

Edelweiss Financial Services Limited

Q2FY17 Unaudited, Limited Reviewed Results

20 Quarters of consistent growth in profits

Excluding insurance PAT CAGR of 36% for 4 years

Total Income INR 1,602 cr, up 28% YoY

Profit after Tax INR 144 cr, up 51% YoY

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

Q2FY17 Highlights:

- **Total Revenue INR 1,602 cr** (INR 1,248 cr for Q2FY16), **up 28%**
- **Profit After Tax INR 144 cr** (INR 96 cr for Q2FY16), **up 51%**
- **Profit After Tax excluding insurance INR 166 cr** (INR 120 cr for Q2FY16), **up 38%**
- **Return on Equity excluding insurance for Q2FY17 is 19.9%** (17.4% for Q2FY16)
- **Asset Base of the company ~INR 35,800 cr**
- **Group Equity INR 4,763 cr; Equity excluding insurance INR 3,890 cr**

H1FY17 Highlights:

- **Total Revenue ₹3,080 cr** (₹ 2,416 cr for H1FY16), **up 27%**
- **Profit After Tax ₹284 cr** (₹187 cr for H1FY16), **up 52%**
- **Profit After Tax excluding insurance ₹321 cr** (₹231 cr for H1FY16), **up 39%**

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 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, its profits have recorded 20th 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’s diversified financial services businesses across Credit, Non-credit and Life Insurance continue to do well and offer multi-line income streams thereby helping manage profit volatility over the long term. We are still in a falling interest rate environment where Diversified Financial Services firms like Edelweiss which offer credit solutions will be positively impacted and thus we are focused on allocating capital to grow this business. Our non-credit businesses such as wealth management, asset management and capital markets too will continue to witness growth as Indians shift from savers to become investors with the transformation in the Indian economy.

Q2FY17 saw market sentiments improve led by optimism around gradual return of growth. Furthermore, the recent announcements by RBI to address the needs of stressed companies are a positive. To help revive, restructure and grow these businesses, we have entered into a partnership with CDPQ, one of the largest and most respected pension fund management companies in the world.

For the quarter as a whole, our net profit is higher by 51% YoY and our return on equity excluding insurance is at 19.9% compared to 17.4% for Q2FY16. 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 leveraging technology for future growth”.

Q2FY17 Financial Highlights:

- **Fund based income** is INR 1,228 cr for Q2FY17 (INR 1,018 cr in Q2FY16), **up 21%**.
- **Fee & Commission income** is INR 241 cr for Q2FY17 (INR 148 cr in Q2FY16), **up 62%**.
- **Gross Premium income** from **Life Insurance business** is INR 88 cr for Q2FY17 compared to INR 60 cr in Q2FY16, **up 47%**.

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 September 2016.

Business Highlights:

Operations of Edelweiss are organised around **Credit business** including Retail and Agri Finance, **Non-Credit business** including Wealth Management, Asset Management, Capital Markets, Agri services & Balance Sheet Management Unit 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**. **Retail Credit** comprises of housing finance, loan against property, **SME** and **Agri Finance**, **LAS** and **Rural Finance**. Total credit book excluding Distress Assets of the group stands at INR 21,349 cr at the end of Q2FY17 compared to INR 17,321 cr at the end of Q2FY16, a growth of 23%.
- Distressed Assets business has a capital of INR 3,511 crs and an AUM of INR 31,150 cr. **Edelweiss ARC** continues to be the leading Asset Reconstruction company 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. **CDPQ**, one of North America's largest pension fund managers has earmarked an investment of close to INR 5000 cr over four years in India's Stressed Assets and Specialised Credit sector along with Edelweiss. CDPQ will also be **acquiring 20% equity** stake in Edelweiss Asset Reconstruction Company.
- At the end of Q2FY17, book size of Retail Credit was INR 8,043 cr (INR 5,475 cr at the end of Q2FY16), **up 47%**. Its client base is over 370,000 (78,000 at the end of Q2FY16). The Housing finance, SME and Rural finance operates out of 50 cities and over 3,100 villages.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.46% and Net NPLs at 0.47%. Provision Cover including provision on Standard Assets stands at 92%.

Non Credit Businesses:

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

1. Wealth Management:

- The AuAs of the Global Wealth Management business were ~INR 44,200 cr at the end of Q2FY17 compared to INR 19,900 cr at the end of Q2FY16.

2. Asset Management:

- Global Asset Management business comprises of following verticals –Alternative Assets Management, Multi-Strategy Funds, Retail Asset Management. The total AuMs of Global Asset Management business were ~INR 6,900 cr at the end of Q2FY17 compared to INR 5,100 cr at the end of Q2FY16, up 35%.
- The high quality JP Morgan AMC's schemes' acquisition, for which regulatory approval has been received, is likely to add further scale to business.
- Acquired Ambit AIF, subject to requisite regulatory approvals
- Forefront Alternative Equity Scheme (a Category III Alternative Investment fund) is one of the best performing and largest funds in its category.

3. 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 510,000.



- **Our retail broking arm, Edelweiss Broking Limited has recently been adjudged 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 Q2FY17 in HNI and Retail categories (source: Prime Database).
- Fixed Income Advisory extended its good showing to Q2 FY17 at the top of the public issuance league tables with a market share of 99% and total issuance volume of INR 21,800 cr. We were lead arrangers in 5 out of the 6 issues this quarter.
- 4. **Agri Services** provides end to end business solutions in the entire agri value chain. It provides a gamut of services viz, from crop procurement to warehousing and trade finance services acting as an enabler for all agri value chain market participants. We have 291 warehouses under management with storage capacity of over 11 lacs MT as on 30th September 2016. We see this business as a large, scalable and untapped opportunity in India.
- 5. **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.

Life Insurance:

Edelweiss Tokio Life Insurance is one of the fastest growing life insurance companies in India. Winner of, “Agency Efficiency Award” at India Insurance Awards, 2016, it continues to scale up its business with the objective of enhancing quality of business and focus on customer.

Edelweiss Tokio funds have been rated top performers by Morningstar with all Individual ULIP funds in top decile rated as on 30th September 2016. Its focus on consistent top performance positions it well to leverage the renewed customer interest in ULIP offerings.

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 17,750 Personal Financial Advisors.

Other Updates:

- The client base of Edelweiss group across its diversified businesses is over 10,00,000 at the end of Q2FY17. In addition, our Depository Participants maintain over 320,000 Demat accounts.
- **EdelGive Foundation** with the mission to empower non-profit organizations towards achieving sustainable social change, has so far financially supported around 85 organisations impacting over 300,000 lives influencing financial commitments of around INR 67 cr in the social sector.
- **Edelgive Foundation was awarded best Financial Inclusion Awards for Institutions & Philanthropic Trusts for Advancing Financial Inclusion By Channelizing CSR Budgets into Financial Aids by CNBC – TV 18**
- **Edelweiss named Best Leading Diversified Financial Services 2016 – India by Wealth & Finance International**
- Edelweiss 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** (Wealth Management, Asset Management, Capital Markets, 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 35,800 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 36% for 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 over 10,00,000 strong client base through 6,437 employees based out of 238 offices (including international offices) in 120 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.

This document is for information purposes only and any action taken by any person on the basis of the information contained herein is that person's responsibility alone and Edelweiss or its directors or employees will not be liable in any manner for the consequences of such actions. The company regularly posts all important information at its website www.edelweissfin.com.

**Consolidated Financial Results for the Quarter Ended 30 September 2016
(INR in crore)**

	Particulars	Quarter Ended			Half Year Ended		Year Ended
		September	June	September	September	September	March
		30, 2016	30, 2016	30, 2015	30, 2016	30, 2015	31, 2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Part I						
1	Income from operations						
	(a) Fee and commission	240.54	170.74	148.04	411.28	310.88	696.61
	(b) Fund based activities	1,227.73	1,214.05	1,017.78	2,441.78	1,964.85	4,170.36
	(c) Premium from life insurance business	84.61	53.25	57.53	137.86	87.73	300.18
	(d) Other operating income	39.30	27.36	16.42	66.66	30.46	86.79
	Total income from operations	1,592.18	1,465.40	1,239.77	3,057.58	2,393.92	5,253.94
2	Expenses						
	(a) Employee benefits expense	276.52	247.58	213.41	524.10	424.75	882.13
	(b) Depreciation and amortisation expense	22.84	23.46	20.68	46.30	40.73	90.23
	(c) Change in life insurance policy liability - actuarial	86.80	55.11	49.57	141.91	71.63	255.49
	(d) Other expenses	268.95	239.69	188.19	508.64	359.50	848.98
	Total expenses	655.11	565.84	471.85	1,220.95	896.61	2,076.83
3	Profit / (Loss) from operations before other income and finance costs (1-2)	937.07	899.56	767.92	1,836.63	1,497.31	3,177.11
4	Other income	4.42	6.78	0.57	11.20	5.20	14.15
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	941.49	906.34	768.49	1,847.83	1,502.51	3,191.26
6	Finance costs	708.88	698.69	637.68	1,407.57	1,243.27	2,620.09
7	Profit / (Loss) before tax (5-6)	232.61	207.65	130.81	440.26	259.24	571.17
8	Tax expense	96.85	82.89	48.21	179.74	95.37	235.38
9	Net Profit / (Loss) after tax (7-8)	135.76	124.76	82.60	260.52	163.87	335.79
10	Share of profit / (Loss) of associates	4.93	6.11	8.20	11.04	17.21	47.65
11	Minority interest	(3.73)	(8.81)	(4.89)	(12.54)	(5.89)	(30.94)
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	144.42	139.68	95.69	284.10	186.97	414.38
13	Paid-up equity share capital (Face Value of INR 1/- Per Share)	82.84	82.32	81.12	82.84	81.12	81.40
14	Reserves excluding Revaluation Reserves						3,591.40
15	Earnings Per Share (EPS) in Rupees (Face Value of INR 1/- Per Share)						
	- Basic (Not annualised)	1.72	1.68	1.15	3.40	2.27	5.01
	- Diluted (Not annualised)	1.65	1.63	1.11	3.26	2.18	4.85

Consolidated statement of assets and liabilities as at 30 September 2016

(INR in Cr)

	As at	
	September 30, 2016 (Unaudited)	March 31, 2016 (Audited)
A EQUITY AND LIABILITIES		
1 Shareholders' funds		
(a) Share capital	82.84	81.40
(b) Reserves and surplus	3,923.41	3,591.40
Sub-total - Shareholders' funds	4,006.25	3,672.80
2 Share application money pending allotment	2.05	2.06
3 Minority interest	839.94	696.87
4 Non-current liabilities		
(a) Long-term borrowings	12,100.78	10,103.64
(b) Other long-term liabilities	267.14	221.78
(c) Long-term provisions	727.59	575.94
Sub-total - Non-current liabilities	13,095.51	10,901.36
5 Current liabilities		
(a) Short-term borrowings	14,932.95	13,861.22
(b) Trade payables	1,729.20	1,650.73
(c) Other current liabilities	5,972.45	5,832.54
(d) Short-term provisions	477.52	366.99
Sub-total - Current liabilities	23,112.12	21,711.48
TOTAL - EQUITY AND LIABILITIES	41,055.87	36,984.57
B ASSETS		
1 Non-current assets		
(a) Fixed assets	673.74	694.45
(b) Non-current investments	5,095.71	2,000.91
(c) Deferred tax assets (net)	194.08	179.59
(d) Long-term loans and advances	6,029.88	7,720.06
(e) Other non-current assets	729.91	1,313.78
Sub-total - Non-current assets	12,723.32	11,908.79
2 Current assets		
(a) Current investments	749.19	695.52
(b) Inventories	9,610.41	11,511.91
(c) Trade receivables	631.37	518.60
(d) Cash and cash equivalents	2,297.45	1,934.01
(e) Short-term loans and advances	12,851.99	9,060.19
(f) Other current assets	2,192.14	1,355.55
Sub-total - Current assets	28,332.55	25,075.78
TOTAL - ASSETS	41,055.87	36,984.57

Notes:

1. The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and half year ended 30 September 2016 have been reviewed and recommended by the Audit Committee at its meeting held on 08 November 2016 and approved by the Board of Directors at its meeting held on 09 November 2016.
2. The financial results for the quarter and half year ended 30 September 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. Edelweiss Asset Reconstruction Company Limited ('EARC') which was an associate of the Company has become a Subsidiary of the Company with effect from 16 September 2016 and accordingly, the financial statements of EARC for the period 16 September 2016 to 30 September 2016 have been consolidated.
5. During the quarter ended 30 September 2016, the Company has issued 5,197,487 equity shares of face value of INR 1 each to the employees on exercise of employee stock options.
6. The previous period/year figures have been regrouped/reclassified wherever necessary to conform to current period's/year'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, 09 November 2016.