

Edelweiss Financial Services Limited

Q1FY17 Unaudited, Limited Review Results

19 Quarters of consistent growth in profits

4 year PAT CAGR of 38%

Total Income INR 1,478 cr, up 27% YoY

Profit after Tax INR 140 cr, up 53% YoY

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, limited reviewed results for the quarter ended 30th June 2016 today.

Q1FY17 Highlights:

- **Total Revenue** INR 1,478 cr (INR 1,168 cr for Q1FY16), **up 27%**
- **Profit After Tax** INR 140 cr (INR 91 cr for Q1FY16), **up 53%**
- **Profit After Tax excluding insurance** INR 155 cr (INR 111 cr for Q1FY16), **up 39%**
- **Return on Tangible Equity excluding insurance for Q1FY17 is 19.4%** (17% for Q1FY16)
- **Asset Base** of the company ~INR 33,100 cr
- Group Equity INR 4,481 cr; Tangible Equity excluding insurance INR 3,070 cr

Edelweiss has evolved into a large financial services firm through its strategy of synergistic diversification. The business model is de-risked by adding various businesses, asset classes, client segments, demographics, markets and geographies in adjacent spaces. This strategy has helped in building a bank like diversified financial services company within the non banking financial services sector. With the completion of the diversification phase in FY12, Edelweiss has built an organisation with a strong foundation and is well positioned to leverage the potential. As a result, our profits have recorded 19th quarter of consistent growth. During the last few years, several of Edelweiss' "young" businesses gained ground while the mature businesses scaled up into well-structured and sustainable business models with increased market share in their respective segments.

Edelweiss Financial Services was selected by The Economic Times among India's Most Promising Brands 2015. Edelweiss also won Best Corporate Governance - India at CFI.co, UK, Corporate Governance Awards 2016.

Speaking on the occasion, Mr. Rashesh Shah, Chairman and CEO, Edelweiss Financial Services Limited said:

"Edelweiss today has a set of diversified financial services businesses comprising of credit businesses and non-credit businesses which present an interesting opportunity. Our multi-line business model of offering a spectrum of financial services and products has helped us build growth momentum that we feel is sustainable over the long term. Credit is a secular steady growth opportunity in India and we will continue to grow in that space. I am also very optimistic on our non-credit businesses, like Capital markets, Asset management and Wealth management. We see the India story panning out over the next few years and

even decades in which individuals are transforming from savers to investors. This provides ample scope for growth for our non-credit businesses.

Q1FY17 saw market sentiments improving led by optimism around the gradual return of growth. Furthermore, the Asset Quality Review process started by RBI is very positive for the economy and marks the beginning of the end of the NPA issue. Recoveries, revival, resolution all these are important aspects of that. As leaders in Asset Reconstruction business, our focus is not only in aggregating assets and finding financial restructuring plan, but also in resolving and reviving businesses.

We are still in a falling interest rate environment where Diversified Financial Services firms like Edelweiss, who offer credit solutions, will be positively impacted. We believe, with macro-economic indicators improving, we may see return of strong economic growth in the next two quarters of FY17.

For the quarter as a whole, our net profit is higher by 53% and our return on tangible equity excluding insurance is at 19.4% compared to 17% for Q1FY16. Our focus going forward remains on improving capital and operating efficiency, achieving scale in retail businesses, ensuring sustainability in our performance, strengthening balance sheet, risk and compliance, nurturing leadership, building a customer-centric culture and upgrading technology for future growth.

As part of being the official sponsors of the 2016 Indian Olympics Team, we launched the #iAmTeamIndia campaign inspiring Indians to cheers for the Indian Olympics team. In addition, Edelweiss Tokio Life Insurance, our life insurance arm, has provided INR one crore life Insurance cover to every athlete representing India at the Rio Olympics 2016”.

Q1FY17 Financial Highlights:

- **Fund based income** is INR 1,220 cr for Q1FY17 (INR 956 cr in Q1FY16), **up 28%**.
- **Fee & Commission income** is INR 171 cr for Q1FY17 (INR 163 cr in Q1FY16), **up 5%**.
- **Gross Premium income from Life Insurance business** is INR 57 cr for Q1FY17 compared to INR 32 cr in Q1FY16, **up 78%**.

The **diversified revenue mix** has helped us achieve improvement in our performance on a sustained basis despite volatile environment.

Balance Sheet, ALM and Liquidity Management:

Our Balance Sheet Management Unit (BMU) actively manages the Balance Sheet, Asset Liability position and liquidity in a way similar to that of the treasury of a commercial bank. Its focus continues to be on strengthening the balance sheet by reducing dependence on short-term market borrowings, diversifying sources of borrowings, maintaining a matched ALM profile and maintaining adequate liquidity. The consolidated **Capital Adequacy Ratio** for Edelweiss group is **18.1%** as on 30th June 2016.

Business Highlights:

Operations of Edelweiss are organised around **Credit business** including Retail and Agri Finance, **Non-Credit business** including Capital Markets, Wealth Management, Asset Management, Balance Sheet Management Unit & Agri services and **Life Insurance**.



Brief highlights of business performance are as under:

Credit Business:

Credit business of Edelweiss offers the following products – **Wholesale Credit** comprises of **Structured Collateralised Credit** to Corporates, **Wholesale Mortgages** and **Distressed Assets Credit**. **Retail Credit** comprises of housing finance, loan against property, **SME** and **Agri Finance**, **LAS** and **Rural Finance**. Total credit book of the group stands at INR 21,129 cr at the end of Q1FY17 compared to INR 16,431 cr at the end of Q1FY16, a growth of 29%.

At the end of Q1FY17, book size of Retail Credit was INR 6,216 cr (INR 4,503 cr at the end of Q1FY16), up 38%. Its client base is over 343,000 (50,000 at the end of Q1FY16). The Housing finance, SME and Rural finance operates out of 45 cities and over 3700 villages.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.42% and Net NPLs at 0.46%. Provision Cover including provision on Standard Assets stands at 89%.

Non Credit Businesses:

Non-Credit businesses include **Capital Markets**, **Wealth Management**, **Asset Management**, **Balance Sheet Management Unit** and **Agri Services**.

1. Capital Markets:

- **Institutional Broking** business continued to be among the market leaders and performed in line with the industry. **Research** covers 227 stocks across 27 sectors representing over 77% of market capitalization.
- **Retail Financial Market** business continued to scale up its market share with the total retail client base over 491,000.
- Our retail broking arm Edelweiss Broking Limited has recently been adjudged as the “Best Equity Broking House” (mid-size) at the BSE – Dun & Bradstreet Equity Broking Awards 2015.
- Edelweiss continued to be a major distributor in public issues of equities and debt. We have retained leadership position in **IPO distribution** during Q1FY17 in HNI and Retail categories (source: Prime Database).
- Fixed Income Advisory extended its good showing in FY16 to Q1 FY17 with a market share of 79% in public issue of bonds – Edelweiss was lead arranger to 2 out of the 4 issues in the quarter, raising INR 15bn in total.
- **Wealth Management:**
 - The AuAs of the Global Wealth Management business were over INR 31,100 cr at the end of Q1FY17 compared to INR 21,400 cr at the end of Q1FY16.
- **Asset Management:**
 - Global Asset Management business comprises of four verticals –Alternative Assets Management, Multi-Strategy Funds, Retail Asset Management and Asset Reconstruction. The total AuMs/AuAs of Global Asset Management business were over INR 35,000 cr at the end of Q1FY17 compared to INR 25,000 cr at the end of Q1FY16, up 40%, including the ARC portfolio.
 - Edelweiss ARC continues to be the leading ARC in the country. We are excited about the ARC opportunity as it helps in releasing productive assets for the nation’s economy and reduces burden on commercial banks.
 - The high quality JP Morgan AMC’s schemes’ acquisition (subject to regulatory approval) is likely to add further scale to business.



- Forefront Alternative Equity Scheme (a Category III Alternative Investment fund) is one of the best performing and largest funds in its category.
- **Balance Sheet Management Unit (BMU)**
 - BMU manages the Group's liquidity like a commercial bank, while simultaneously managing the balance sheet and ensuring that maturing liabilities are repaid smoothly. It also manages key components of the balance sheet, monitors interest rate sensitivity in the portfolio and takes pre-emptive steps to mitigate any potential liquidity risks.
- **Agri Services** provides end to end business solutions in the entire agri value chain. It provides a gamut of services viz, from post-harvest crop procurement to warehousing and trade finance services acting as an enabler for all agri value chain market participants. We have 315 warehouses under management with storage capacity of over 12.3 lacs MT as on 30th June 2016. We see this business as a large, scalable and untapped opportunity in India.

Life Insurance:

Edelweiss Tokio Life Insurance is one of the fastest growing life insurance companies in India. Winner of Rising Star Insurer Award in 2013, it continues to scale up its business with the objective of enhancing quality of business and focus on customer.

It continues to expand its distribution footprint across agency and alternate channels with presence across 71 branches in 61 major cities and the agency channel force of over 16,300 Personal Financial Advisors.

Edelweiss Tokio funds have been rated top performers by Morningstar with all Individual ULIP funds in top decile rated as on Jun'16. Its focus on consistent top performance positions it well to leverage the renewed customer interest in ULIP offerings. It won "Agency Efficiency" award at India Insurance Awards, 2016.

Other Updates:

- The client base of Edelweiss group across its diversified businesses is over 960,000 at the end of Q1FY17. In addition, our Depository Participants maintain over 307,000 Demat accounts.
- **EdelGive Foundation** with the mission to empower non-profit organizations towards achieving sustainable social change, has so far financially supported around 83 organisations impacting over 300,000 lives influencing financial commitments of around INR 60 cr in the social sector.
- Edelweiss has become principal partner for the Rio Olympics 2016 and Edelweiss Tokio Life Insurance, has provided life Insurance cover of INR One Crore to every athlete representing India at the Rio Olympics 2016.
- Edelweiss has won 5 awards at Indian Brand Convention & BAM Awards
- Scores a Hatrick with three GOLDS at ASIA PACIFIC Customer Engagement Forum & Awards
- Best Corporate Governance - India At CFI.co, UK, Corporate Governance Awards 2016
- Best Equity Broking House (Capital Markets) by Dun & Bradstreet's BSE - D&B Equity Broking Awards 2015
- Best Brokerage House (Roadshows and Company Visits) in Asiamoney's Broker Poll 2015
- Bull of the Year Award in the Zee Business Market Analyst Awards 2014





About Edelweiss Financial Services

The Edelweiss Group is one of India's leading diversified financial services company providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. Edelweiss's products and services span multiple asset classes and consumer segments across domestic and global geographies. Its businesses are broadly divided into **Credit Business** (**Wholesale Credit** comprises of **Structured Collateralised Credit** to Corporates, **Wholesale Mortgage** and **Distressed Assets Credit**. **Retail Credit** comprises of housing finance, loan against property, **LAS**, **SME** and **Agri Finance**, and **Rural Finance**), **Non-Credit Business** (Capital Markets, Wealth Management, Asset Management and Agri Services) and **Life Insurance**. The **Balance Sheet Management Unit** operations manage the liquidity and Balance Sheet. Edelweiss has an asset base of over INR 33,000 crore with revenue of INR 5,316 crore and net profit of INR 414 crore for FY16. Its consistent performance is evidenced by a PAT (excluding insurance) CAGR of 38% over the last four years.

The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all client segments. The group has sizeable presence in large retail segment through its businesses such as Life Insurance, Housing Finance, Mutual Fund and Retail Financial Markets. It serves its 960,000 strong client base through 6,361 employees based out of 240 offices (including nine international offices) in 122 cities. Together with strong network of Sub-Brokers and Authorized Persons, Edelweiss group has presence across all major cities in India.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. Edelweiss stock is covered by sell side research analysts of Monarch Network Stockbroking, First Call and Maybank Kim Eng Securities.

To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

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Safe Harbor

This document may contain certain forward - looking statements, which are tentative, based on current expectations of the management of Edelweiss Financial Services Limited or any of its subsidiaries and associate companies ("Edelweiss"). The results in future may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include, inter alia, the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Edelweiss as well as its ability to implement the strategy. Edelweiss does not undertake any obligation to update these statements. The presentation relating to financial performance of various businesses of Edelweiss herein is based on Management estimates.

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Consolidated Financial Results for the Quarter Ended 30 June 2016 (INR in Crores)

	Particulars	Quarter Ended			Year Ended
		June	March	June	March
		30, 2016	31, 2016	30, 2015	31, 2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Income from operations				
	(a) Fee and commission	170.74	205.03	162.84	696.61
	(b) Fund based activities	1,214.05	1,129.35	947.07	4,170.36
	(c) Premium from life insurance business	53.25	148.71	30.20	300.18
	(d) Other operating income	27.36	35.96	14.04	86.79
	Total income from operations	1,465.40	1,519.05	1,154.15	5,253.94
2	Expenses				
	(a) Employee benefits expense	247.58	241.17	211.34	882.13
	(b) Depreciation and amortisation expense	23.46	27.01	20.05	90.23
	(c) Change in life insurance policy liability – actuarial	55.11	136.13	22.06	255.49
	(d) Other expenses	239.69	245.06	171.31	848.98
	Total expenses	565.84	649.37	424.76	2,076.83
3	Profit / (Loss) from operations before other income and finance costs (1-2)	899.56	869.68	729.39	3,177.11
4	Other income	6.78	6.66	4.63	14.15
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	906.34	876.34	734.02	3,191.26
6	Finance costs	698.69	695.97	605.59	2,620.09
7	Profit / (Loss) before tax (5-6)	207.65	180.37	128.43	571.17
8	Tax expense	82.89	91.14	47.16	235.38
9	Net Profit / (Loss) after tax (7-8)	124.76	89.23	81.27	335.79
10	Add : Share of profit / (Loss) of associates	6.11	12.57	9.01	47.65
11	Less : Minority interest	(8.81)	(19.95)	(1.00)	(30.94)
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	139.68	121.75	91.28	414.38
13	Paid-up equity share capital (Face Value of ₹1/- Per Share)	82.32	81.40	80.26	81.40
14	Reserves excluding Revaluation Reserves				3,591.40
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹1/- Per Share)				
	- Basic (Refer Note 5)	1.68	1.47	1.12	5.01
	- Diluted (Refer Note 5)	1.63	1.42	1.06	4.85



Notes:

1. The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter ended 30 June 2016 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 9 August 2016.
2. The financial results for the quarter ended 30 June 2016 of EFSL, on consolidated basis, have been subjected to a 'Limited Review' by the Statutory Auditors of the Company and the auditors have issued an unqualified review report.
3. The Company conducts its operations along with its subsidiaries and associates. The consolidated financial results are prepared in accordance with Accounting Standard - 21 (AS-21) "Consolidated Financial Statements" and Accounting Standard - 23 (AS-23) "Accounting for investment in associates in Consolidated Financial Statements" specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.
4. During the quarter ended 30 June 2016, the Company has issued 9,123,085 equity shares of face value of INR 1 each to the employees on exercise of employee stock options.
5. Earnings per share for the quarters ended 30 June 2016, 31 March 2016 and 30 June 2015 have been calculated for three months and not annualised.
6. The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial period's presentation.
7. The consolidated results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Director

Rashesh Shah

Chairman

Mumbai, 9 Aug 2016