NOVEMBER 02, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE CP ISSUE OF EDELWEISS SECURITIES LIMITED

Ratings

Instruments / Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Commercial Paper	1,000	CARE A1+ (A One Plus)	**Reaffirmed**
Total	**1,000 (Rupees One thousand crore only)**		

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 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 63 subsidiaries and 6 associate companies and employs 6,227 professionals across 237 offices and branches spread across 122 including 9 international locations as on March 31,

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

2016. 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 FY16 (refers to the period April 1 to March 31), EFSL reported a consolidated PAT of Rs. 414 crore (after minority interest) on a total income of Rs. 5,268 crore as compared with PAT of Rs. 329 crore on total income of Rs. 3,894 crore during FY15. As on March 31, 2016, consolidated tangible net-worth (excluding minority interest) stood at Rs. 3,495 crore. During Q1FY17, EFSL reported a consolidated PAT of Rs. 140 crore (after minority interest) on a total income of Rs. 1,472 crore

During FY16 (refers to the period April 1 to March 31) ESL reported a PAT of Rs.15 crore on a total income of Rs.417 crore as compared with PAT of Rs. 19 crore on total income of Rs.401 crore during FY15. As on March 31, 2016, ESL's tangible net-worth was Rs. 442 crore.
In Q1FY17, PAT for ESL was Rs. 11 crore on a total income of Rs. 111 crore.

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****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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