OCTOBER 16, 2015

CARE REAFFIRMS THE RATING TO THE PROPOSED COMMERCIAL PAPER ISSUE OF EDELWEISS SECURITIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings	Remarks
Commercial Paper	1000	**CARE A1+ (A One Plus)**	**Reaffirmed**

Edelweiss Financial Services Ltd (EFSL – rated 'CARE AA'), the flagship 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 of the facilities of Edelweiss Securities Limited (ESL) factors in the diversified business profile of EFSL (consolidated basis), good asset quality 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 substantial proportion of revenue from the capital markets related activities which has an inherent volatility, client concentration risk in its wholesale loan portfolio, increasing gearing levels, risk associated with relatively new businesses and competitive scenario in the capital markets. The performance of EFSL's new businesses, competitive position in the capital market businesses, asset quality, concentration levels in its wholesale lending portfolio and gearing levels are the key rating sensitivities.

Background

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, 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 56 subsidiaries and 7 associate companies and employs 4,800 professionals across 240 offices and branches spread across 120 major cities of India as on March 31, 2015. The Edelweiss group has 3 active Non Banking Finance Companies (NBFC) and 1 Housing Finance Company (HFC) to carry out its lending business.

Incorporated in 1993, Edelweiss Securities Limited (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.

During FY15 (refers to the period April 1 to March 31), EFSL reported a consolidated PAT of Rs.329 crore (after minority interest) on a total income of Rs.3,894 crore as compared with PAT of Rs.220 crore on total income of Rs.2,543 crore during FY14. As on March 31, 2015, consolidated tangible net-worth (excluding minority interest) was Rs.3,023 crore.

In Q1FY16, consolidated PAT for EFSL was Rs.91 crore (after minority interest) on a total income of Rs.1,159 crore.

During FY15 (refers to the period April 1 to March 31), ESL reported a PAT of Rs.19 crore on a total income of Rs.401 crore as compared with PAT of Rs. 42 crore on total income of Rs.371 crore during FY14. As on March 31, 2015, ESL's tangible net-worth was Rs. 425 crore. In Q1FY16, PAT for ESL was Rs. 4 crore on a total income of Rs. 110 crore.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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