

Ecap Equities Limited

| Instrument | Amount | Rating Action (March 2016) |
|----------------------------|---------------|----------------------------|
| Commercial Paper programme | Rs. 500 crore | [ICRA]A1+ / assigned |

ICRA has assigned the short-term rating of [ICRA]A1+ to the Rs 500 crore Commercial Paper Programme of Ecap Equities Limited (Ecap).

The ratings reflects Ecap's ultimate parentage of Edelweiss Financial Services Limited (rated at [ICRA]AA/[ICRA]A1+). While arriving at the ratings, ICRA has taken a consolidated view on credit profile of key Edelweiss group companies (collectively referred to as Edelweiss Group) owing to common promoters and senior management team, shared brand name, and strong financial and operation synergies shared across the group companies. The ratings factor in Edelweiss Group's diversified business revenues constituted by its financing, commodities trading and broking operations, strong presence in institutional broking and investment banking, group's robust risk management systems and adequate capitalisation profile backed by strong network. The ratings are further supported by steady improvement in the non capital markets related business with improved seasoning of the financing business. ICRA also takes note of the group's improving liquidity profile with high liquid treasury assets and improving diversification in the resources profile. However, the rating strengths are partially offset by the concentration of the financing business in wholesale and builder loan segment (~60% of the portfolio as on Sep 30, 2015) and moderate profitability indicators (PAT/ATA of 1.26% and RONW of 9.41% in FY15 and 10.98% of RONW (ex- insurance) in FY15). ICRA also takes note that the group has been able to maintain its Gross NPAs below 1.5% over the last few years. Although the dependence on capital market related businesses is coming down, the group's revenue and profitability indicators may get impacted by the cyclical nature of domestic capital markets, prospects which continue to remain uncertain in the current operating environment. While ICRA has also taken note of the group's diversification into various businesses such as retail capital markets, insurance, commodities etc., these businesses are in the early stages in the life cycle, and correspondingly depress the profitability indicators of the group in the short term. Going forward, ICRA expects financial, managerial and operational support would continue to be available to all the key group companies of Edelweiss Group. The ratings would be sensitive to Edelweiss' ability to profitably manage its relatively new lines of business, along with maintaining superior asset quality through business cycles.

Ecap, is one of the key entities of the Edelweiss Group, along with Edelweiss Securities Limited, where arbitrage trading is done. Its operations are in purely arbitrage trading, and there will be no lending done from the entity. It reported a PAT of Rs 48 cr on a total income of Rs 167.95 cr in FY15 against a PAT of Rs 22.58 cr on a total income of Rs 108.41 cr in FY14. In 9MFY16, Ecap reported a PAT of Rs 18.64 cr on a total income of Rs 157.60 cr.

Company Profile

Ecap Equities Limited

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Edelweiss Group

Edelweiss Financial Services Ltd (EFSL), the holding company of the Edelweiss group of companies, was incorporated in 1995 by first generation entrepreneurs to offer investment-banking services primarily to the technology companies. Currently, Edelweiss group is involved in the wholesale financing, commodity trading, corporate debt syndication and debt restructuring, equity broking - both institutional and retail, corporate finance advisory services, wealth advisory and asset management. The group has forayed into housing finance in FY11 and into life insurance business in FY12. At consolidated level, EFSL reported a consolidated net profit (after tax and minority interest) of Rs 329 crore in FY 15 as compared to a PAT of Rs 220 crores in FY14.

Recent Results

EFSL reported a PAT of Rs 106 crore on a total income of Rs 1,361 crore in Q3FY16 compared to a PAT of Rs 83 crore on a total income of Rs 968 crore in Q3FY15

March 2016

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