

Edelweiss Financial Services Limited
Q2FY18 Unaudited, Limited Reviewed Results
26 Quarters PAT CAGR of 37%
Total Income INR 2,017 cr, up 26% YoY
Profit after Tax INR 209 cr, up 45% YoY

Edelweiss Financial Services Limited, one of India's leading diversified financial services company, declared its unaudited, limited reviewed results for the quarter ended 30th September 2017 today.

Q2FY18 Highlights:

- **Total Revenue INR 2,017 cr** (INR 1,602 cr for Q2FY17), **up 26%**
- **Profit After Tax INR 209 cr** (INR 144 cr for Q2FY17), **up 45%**
- **Profit After Tax excluding insurance INR 234 cr** (INR 166 cr for Q2FY17), **up 41%**
- **Return on Equity excluding insurance for Q2FY18 is 22.2%** (19.9% for Q2FY17)
- **Balance Sheet Assets INR 47,800 cr, up 33% YoY**
- **Assets under Management and Advice: INR 143,000 cr**
- **Total Assets INR 190,800 cr**
- **Group Gross Net worth INR 5,400 cr; Net worth excluding insurance INR 4,755 cr**

Edelweiss is a large financial services firm with presence in India's most scalable and profitable sectors. Our various businesses address the needs of multiple client segments and demographics. During the last few years, several of Edelweiss' "young" businesses have gained ground while the mature businesses have scaled up into sustainable business models with increased market share in their respective segments.

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

"Q2FY18 has been a strong quarter and there was all-round growth for Edelweiss in PAT as well as assets. Our Consolidated PAT was INR 209 cr (INR 144 cr in Q2FY17) with a YoY growth of 45%. PAT Excluding Insurance grew 41% to INR 234 cr (INR 166 cr in Q2FY17). Return on Equity Excluding Insurance stands at 22.2% for Q2FY18.(19.9% in Q2FY17). Our asset base consists of Balance sheet assets of INR 47,800 cr and INR 143,000 cr of AUA/AUM, totalling INR 190,800 cr (up 65% YOY).

Our total Credit book was at INR 32,540 cr of which 36% is in retail, 47% in Corporate, and 17% in the Distressed Credit business. On the Retail Credit side, we continue to expand our loan book and our branch presence in the Housing and SME finance business, while the Corporate Credit businesses continue to perform well, backed by a healthy collateral cover. The Distressed Assets Credit business grew steadily on the back of higher resolution and

recoveries. Retail Credit remains a key focus area for us with the book growing at 40% over the past year and we are allocating more capital to this business.

In the Franchise & Advisory businesses, Edelweiss Wealth Management is one of the fastest growing wealth managers in India today and the business saw a significant increase in scale as well as growth in assets under advice this quarter, backed by Edelweiss's comprehensive service platform. The Asset Management business also witnessed significant growth in assets under management, on the back of our leadership position in private debt across special situations, real estate and distressed assets funds. In both Debt and Equity Capital Markets, we continue to be amongst the market leaders.

We have been growing PAT at CAGR of 37% for over 26 quarters now. It is not just the growth but it is also fairly consistent across that and it has been largely driven by the credit business over the last few years. However, in the last few quarters our franchise and advisory business like wealth management and asset management have also started showing significant growth momentum.

The Bank Recapitalisation plan announced recently will go substantially towards financing the increased level of provisions that banks will need to make over the next two years. It will aid credit growth in the economy by strengthening Bank Balance sheets. This will provide more impetus to the resolution of the distressed assets.

We strongly believe that the long term trends in the democratisation of access to credit and continued financialisation of savings are irreversible. Edelweiss has a 'bank like' breadth of businesses serving both retail and corporate customers that ranges from retail and corporate credit, wealth management, asset management, capital markets to insurance. We think this makes us very well positioned to benefit substantially and sustainably from these two trends.

Q2FY18 Financial Highlights:

- **Fund based income** is INR 1,380 cr (INR 1,233 cr in Q2FY17), **up 12%**.
- **Fee & Commission income** is INR 473 cr (INR 241 cr in Q2FY17), **up 97%**.
- **Premium income from Life Insurance business** is INR 121 cr for Q2FY18 compared to INR 85 cr in Q2FY17, **up 43%**.

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

Business Highlights:

Operations of Edelweiss are organised around **Credit business, Franchise and Advisory business, and Insurance**

Credit Business:

Credit business of Edelweiss offers the following products:

- **Retail Credit** comprises of **Retail Mortgage, SME and Business Loans, Loan against Securities, Agri and Rural Finance.**
- **Corporate Credit** comprises of **Structured Collateralised Credit and Wholesale Mortgages.**
- **Distressed Credit**

Brief highlights of business performance are as under:

- At the end of Q2FY18, book size of **Retail Credit** was INR 11,783 cr (INR 8,430 cr at the end of Q2FY17), up 40%.
- The **Corporate Credit** book was INR 15,398 cr (INR 12,919 cr at the end of Q2FY17), **up 19%**.
- Total Credit Book including Distressed Credit stands at INR 32,540 cr at the end of Q2FY18.
- The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.74% and Net NPLs at 0.66%. Provision Cover including provision on Standard Assets stands at 86%.
- **Agri Services** provides end to end business solutions in the entire Agri value chain and is an enabler for our Agri Credit business. We have a network of 435 warehouses across 17 states in India, as on 30th September 2017. Empanelled with 21 banks for Collateral Management Services, we continue to refine the business model with a focus on increasing the Agri credit book.
- **Distressed Credit** business has a capital of INR 5,359 cr and an AuM of ~INR 42,800 cr. **Edelweiss ARC** continues to be the largest 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 taken stake in **Edelweiss Asset Reconstruction Company** which on fully diluted basis will be **20%**. Focus of this business continues to be on acquiring large viable operating and EBITDA earning assets which are financially broken.

Franchise and Advisory Businesses:

Franchise and Advisory businesses include **Wealth Management, Asset Management** and **Capital Markets**.

1. Wealth Management:

- The AuAs of the Wealth Management business grew at 73% to ~INR 76,300 cr at the end of Q2FY18 compared to ~INR 44,200 cr at the end of Q2FY17.

2. Asset Management:

- Asset Management business comprises of three verticals –Alternative Assets Management, Multi-Strategy Funds and Retail Asset Management. The total AuMs of Asset Management business grew to ~INR 22,100 cr at the end of Q2FY18 compared to ~INR 6,800 cr at the end of Q2FY17, a growth of 223%.
- Prioritizing and widening distribution partnership with large organized distributors at new locations remains our focus area for this business.
- Leading player in the Private Debt space across real estate credit, distressed assets credit and special opportunities.

3. Capital Markets:

- **Institutional Broking** business continued to be among the market leaders and performed in line with the industry. Research covers 233 stocks across 29 sectors.
- **Retail Financial Market** business continued to scale up its market share with the total retail client base of over 513,000.
- Edelweiss continued to be a major distributor in public issues of equities and debt. We have retained leadership position in **Equity IPO distribution** during Q2FY18 in HNI and Retail categories. Our Investment banking advisory business handled 4 transactions in equity capital markets in Q2FY18 and we were ranked amongst top 10 arrangers for the private placement of debt.

Life Insurance:

Edelweiss Tokio Life Insurance (ETLI) is one of the fastest growing life insurance companies in India. It continues to scale up its business with the objective of enhancing quality of business and focus on customer.

All Edelweiss Tokio (individual and group) ULIP funds have been providing superior returns. ETLI follows the agency-led multi-channel distribution approach with emphasis on productivity and the focus is on building direct capability specifically online. It continues to expand its distribution footprint across agency and alternate channels with presence across 104 branches in 77 major cities and the agency channel force of ~25,000 Personal Financial Advisors.

ETLI was recently recognised for “Best Product Innovation” for its Wealth Ultima product at the National Awards for Excellence in Insurance 2017 hosted by CMO Asia.

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. 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 **16.75%** as on 30th September 2017.

EdelGive Foundation with the mission to empower non-profit organizations towards achieving sustainable social change, has so far financially supported more than 80 NGOs influencing financial commitments of around INR 100 cr in the social sector.

Updates and Awards:

- **Around 11,00,000 Clients as on 30th September, 2017 across Edelweiss group's diversified businesses**
- Featured among India's Super 50 Companies listing by Forbes India recently
- Leader in Employee Volunteering at the iVolunteer Awards 2017
- Best Performing Institutional Member at the NSE Market Achievers Award 2017
- Recognised as Best Wealth Manager - Rising Star, India by The Asset, Hong Kong
- Ranked as one of the leading custodians in India in the Global Custodian Indian Domestic Survey 2017
- SRP Asia Pacific Awards 2017 - Best Distributor - South and Southeast Asia; Best Performance - Asia-Pacific; Best Distributor - India; Best Performance – India
- Best Broker Award by FinanceAsia Country Awards 2017

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** (**Retail Credit** comprises of **Retail Mortgage, SME and Business Loans, Loan against Securities, Agri and Rural Finance**). **Corporate Credit** comprises of **Structured Collateralised Credit** to Corporates and **Wholesale Mortgages, and Distressed Credit**), **Franchise and Advisory Business** (Wealth Management, Asset Management and Capital Markets) and **Insurance**. The **Balance Sheet Management Unit** operations manage the liquidity and Balance Sheet. Edelweiss has an asset base of ~INR 47,800 cr with revenue of INR 3,915 cr and PAT of INR 406 cr for H1FY18. Its consistent performance is evidenced by a consolidated PAT CAGR of 37% over last 26 quarters.

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 around 11 lac strong client base through 8,354 employees based out of 348 domestic offices in 156 cities and six international offices. 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, Reuters: EDEL.NS and EDEL.BO and Bloomberg: EDEL IS and EDEL IB. Edelweiss stock is covered by sell side research analysts of Morgan Stanley, ICICI Securities, Maybank Kim Eng Securities, Credit Suisse Securities, Haitong International, Citi Research, Emkay Global Financial Services, Ventura Securities, Monarch Network Stockbroking, First Call and Aditya Birla Money.

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 and half year ended 30 September 2017 (INR Crores)

	Particulars	Quarter Ended			Half Year Ended		Year Ended
		September 30, 2017 (Unaudited)	June 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	March 31, 2017 (Audited)
1	Revenue from operations						
	(a) Fee and commission	472.93	531.58	240.54	1,004.51	411.28	1,248.08
	(b) Fund based activities	1,381.42	1,250.98	1,227.73	2,632.40	2,441.78	4,790.91
	(c) Premium from life insurance business	120.99	64.21	84.61	185.20	137.86	425.89
	(d) Other operating income	39.61	41.10	39.30	80.71	66.66	127.20
	Total revenue from operations	2,014.95	1,887.87	1,592.18	3,902.82	3,057.58	6,592.08
2	Other income	3.03	10.17	4.42	13.20	11.20	26.75
3	Total Revenue (1+2)	2,017.98	1,898.04	1,596.60	3,916.02	3,068.78	6,618.83
4	Expenses						
	(a) Employee benefits expense	320.32	317.76	276.52	638.08	524.10	1,102.15
	(b) Finance costs	884.15	810.85	708.88	1,695.00	1,407.57	2,809.69
	(c) Depreciation & amortization expense	26.53	24.79	22.84	51.32	46.30	106.43
	(d) Change in life insurance policy liability – actuarial	102.29	56.90	86.80	159.19	141.91	426.33
	(e) Other expenses	326.72	351.98	268.95	678.70	508.64	1,231.02
	Total expenses	1,660.01	1,562.28	1,363.99	3,222.29	2,628.52	5,675.62
5	Profit / (Loss) before tax (3-4)	357.97	335.76	232.61	693.73	440.26	943.21
6	Tax expense						
	(a) Current Tax	128.32	139.42	118.18	267.74	208.04	456.56
	(b) Minimum alternate tax	(4.33)	(15.06)	(0.44)	(19.39)	(2.24)	(14.38)
	(c) Deferred Tax	17.16	10.76	(20.89)	27.92	(26.06)	(47.45)
7	Net Profit / (Loss) after tax (5-6)	216.82	200.64	135.76	417.46	260.52	548.48
8	Share of profit / (loss) of associates	(1.09)	(0.44)	4.93	(1.53)	11.04	14.76
9	Minority interest	6.53	3.88	(3.73)	10.41	(12.54)	(46.07)
10	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (7+8-9)	209.20	196.32	144.42	405.52	284.10	609.31
11	Earnings Per Share (INR) (Face Value of INR 1/- each)						
	Basic (Not annualised)	2.42	2.32	1.72	4.74	3.40	7.26
	Diluted (Not annualised)	2.34	2.24	1.65	4.58	3.26	6.92

Consolidated Statement of asset and liabilities as at 30 September 2017 (INR Crores)

		September 30, 2017 (Unaudited)	March 31, 2017 (Audited)
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	85.51	83.26
	(b) Reserves and surplus	4,597.63	4,242.10
	Sub-total - Shareholders' funds	4,683.14	4,325.36
2	Share application money pending allotment	4.11	4.09
3	Minority interest	797.60	958.46
4	Non-current liabilities		
	(a) Long-term borrowings	20,835.88	16,987.41
	(b) Other long-term liabilities	331.33	306.14
	(c) Long-term provisions	1,253.23	1,041.75
	Sub-total - Non-current liabilities	22,420.44	18,335.30
5	Current liabilities		
	(a) Short-term borrowings	16,149.39	11,839.41
	(b) Trade payables		
	(i) Total outstanding dues of micro enterprises & small enterprises	-	1.50
	(ii) Total outstanding dues of creditors other than micro enterprises & small enterprises	2,568.96	2,083.86
	(c) Other current liabilities	7,757.32	6,816.71
	(d) Short-term provisions	516.15	458.70
	Sub-total - Current liabilities	26,991.82	21,200.18
	TOTAL - EQUITY AND LIABILITIES	54,897.11	44,823.39
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets		
	(i) Tangible assets	561.96	525.84
	(ii) Intangible assets	91.29	110.95
	(iii) Capital work-in-progress	56.31	95.12
	(iv) Intangible assets under development	9.18	5.84
	(b) Non-current investments	6,632.50	6,041.39
	(c) Deferred tax assets (net)	183.69	210.91
	(d) Long-term loans and advances	11,594.07	10,612.76
	(e) Other non-current assets	690.04	836.56
	Sub-total - Non-current assets	19,819.04	18,439.37
2	Current assets		
	(a) Current investments	1,028.91	836.29
	(b) Stock-in-trade (including credit substitutes)	15,079.02	10,652.40
	(c) Trade receivables	1,869.67	1,098.24
	(d) Cash and bank balances	2,974.74	2,618.19
	(e) Short-term loans and advances	12,029.79	9,486.78
	(f) Other current assets	2,095.94	1,692.12
	Sub-total - Current assets	35,078.07	26,384.02
	TOTAL - ASSETS	54,897.11	44,823.39

Notes:

- 1 The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and half year ended 30 September 2017 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at their meeting held on 3 November 2017.
- 2 The financial results of EFSL for the quarter ended 30 September 2017 and the half year then ended, 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 September 2017, the Company has issued 3,710,876 equity shares of face value of ` 1 each to the employees on exercise of employee stock options.
- 5 During the quarter ended 30 September 2017, a wholly owned subsidiary of the Company has acquired the 7.8% stake from the minority stakeholder of ECL Finance Limited, a subsidiary of the Company. Consequently, ECL Finance has become a wholly owned subsidiary of the Company.
- 6 The previous period/year figures have been regrouped / reclassified wherever necessary to conform to current period's presentation.
- 7 The consolidated results will be available on the Company's website - www.edelweissfin.com