MARCH 12, 2015

CARE ASSIGNS 'CARE A1+' RATING OF THE PROPOSED CP ISSUE OF EDELWEISS SECURITIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed Commercial Paper (CP) issue	1,000	**CARE A1+ (A One Plus)**	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 assigned to the proposed commercial paper issue of Edelweiss Securities Limited (ESL) 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 an inherent volatility, risk associated with new businesses and competitive scenario in the capital markets. The ability of EFSL to further diversify its businesses, maintain competitive position in the capital market businesses, maintain asset quality and capital adequacy are the key rating sensitivities.

Background

Incorporated in 1993, ESL is a 100% subsidiary of Edelweiss Financial Services Limited (EFSL rated CARE AA). The Company is registered as a trading and clearing member with National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). ESL provides broking and advisory services to its clients along with trading in securities and derivatives. The company also undertakes industry research having coverage of over 200 companies across 20 sectors accounting for more than 75% of market capitalisation.

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 standalone 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 organised around five broad lines – credit including housing finance, commodities, financial markets, asset management and life insurance. In addition, the Balance-sheet Management Unit (BMU) attends to the balance sheet and liquidity management. The Edelweiss group consists 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.

In 9MFY15, consolidated PAT for EFSL stood at Rs.240 crore (after minority interest) on a total income of Rs.2,697 crore.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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CIN - L67190MH1993PLC071691