



# Outlook for H2FY19

# Background



We are a diversified financial services company

This allows us to manage volatility in earnings and de-risk profits

We have a robust distressed assets management business

We have market leading Wealth and Alternative Asset Management businesses

Our credit book is split almost equally between retail and corporate credit

60% of our assets have less than 18 months duration and 55% of our liabilities are over 18 months duration

Profitability comes from core business performance with zero ALM arbitrage

## Environment for NBFCs



We are in an environment where liability management models are being tested

This has made investors question the sustainability of growth in the NBFC model

We have been here before in 2008 and also in 2013

This is a passing phase; we expect normalcy to return in next few months

We expect to see a return to the growth path in FY20

The NBFC is a key component of our diversified model  
But it is only one part of our business

## Well positioned to tide over current liquidity conditions



- \* Liquidity is returning to the system steadily and slowly
  - We have raised ~ INR 2,600 Cr since September 21<sup>st</sup>, including INR 1,450 Cr in CPs
  - We have bought back around INR 1,000 Cr in CPs
  
- \* We have adequate liquidity cushion and our business inflows position us to meet all liabilities by Q4FY19
  - We have INR ~7,800 Cr due upto 31<sup>st</sup> Dec 2018, of which INR ~6,150 Cr are in CPs
  - Our cash, liquidity cushion and liquid assets amount to ~150% till December 2018
  - Our long term borrowings are 59% of total borrowings
  
- \* We will continue to maintain a liquidity cushion of 11%-13% of borrowings

## Outlook for our Credit Business



- \* We will continue to grow our SME and small ticket housing loans in a focused manner
  - Our customer understanding and product suite in these segments enable us to have pricing power and hence protect NIMs
- \* We expect the corporate credit book on our balance sheet to reduce while simultaneously investing in such opportunities through our funds in Asset Management
- \* Over last 18 months we have closed ~\$2 bn in our alternate asset funds, half of this is yet to be deployed
- \* An annexure on our Wholesale Mortgage portfolio follows

## Outlook for our Distressed Assets Management business



- \* We are witnessing strong traction in recoveries and some big ticket resolutions in the next two quarters
- \* We are also seeing significant interest from international institutions in our distressed assets fund, and are likely to close at around INR 10,000 Cr
- \* Our last mile financing capabilities will provide us with new opportunities for growth
- \* We expect this business to continue to make ROAs of 4%-5% p.a for us

## Outlook for our Wealth and Asset Management businesses



- \* Financialisation of savings will continue to drive growth in the Wealth Management business
- \* We expect market volatility will lead to consolidation in Wealth Management which will benefit larger players like us
- \* We expect to maintain our leadership position in Alternatives Asset Management business driven by private debt opportunities

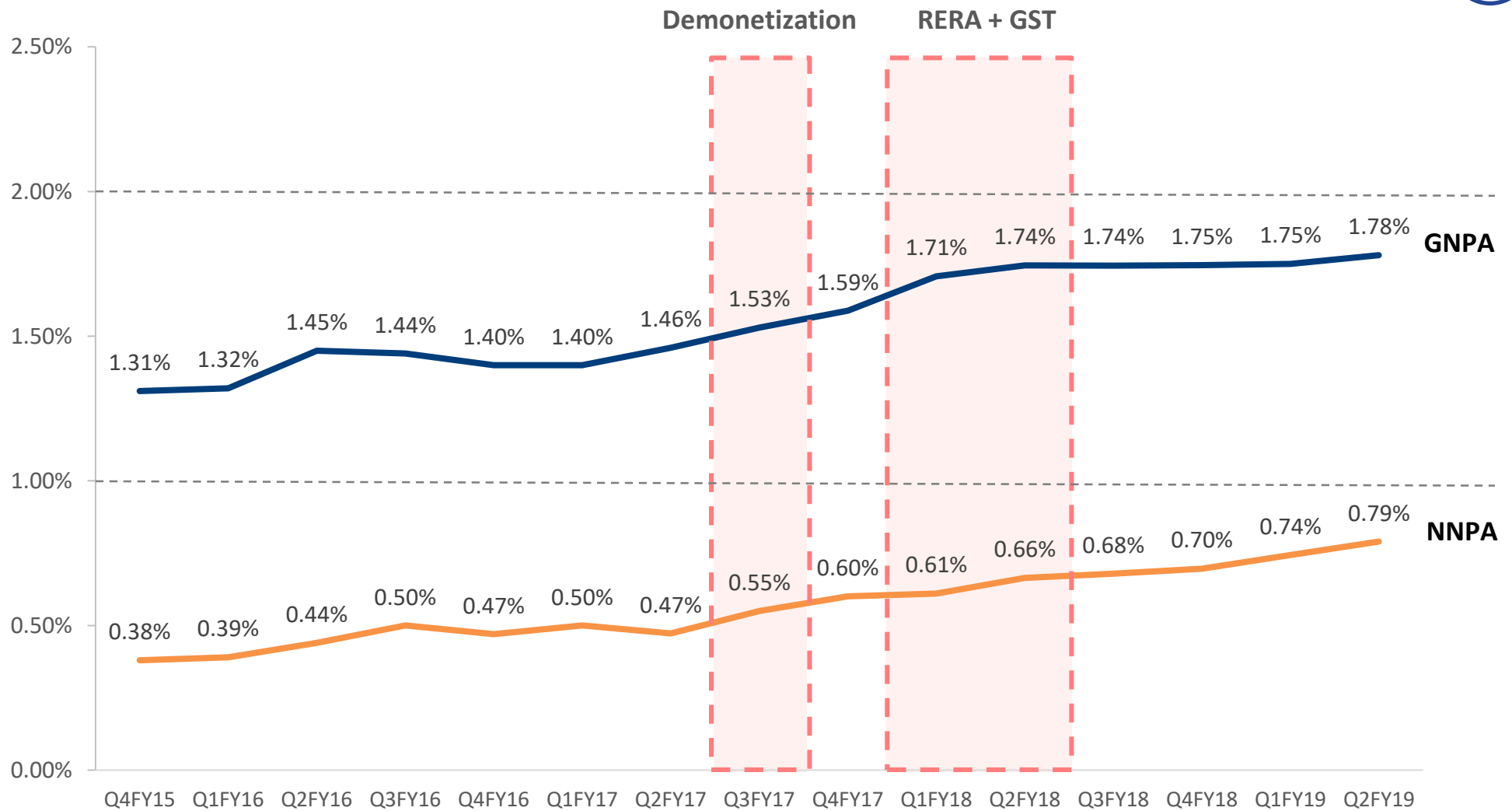
## Outlook for our Life Insurance business



- \* We have been one of the fastest growing life insurance companies and we expect our growth momentum to continue based on
  - Increased customer need for long term savings and investments
  - Our suite of differentiated products and superior customer experience
- \* We will continue to invest in our Direct and Proprietary distribution channels



# We have weathered several headwinds and maintained asset quality



Shift to 90 DPD

# Organisational Update



- \* One of the key aspects of our strategy has been to adapt our organisation structure for future readiness
- \* We have reorganised our businesses into three business groups
  - Credit: headed by Deepak Mittal
  - Franchise and Advisory: headed by Nitin Jain and Venkat Ramaswamy
  - Insurance: headed by Rujan Panjwani
- \* Senior leadership pool is around 100 people
- \* In the last 2 quarters we have added more than 20% to this pool while attrition has been less than 10%

## Few of Senior Hires in FY19



Name	Experience in years	Job Description	Previous Organisation
Ananya Suneja	20+	Head of Corporate MIS for the group	Deutsche Bank
Anuj Malhotra	20+	Head of Marketing – Wealth and Asset Mgmt	Citibank
Ashish Mundada	17+	Head of Product and Strategy for Alternatives	Blackrock U.S.
Kalyan Chakrabarti Y	23+	COO - Real Estate Finance	Rising Straits Capital Advisor
Mehernosh Tata	17+	Head of SME credit	Citibank
Rakesh Garg	20+	COO - Agri Services & Credit	NBHC
Sanjay Agarwal	27+	Head of Retail ARC	ARCIL
Saurabh Rungta	15+	Head of Products for Wealth Mgmt	Kotak Mahindra Bank
Shama Asnani	18+	Head of HR for Credit	PWC
Shridhar Rane	25+	Head of Technology - Wealth and Asset Mgmt	SVC Bank Ltd.
Sunil Srivastava	35+	Senior Advisor	Retired DMD - State Bank of India
Suresh Soni	25+	Head of Private Credit	DHFL Pramerica
Tarun Dutt	25+	COO - Wealth and Asset Mgmt	RBC Singapore
Varun Bajpai	17+	Deputy CEO - Capital Markets	JM Financial



## Update on Wholesale Mortgage

# Wholesale Mortgage Overview



- \* Wholesale Mortgage market is ~INR 5 Lac Crore
- \* Edelweiss Wholesale Mortgage book size is ~INR 12,000 Cr (~2.4% market share)
  - Project funding with exclusive control over project cashflows and collateral
  - All lending post land acquisition and key approvals
  - No standalone HoldCo lending
- \* One of the oldest Credit books at Edelweiss
  - Historically been a high intensity low loss business
  - Seasoned book; gone through cycles
- \* Wholesale Mortgage portfolio has been subjected to extensive diligence by investors. Multiple global institutional investors have invested in Edelweiss Real Estate fund based on the track record of the portfolio

# Our Lending Philosophy



	<u>For Edelweiss</u>
Focus on residential real estate - a self liquidating asset	95%+
Ensure developer has enough skin in the game – land acquisition and key approvals	100%
Sole lender status gives exclusive control	95%+
Healthy exposure to faster moving stock - household units in the financed projects under < INR 1 Cr category	80%+
Strong focus on underwriting, diligence and risk management. Headcount dedicated to these functions	76 out of 260

# Wholesale Mortgage – Risk Management



## \* Underwriting

- Ensure developer has enough skin in the game - post land acquisition and key approvals
- Well collateralized at ~1.9x cover; Exclusive charge on the collateral and cashflow control

## \* Asset Monitoring and Resolutions

- Dedicated team monitors project progress and highlights deviations
- Strong legal documentation with step-in rights - eight Asset Resolutions done through a mix of stepping in, bringing in new developer and end customer sales through captive distribution team

## \* Distribution

- Dedicated distribution team of 75 helps in mitigating the sales risk in projects

**Our yield on the portfolio reflects the operational intensity and specialized skillsets required**

# Stable Asset Quality



1	Wholesale Mortgage Loan Book	INR 11,758 Cr
2	Stage 3 Accounts	5 accounts amounting to INR 346 Cr
3	Historical recovery on default cases	84% cash recovery and rest in other assets
4	Provisions as per ECL model (basis our historical experience)	INR 35 Cr
5	Provisions on the books (voluntary provisions)	INR 242 Cr
6	Foreclosure Losses to Date	Zero

**Seasoned book with robust risk management track record**



## Safe Harbor



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