

Edelweiss Financial Services Limited
Q3FY18 Unaudited, Limited Reviewed Results

27 Quarters PAT CAGR of 38%

Profit after Tax INR 236 cr, up 52% YoY

Total Income INR 2,085 cr, up 30% YoY

Edelweiss Financial Services Limited, one of India's leading diversified financial services company, declared its unaudited, limited reviewed results for the quarter ended 31st December 2017 today.

Q3FY18 Highlights:

- **Total Revenue INR 2,085 cr** (INR 1,609 cr for Q3FY17), **up 30%**
- **Profit After Tax INR 236 cr** (INR 155 cr for Q3FY17), **up 52%**
- **Profit After Tax excluding insurance INR 272 cr** (INR 187 cr for Q3FY17), **up 46%**
- **Return on Equity excluding insurance for Q3FY18 is 22.5%** (20.9% for Q3FY17)
- **Balance Sheet Assets INR 48,800 cr, up 31% YoY**
- **Assets under Management and Advice: INR 1,61,200 cr**
- **Total Assets INR 2,10,000 cr**
- **Group Gross Net worth INR 7,595 cr; Net worth excluding insurance INR 6,186 cr**

9MFY18 Highlights:

- **Total Revenue INR 5,999 cr** (INR 4,689 cr for 9MFY17), **up 28%**
- **Profit After Tax INR 642 cr** (INR 439 cr for 9MFY17), **up 46%**
- **Profit After Tax excluding insurance INR 728 cr** (INR 508 cr for 9MFY17), **up 43%**

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:

"This quarter, our consolidated PAT grew 52% while our balance sheet grew only 31%. This has been a great vindication of our bank-like diversified model which gives us consistent profitability in a capital-efficient manner. With this latest quarter, Edelweiss's PAT has now grown consistently at a CAGR of 38% for over 27 quarters.

Today, Edelweiss's 'bank like' breadth of businesses serve both retail and corporate customers, across credit to wealth and asset management, capital markets and insurance. While Credit business has driven our growth in recent years and we are very bullish about SME lending in particular, we are greatly excited about the scaling up of our wealth and asset management businesses and the increasing contribution they are making to our profits without requiring additional capital. We recently announced the acquisition of Religare's securities business which will almost triple our wealth advisory client base.

After 10 years of listing, Edelweiss raised equity for the first time through a QIP this quarter. It has been our privilege to obtain participation in our equity raise from new marquee investors like CDPQ, HDFC Mutual Fund and Kotak Funds as well as the continued support of existing investors like Steadview Capital, DE Shaw, GMO and Goldman Sachs et al. We will use the equity substantially in our credit businesses and our capital adequacy ratio now stands at 19.2%, enabling us to maintain the growth momentum.

We believe that the long term trends in the democratisation of access to credit and continued financialisation of savings in India are irreversible, and the next decade will present a tremendous growth opportunity for financial services. With our range of offerings and stronger capital base, we are uniquely positioned amongst NBFCs to benefit sustainably from these two trends."

Q3FY18 Financial Highlights:

- **Fund based income** is INR 1,386 cr (INR 1,130 cr in Q3FY17), **up 23%**.
- **Fee & Commission income** is INR 514 cr (INR 356 cr in Q3FY17), **up 44%**.
- **Gross Premium income from Life Insurance business** is INR 133 cr compared to INR 92 cr in Q3FY17, **up 45%**.

9MFY18 Financial Highlights:

- **Fund based income** is INR 4,017 cr (INR 3,583 cr in 9MFY17), **up 12%**
- **Fee and Commission income** is INR 1,518 cr (INR 767 cr in 9MFY17), **up 98%**
- **Gross Premium income from Life Insurance business** is INR 328 cr (INR 237 cr in 9MFY17), **up 39%**.

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 & 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 Q3FY18, book size of **Retail Credit** was INR 14,200 cr (~INR 8,200 cr at the end of Q3FY17), up 73%.
- The **Corporate Credit** book was over INR 16,300 cr (~INR 13,200 cr at the end of Q3FY17), up 24%.
- Total Credit Book including Distressed Credit stands at INR 36,115 cr at the end of Q3FY18.
- The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.74% and Net NPLs at 0.68%. Provision Cover including provision on Standard Assets stands at 82%.
- **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 506 warehouses across 17 states in India, as on 31st December 2017. Empanelled with 22 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 5,543 cr and an AuM of ~INR 44,200 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 & Advisory Businesses:

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

1. Wealth Management:

- The AuAs of the Wealth Management business grew at 58% to ~INR 84,700 cr at the end of Q3FY18 compared to ~INR 53,700 cr at the end of Q3FY17.
- Wealth Management business continued to scale up its market share with a client base of around 517,000.
- The proposed acquisition of Religare's Securities business is expected to add significant distribution reach.

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 26,000 cr at the end of Q3FY18 compared to ~INR 17,200 cr at the end of Q3FY17, a growth of 51%.
- 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 240 stocks across 29 sectors.
- Edelweiss continued to be a major distributor in public issues of equities and debt. We have retained leadership position in **Equity IPO distribution** during Q3FY18 in HNI and Retail categories. The Equity Capital Markets team closed eight capital market transactions and one advisory transaction in Q3FY18 and we were ranked amongst top 10 arrangers for the private placement of debt including rank #1 in Commercial Papers issuances.

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 121 branches in 94 major cities and the agency channel force of ~27,400 Personal Financial Advisors.

Edelweiss Tokio Life Insurance has got further capital infusion of INR 670 crore from Edelweiss and Tokio Marine. These funds will support expansion plans, Bancassurance development and enhancing technology and digital platform.

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 **19.2%** as on 31st December 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 108 cr in the social sector.

Updates and Awards:

- **Around 11,40,000 clients as on 31st December, 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
- Best Performing Institutional Member - Edelweiss Securities - NSE Market Achievers Award 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 & 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 48,800 cr with revenue of INR 5,999 cr and PAT of INR 642 cr for 9MFY18. Its consistent performance is evidenced by a consolidated PAT CAGR of 38% over last 27 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 11.4 lac strong client base through 9,565 employees based out of 433 offices across 190 Indian cities and six international locations. 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, SBI Cap 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 nine months ended 31 December 2017 (INR Crores)

	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		December 31, 2017 (Unaudited)	September 30, 2017 (Unaudited)	December 31, 2016 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)	March 31, 2017 (Audited)
1	Revenue from operations						
	(a) Fee and commission	513.66	472.93	355.62	1,518.17	766.90	1,248.08
	(b) Fund based activities	1,383.06	1,381.42	1,133.86	4,015.46	3,575.64	4,790.91
	(c) Premium from life insurance business	128.53	120.99	87.68	313.73	225.54	425.89
	(d) Other operating income	44.20	39.61	28.04	124.91	94.70	127.20
	Total revenue from operations	2,069.45	2,014.95	1,605.20	5,972.27	4,662.78	6,592.08
2	Other income	11.88	3.03	7.27	25.08	18.47	26.75
3	Total Revenue (1+2)	2,081.33	2,017.98	1,612.47	5,997.35	4,681.25	6,618.83
4	Expenses						
	(a) Employee benefits expense	314.71	320.32	277.34	952.79	801.44	1,102.15
	(b) Finance costs	883.32	884.15	676.67	2,578.32	2,084.24	2,809.69
	(c) Depreciation & amortization expense	26.93	26.53	24.95	78.25	71.25	106.43
	(d) Change in life insurance policy liability – actuarial	106.14	102.29	92.50	265.33	234.41	426.33
	(e) Other expenses	389.46	326.72	292.69	1,068.16	801.33	1,231.02
	Total expenses	1,720.56	1,660.01	1,364.15	4,942.85	3,992.67	5,675.62
5	Profit / (Loss) before tax (3-4)	360.77	357.97	248.32	1,054.50	688.58	943.21
6	Tax expense						
	(a) Current Tax	130.53	128.32	116.55	398.27	324.59	456.56
	(b) Minimum alternate tax	(11.05)	(4.33)	(3.88)	(30.44)	(6.12)	(14.38)
	(c) Deferred Tax	19.61	17.16	(8.48)	47.53	(34.54)	(47.45)
7	Net Profit / (Loss) after tax (5-6)	221.68	216.82	144.13	639.14	404.65	548.48
8	Share of profit / (loss) of associates	3.31	(1.09)	(3.60)	1.78	7.44	14.76
9	Minority interest	(11.40)	6.53	(14.65)	(0.99)	(27.19)	(46.07)
10	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (7+8-9)	236.39	209.20	155.18	641.91	439.28	609.31
11	Earnings Per Share (INR) (Face Value of INR 1 /- each)						
	Basic (Not annualised)	2.66	2.42	1.84	7.41	5.21	7.26
	Diluted (Not annualised)	2.57	2.34	1.76	7.15	4.98	6.92

Notes:

- 1 The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and nine months ended 31 December 2017 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 23 January 2018.
- 2 The financial results of EFSL for the quarter ended 31 December 2017 and the nine months then ended, on consolidated basis, have been subjected to a 'Limited Review' by the Statutory Auditors of the Company.
- 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 31 December 2017, the Company has issued 1,756,575 equity shares of face value of INR 1 each to its employees on exercise of employee stock options.
- 5 On 23 November 2017, the Company through Qualified Institutional Placement (QIP) allotted 54,562,488 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of INR 280 per equity share of INR 1 each (inclusive of premium of INR 279 per share) aggregating to INR 1,527.75 crore. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009.
- 6 The Board of Directors at its meeting dated 23 January 2018, has declared an interim dividend of INR 1.05 per equity share (on face value of INR 1 per equity share) for the financial year 2017-18.
- 7 The previous period/year figures have been regrouped/reclassified wherever necessary to conform to current period's presentation.
- 8 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, 23 January 2018.