



Edelweiss Housing Finance Limited

Instrument	Amount (in Rs crore)	Rating Action (December 2014)
NCD Programme	200	[ICRA]AA (stable), Assigned
Subordinated Debt	50	[ICRA]AA (stable), Assigned
Commercial Paper Programme	1,000	[ICRA]A1+, Assigned
Bank Lines – Working Capital	110	[ICRA]AA (stable), Assigned
Bank Lines – Term Loans	800	[ICRA]AA (stable), Assigned
Bank lines – Proposed	790	[ICRA]AA (stable), Assigned

ICRA has assigned the rating of [ICRA]AA (stable) to Rs 200 crore NCD programme and Rs 50 crore Subordinate Debt Programme, [ICRA]A1+ to the Rs 1,000 crore Commercial Paper Programme and [ICRA]AA (stable)/[ICRA]A1+ to the Rs 1,700 crore bank lines of Edelweiss Housing Finance Limited (EHFL).

The ratings are derived after considering the combined financial and business profiles of key companies in the Edelweiss group as there is significant integration between the group entities.

The ratings reflect EHFL's ultimate parentage of Edelweiss Financial Services Limited (rated at [ICRA]AA/stable and [ICRA]A1+, group's strong capitalisation level, diversified income streams, strong presence in institutional equity broking and investment banking and robust risk management systems. In ICRA's view EHFL is one of the key subsidiaries of the group and is of a strategic importance for EFSL to grow its retail financing business, especially home loans and Loans Against Property business and would continue to get support from the parent as and when required. The steady improvement in the non capital markets related businesses with improved seasoning of these businesses and stable asset quality indicators, adequate profitability and capitalization indicators provide support to the ratings of the Edelweiss group. ICRA also takes note of the group's improving liquidity profile and with high liquid treasury assets and better diversification in resource mobilisations by targeting retail investors in the recent past and thereby moderately reducing the dependence on capital market borrowings.

The advances at EHFL were Rs 1,443 crores as on Sep-14. The book comprises of Home loans and Loan against Property (LAP). The EHFL portfolio consists of Rs 827 crores Home Loans with average ticket sizes of Rs 40-50 lakhs, Rs 476 crores of LAP with average ticket sizes of Rs 80-90 lakhs and Rs 141 crores Small ticket home loans with average ticket sizes of Rs 11-12 lakhs. ICRA takes comfort from the relatively lower ticket sizes of this book relative to peer group. Also, while a large proportion of the borrowers are self-employed borrowers, the low proportion of assessed income based lending gives ICRA additional comfort. In ICRA's view, Edelweiss group follows conservative risk management policies in the mortgage lending segment relative to peers which is also reflected in the lower level of NPAs.

For EHFL, net interest income grew by almost 111% in FY 14 to Rs 22 crore from Rs 10 crore in FY 13 led by strong growth in the loan book. Cost-income ratio improved significantly to ~68% in FY 14 from ~79% in FY 13. Leverage levels have remained stable at ~5.2 times in FY 14 as compared to ~5.6 times in FY 13.

In H1FY15 for EHFL, profitability improved significantly to Rs 6.43 crores on total income of Rs 84.78 crores from Rs 4.74 crores on total income of Rs 116.34 crores in FY14 (Rs 3.79 crores in FY13 on total income of Rs 77.49 crores).

The advances at EFSL (consolidated) increased from Rs 6,572 crores as on Mar-13 to Rs 8,628 crores as on Mar-14. Of the book, ~67% is constituted of corporate loans which are wholesale in



nature and the balance is Loan against Property (LAP), Loan against Securities and SME finance. The corporate funding book has higher concentration risk on account of higher ticket size in the same and accordingly higher impact cost in case of necessary liquidation in the same. The book is however adequately collateralized with more than 2 times cover. Edelweiss group follows conservative risk management policies which results in low level of NPAs.

For EFSL (consolidated), net interest income grew by almost 34% in FY 14 to Rs 566 crore from Rs 422 crore in FY 13 led by strong growth in the loan book. Cost-income ratio improved to ~88% in FY 14 from ~96% in FY 13. Leverage levels have remained stable at ~3.8 times in FY 14 as compared to ~3.9 times in FY 13.

EFSL, on consolidated basis, reported a net profit after tax & minority interest of Rs 79 crores for Q2FY15 as compared with a net profit after tax & minority interest of Rs 46 crores during the corresponding period previous year. The NBFC business income has grown by 59% y-o-y, growth in credit book has been 43% in the same period. Thus, net interest income increased by 72% to Rs 354 crores in Q2FY15. Fee income has increased by 42% y-o-y to Rs 128 crores as the financial market business of the group has scaled up following the recent rally in the market. This has resulted in improvement in PAT which increased by 72% y-o-y.

About Edelweiss Housing Finance Limited

Edelweiss Housing finance Limited (EHFL) was launched in Q3FY11 to increase the Edelweiss group's retail footprint. It has built a book of ~Rs 1,218 crores as on March 31, 2014 and a net worth of Rs 186 crore as on the same date. The company portfolio consists of Home loans, Small Ticket Home loans and Loan against Property. This business also present opportunities of cross selling of other products to the clients.

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 220 crore in FY 14 as compared to a PAT of Rs 178 crores in FY13.

December 2014

For further details please contact:

Analyst Contacts:

Mr. Karthik Srinivasan (Tel No 91-22-6179 6365)
karthiks@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91-22-6179 6393)
shivakumar@icraindia.com



© Copyright, 2014, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: 9821086490

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500