

**May 07, 2020**

ICRA has revised the rating on the debt papers of Edelweiss Group by 1 notch to ICRA A+ from ICRA AA-. The outlook continues to be Negative. Baroda Mutual Fund holds the following debt papers across various schemes:

Edelweiss Rural & Corporate Services Ltd. 8.7% 29JUN20 NCD (ICRA A+/Negative)

Edelweiss Housing Finance Ltd 10.00%(SR-VI) 19Jul2026 NCD (ICRA A+/Negative)

ICRA's rating downgrade action takes into account the increased stress in the wholesale portfolio, leading to a deterioration in the asset quality, and the consequent impact on the financial performance. The Group's gross non-performing assets (GNPAs) increased to 2.76% of total advances as of December 31, 2019 from 1.87% as of March 31, 2019. Edelweiss Group has actively looked at divestment of stressed / potentially stressed assets to asset reconstruction companies (ARCs) to leverage the resolution capabilities of ARCs; adjusting for this the GNPA level would be higher. The resultant higher credit costs, in turn, impacted the Group's profitability in 9M FY2020 (return on assets (RoA) declined to 0.2% in Q3 FY2020 and 0.5% in 9M FY2020 from 1.6% in FY2019) and are likely to continue to exert pressure in the current fiscal as well. The rating actions also take into account the continued funding challenges, as witnessed by the reduced fundraising by the Group, and the widening credit spreads.

The credit spreads had widened on account growing risk perception of the investors towards non-banks, particularly wholesale oriented entities. The rating has been downgraded to "A category" adding further challenge to its liquidity. The Valuation Committee felt that a haircut on the securities was required to reflect the current market situation. Therefore, it was decided to apply a haircut of 5% on the daily price received from the Valuation Agencies for the holding in Edelweiss Rural & Corporate Services Ltd & 10% haircut on the daily price received from the Valuation Agencies for holding in Edelweiss Housing Finance Ltd as illiquidity discount.

ISIN	Scheme Name	Issuer Name	Rating	Aggregated Price as per Valuation Agencies	Security Valued	Impact	
						Amount	% of NAV
INE657N07373	BARODA TREASURY ADVANTAGE FUND	Edelweiss Rural & Corporate Serv Ltd.	A+	98.878	93.9341	9,88,780.00	0.24%
INE657N07373	BARODA SHORT TERM BOND FUND	Edelweiss Rural & Corporate Serv Ltd.	A+	98.878	93.9341	74,15,850.00	0.41%
INE657N07373	BARODA DYNAMIC BOND FUND	Edelweiss Rural & Corporate Serv Ltd.	A+	98.878	93.9341	9,88,780.00	0.45%
INE657N07373	BARODA CREDIT RISK FUND	Edelweiss Rural & Corporate Serv Ltd.	A+	98.878	93.9341	2,76,85,840.00	0.74%

ISIN	Scheme Name	Issuer Name	Rating	Aggregated Price as per Valuation Agencies	Security Valued	Impact	
						Amount	% of NAV
INE530L07228	BARODA CREDIT RISK FUND	Edelweiss Housing Finance Ltd.	A+	68.7533	61.878	1,71,88,250.00	0.46%