

PRESS RELEASE

TO DEBENTURE HOLDERS OF ECL FINANCE LIMITED

Date: June 04, 2024

Ref. No.: BTL/DT/24-25/53365

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

We are acting as the Debenture Trustee for **ECL Finance Limited** ("Issuer Company").

RBI has issued a supervisory action against ECL Finance Limited and Edelweiss Asset Reconstruction Company Limited, dated May 29, 2024, bearing Press Release No. 2024-2025/397 ("**Order**"). The order has been passed in respect of 'ECL Finance Limited' and 'Edelweiss Asset Reconstruction Limited'. The Order is attached (Annexure 1) herewith for your reference.

The Issuer Company has vide letter dated May 29, 2024, made disclosure under the extant SEBI (LODR) Regulations, 2015. The said disclosure letter is attached (Annexure 2) herewith for your reference,

This Press Release is pursuant to regulations 15(1)(g), 15(1)(r) of SEBI (Debenture Trustee) Regulations, 1993 and any other applicable law.

Thanks & Regards,
For Beacon Trusteeship Limited



Name: Mr. Kaustubh Kulkarni
Designation: Director | Compliance Officer

BEACON TRUSTEESHIP LIMITED

Registered Office & Corporate Office : 7A & B, Siddhivinayak Chambers, Gandhi Nagar, Opp. MIG Cricket Club, Bandra (E), Mumbai - 400 051

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Website : www.beacontrustee.co.in CIN : U74999MH2015PLC271288

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Annexure 1



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



Annexure 2



May 29, 2024

BSE Limited
P.J. Towers, Dalal Street,
Fort, Mumbai - 400 001

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra- Kurla Complex,
Bandra (E), Mumbai - 400 051.

Sub: Disclosure under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Madam/Dear Sir,

In accordance with the provisions of Regulation 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that the Reserve Bank of India (RBI) has by an order dated May 29, 2024, directed the Company 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. These directions shall be reviewed by RBI upon satisfactory remediation of their observations.

This order is with reference to the Company's wholesale exposure. In the last Financial Year, the company passed a Board Resolution to discontinue this business, which was disclosed in its financial statements for the period ending 31 March 2024. The Company, therefore, believes these directions will not materially impact its strategy and its business. Reduction of the wholesale exposure will continue as permitted, in the normal course of business.

We reaffirm our commitment to complying with the RBI recommendations and hope to resolve this within three weeks, as directed by the RBI.

Kindly take the same on record.

Thanking you,

For ECL Finance Limited

K. J. Mathew

Kashmira Mathew
Executive Director & Head - Governance

