₹5,730 crore against ₹9,416 crore in FY24.

As on June 30, 2025, ₹66,293 crore (89% of assets acquired) have been resolved, while security receipts (SRs) totalling ₹43,736 crore (59% of assets acquired) have been redeemed. Recovery improved y-o-y, with 59% of acquired assets being redeemed as on June 30, 2025, compared to 52% as on June 30, 2024.

Evolving distressed asset market and inherent risk associated with the business model

India's distressed asset market is still developing, with limited seasoning and evolving regulatory frameworks. Frequent regulatory changes create uncertainty in asset resolution, impacting recovery timelines and amounts. Reserve Bank of India's (RBI's) committee has recommended measures, such as incentivising quicker resolutions, improving price discovery, enabling asset reconstruction company (ARC) participation in IBC, and acquisition of lower-seasoned assets. While ARCs have shown growth in recoveries and profitability, the business model remains inherently high-risk, making timely and adequate resolution performance a key rating sensitivity.

Volatility in the earnings profile

EARC's earnings are volatile due to unpredictable asset recoveries. The company earns stable management fees from managing trust assets held by external investors but must also hold 15% of SRs in each trust, linking profitability to recoveries.

In FY25, EARC reported profit after tax (PAT) of ₹385 crore on total income of ₹883 crore compared to PAT of ₹355 crore on total income of ₹1,069 crore in FY24. Management fees to AUM improved to 2.26% in FY25 from 1.50% in FY24. The increase in management fees is due to a lower AUM base following write-offs. Even though ARC has been able to report consistent growth in profitability and contributes majorly to the profitability of the parent, volatility continues due to the inherent nature of the business.

Liquidity: Adequate

As on August 01, 2025, the company maintained liquidity to the tune of ₹900 crore, which is sufficient for business outflows comprising of debt obligation and operating expenses for the next ~18 months.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector

Market Linked Debentures
Non-Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Other financial services

EARC has registered with RBI on October 16, 2009, as a Securitisation and Asset Reconstruction Company under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

EARC was incorporated as a Public Company on October 5, 2007, and is engaged in business of acquiring loan portfolios, loan accounts, non-performing assets (NPA) from the banks and financial institutions and resolving them through appropriate resolution strategies enunciated in SARFAESI and give loans for undertaking restructuring of acquired loan permitted by RBI.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total Income	1,069	883	394
PAT	355	385	90
Interest coverage (times)	2.1	3.2	1.5
Total Assets*	5,300	4,973	NA
Net NPA (%)	0.00	0.00	0.00
ROTA (%)	6.3	7.5	NA

A: Audited UA: Unaudited; Note: these are latest available financial results NA: Not available
*Based on CareEdge Ratings' calculation adjusted for deferred tax assets and intangible assets.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Market Linked Debentures	Proposed	-	-	-	69.85	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07733	06-Mar-2020	Market linked	31-Mar-2025	0.00	Withdrawn

Debentures-Market Linked Debentures	INE015L07725	31-Jan-2020	Market linked	24-Jan-2030	5.33	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	30-Oct-2019	Market linked	17-Jul-2026	1.53	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	13-Dec-2019	Market linked	17-Jul-2026	0.60	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	30-Aug-2019	Market linked	17-Jul-2026	1.97	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	12-Sep-2019	Market linked	17-Jul-2026	0.42	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	04-Sep-2019	Market linked	17-Jul-2026	7.25	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	01-Aug-2019	Market linked	17-Jul-2026	10.28	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	30-Jul-2019	Market linked	17-Jul-2026	0.50	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	29-Jul-2019	Market linked	17-Jul-2026	3.75	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07188	22-Jun-2016	Market linked	17-Jun-2026	5.00	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	24-Apr-2019	Market linked	17-Jul-2026	2.57	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	27-Jun-2019	Market linked	17-Jul-2026	9.45	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	29-Jun-2019	Market linked	17-Jul-2026	7.41	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	03-May-2019	Market linked	17-Jul-2026	2.25	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	11-Jun-2019	Market linked	17-Jul-2026	0.70	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	10-May-2019	Market linked	17-Jul-2026	0.74	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	09-May-2019	Market linked	17-Jul-2026	0.78	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	05-Apr-2019	Market linked	17-Jul-2026	16.82	CARE PP-MLD A; Stable

Debentures-Market Linked Debentures	INE015L07428	13-Feb-2019	Market linked	17-Jul-2026	1.79	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	30-Mar-2019	Market linked	17-Jul-2026	15.19	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	07-Mar-2019	Market linked	17-Jul-2026	2.70	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	08-Mar-2019	Market linked	17-Jul-2026	10.54	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	06-Mar-2019	Market linked	17-Jul-2026	2.19	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	19-Mar-2019	Market linked	17-Jul-2026	0.50	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	13-Mar-2019	Market linked	17-Jul-2026	0.43	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE015L07428	26-Feb-2019	Market linked	17-Jul-2026	0.90	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	Proposed	-	-	-	130.34	CARE PP-MLD A; Stable
Debentures-Non-convertible debentures	Proposed	-	-	-	0.50	CARE A; Stable
Debentures-Non-convertible debentures	INE015L07279	04-Jul-2016	10.00%	29-Jun-2026	5.00	CARE A; Stable
Debentures-Non-convertible debentures	INE015L07261	01-Jul-2016	10.00%	26-Jun-2026	18.50	CARE A; Stable
Debentures-Non-convertible debentures	INE015L07212	28-Jun-2016	10.00%	23-Jun-2026	4.00	CARE A; Stable
Debentures-Non-convertible debentures	INE015L07675	02-Apr-2019	11.75%	28-Mar-2029	0.25	CARE A; Stable
Debentures-Non-convertible debentures	INE015L07204	27-Jun-2016	10.00%	22-Jun-2026	2.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	NA	48.25	CARE A; Stable

Fund-based-Long Term		-	-	-	80.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	48.25	CARE A; Stable	-	1)CARE A; Stable (11-Feb-25) 2)CARE A (RWN) (08-Oct-24) 3)CARE A (RWN) (06-Jun-24)	1)CARE A; Stable (03-Jan-24) 2)CARE A; Stable (05-Oct-23)	1)CARE A; Stable (06-Oct-22)
2	Fund-based-Long Term	LT	80.00	CARE A; Stable	-	1)CARE A; Stable (11-Feb-25) 2)CARE A (RWN) (08-Oct-24) 3)CARE A (RWN) (06-Jun-24)	1)CARE A; Stable (03-Jan-24) 2)CARE A; Stable (05-Oct-23)	1)CARE A; Stable (06-Oct-22)
3	Debentures-Market Linked Debentures	LT	181.44	CARE PP-MLD A; Stable	-	1)CARE PP-MLD A; Stable (11-Feb-25) 2)CARE PP-MLD A (RWN) (08-Oct-24) 3)CARE PP-MLD A (RWN) (06-Jun-24)	1)CARE PP-MLD A; Stable (03-Jan-24) 2)CARE PP-MLD A+ (CE); Negative (05-Oct-23)	1)CARE PP-MLD A+ (CE); Negative (06-Oct-22)
4	Debentures-Non-convertible debentures	LT	30.25	CARE A; Stable	-	1)CARE A; Stable (11-Feb-25) 2)CARE A (RWN)	1)CARE A; Stable (03-Jan-24)	1)CARE A+ (CE); Negative (06-Oct-22)

						(08-Oct-24) 3)CARE A (RWN) (06-Jun-24)	2)CARE A+ (CE); Negative (05-Oct-23)	
5	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (08-Oct-24) 2)CARE A1 (RWN) (06-Jun-24)	1)CARE A1 (03-Jan-24) 2)CARE A1+ (05-Oct-23)	1)CARE A1+ (06-Oct-22)
6	Debentures-Market Linked Debentures	LT	130.34	CARE PP-MLD A; Stable	-	1)CARE PP-MLD A; Stable (11-Feb-25) 2)CARE PP-MLD A (RWN) (08-Oct-24) 3)CARE PP-MLD A (RWN) (06-Jun-24)	1)CARE PP-MLD A; Stable (03-Jan-24) 2)CARE PP-MLD A+ (CE); Negative (05-Oct-23)	1)CARE PP-MLD A+ (CE); Negative (06-Oct-22)
7	Un Supported Rating	LT	-	-	-	-	1)Withdrawn (03-Jan-24) 2)CARE A; Stable (05-Oct-23)	1)CARE A; Stable (06-Oct-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Complex
2	Debentures-Non-convertible debentures	Complex
3	Fund-based - LT-Term Loan	Simple
4	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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