

JULY 23, 2014

## CARE ASSIGNS 'CARE AA' RATING TO THE NON-CONVERTIBLE DEBENTURE OF EDELWEISS COMMODITIES SERVICES LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Non-convertible Debenture	600	<b>CARE AA (Double A)</b>	Assigned

Edelweiss Financial Services Ltd (EFSL – Rated CARE AA), the parent company of the Edelweiss group, owns 100% in most of its subsidiaries and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of EFSL for arriving at the rating.

### Rating Rationale

The rating factors in the diversified business profile of EFSL (consolidated basis), strong loan portfolio growth with good asset quality, strong capitalisation and comfortable liquidity profile. The rating also takes into account the well-qualified and experienced management team, established institutional equity broking business and good retail distribution network. The rating is, however, constrained by the high dependency on the capital markets, which has inherent volatility, risk associated with new businesses and competitive scenario in the capital markets. The ability of EFSL to further diversify its businesses, maintain a competitive position in the capital market businesses, maintain asset quality and capital adequacy are the key rating sensitivities.

### Background

Edelweiss Commodities Services Ltd (ECSL) is a wholly-owned subsidiary of EFSL and undertakes import and distribution of precious metals and sourcing and distribution of agricultural commodities. ECSL was originally known as Comfort Projects Limited (CPL). Edelweiss Trading & Holdings Limited (ETHL), a wholly owned subsidiary of Edelweiss Financial Services Ltd (EFSL), was the holding company of CPL. In FY12 (refers to the period April 01 to March 31), in accordance with the scheme of arrangement approved by the High Court of Andhra Pradesh, ETHL de-merged its securities business and transferred it to Edelweiss Securities Ltd (ESL) (a wholly-owned subsidiary of EFSL). The remaining business of ETHL was merged with CPL and the company was renamed as ECSL.

### About EFSL

Previously known as Edelweiss Capital Ltd, EFSL was incorporated in 1995 by Mr Rashesh Shah and Mr Venkat Ramaswamy. EFSL is registered as a Category I Merchant Banker with SEBI and is the parent company of the Edelweiss group. The company on a stand-alone basis is primarily engaged in investment banking services and provides development, managerial and financial support to the businesses of the Edelweiss group entities. The Edelweiss group offers a range of products and services, spanning varied asset classes and diversified consumer segments. The businesses of Edelweiss are organized around five broad lines – credit including housing finance, commodities, financial markets and life insurance. In addition, the Balance Sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The Edelweiss group consist of 48 subsidiaries and seven associate companies and employs 4,001 professionals across 216 offices and branches spread across 118 major cities of India as on March 31, 2014.

During FY14 (refers to the period April 1 to March 31), EFSL reported a consolidated PAT of Rs.220 crore (after minority interest) on a total income of Rs.2,556 crore as compared with PAT of Rs.178 crore on total income of Rs.2,184 crore during FY13.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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