

Edelweiss Financial Services Limited

FY16 Audited Results

18 Quarters of consistent growth in profits

Total Income INR 5,316 cr, up 36% YoY

Profit after Tax INR 414 cr, up 26% YoY

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its audited results for the year, ended 31st March 2016 today.

Q4FY16 Highlights:

- **Total Revenue INR 1,538 cr** (INR 1,215 cr for Q4FY15), **up 27%**
- **Profit After Tax INR 122 cr** (INR 88 cr for Q4FY15), **up 38%**
- **Profit After Tax excluding insurance INR 154 cr** (INR 103 cr for Q4FY15), **up 49%**
- **Return on Tangible Equity excluding insurance for Q4FY16 is 21.2%** (16.2% for Q4FY15)

FY16 Highlights:

- **Total Revenue INR 5,316 cr** (INR 3,912 cr for FY15), **up 36%**
- **Profit After Tax INR 414 cr** (INR 329 cr for FY15), **up 26%.**
- **Profit After Tax excluding insurance INR 519 cr** (INR 381 cr for FY15), **up 36%**
- **Asset Base** of the company over **INR 32,000 cr**
- **Group Gross Network** INR 4,372 cr; **Tangible Equity excluding insurance** INR 2,864 cr
- **Return on Tangible Equity excluding insurance 18.6%**

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 18th 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 has been identified amongst the '100 Most Valuable Brands of India' in 2015 through a research study carried out by World Consulting & Research Corporation (WCRC). Edelweiss was also selected by The Economic Times among India's Most Promising Brands 2015.

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

"FY16 saw market sentiments improving led by optimism around the gradual return of growth. We are seeing some amount of consumer spending coming back and as well as growth in credit accompanied by the expected cleanup of stressed asset portfolio that has been built up. 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.

We are still in a falling interest rate environment where Diversified Financial Services firms like Edelweiss, who offer financial services beyond banking, 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.

Edelweiss today has a diversified financial services business model reflecting a significant presence in almost all the important segments of the financial services sector- each of which present unique growth opportunities. Over FY15, all the businesses have grown and the multiline model of many product and business groups has helped build a growth momentum that Edelweiss feels is sustainable over the long term. Increasingly our profits are being contributed by multiple businesses and we have reduced concentration risk in our efforts to make the profits more sustainable.

For the year as a whole, our net profit excluding insurance is higher by 36% and our return on tangible equity excluding insurance is at 18.6% compared to 15.6% for FY15. 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.

Continuing our focus on health and sports, Edelweiss has joined hands with Indian Olympics Association (IOA) to become the principal sponsor for the 2016 Indian Olympics Team. To add to this, Edelweiss Tokio Life Insurance, our life insurance joint venture has provided life Insurance cover of INR One Crore to every athlete representing India at the Rio Olympics 2016. This is the first time that our Indian Olympians have been insured".

FY16 Financial Highlights:

- **Fund based income** is INR 4,218 cr for FY16 (INR 3,100 cr in FY15), **up 36%**, and for Q4FY16 it is INR 1,142 cr (INR 924 cr in Q4FY15), **up 24%**.
- **Fee & Commission income** is INR 697 cr for FY16 (INR 573 cr in FY15), **up 22%**, and for Q4FY16 it is INR 205 cr (INR 180 cr in Q4FY15), **up 14%**.
- **Gross Premium income** from **Life Insurance business** is INR 310 cr for FY16 compared to INR 193 cr in FY15, **up 61%**. Gross Premium for Q4FY16 is INR 152 cr (INR 86 cr in Q4FY15), **up 75%**.

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%** as on 31 March 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, **Real Estate** finance 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 20,014 cr at the end of FY16 compared to INR 15,036 cr at the end of FY15, a growth of 33%.

At the end of FY16, book size of Retail Credit was INR 5,735 cr (INR 4,065 cr at the end of FY15), up 41%. Its client base is over 304,000 (50,000 at the end of FY15). The Housing finance, SME and Rural finance operates out of 45 cities and over 3400 villages.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.40% and Net NPLs at 0.47%. Provision Cover including provision on Standard Assets stands at 88%.

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 225 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 494,000.
- 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 Structured Products won the SRP Award for being the **Best Private Banking Solution** at the Asia-Pacific Structured Products and Derivatives Awards 2015.
- Edelweiss continued to be a major distributor in public issues of equities and debt. We were **ranked 1st in IPO distribution** during FY16 in HNI and Retail categories (source: Prime Database).
- Fixed Income Advisory business continued to be **ranked 1st** in public issue of Bonds in FY16 by being lead arranger to 14 issues. Edelweiss was the only arranger to be mandated as lead arranger to all public tax-free bond issuances conducted in FY16. We were arrangers to tax-free bonds totaling INR 31,000 crores across 8 issuers which also includes INR 10,000 crores via a single issuance by National Highway Authority of India (NHAI). The NHAI issue is the largest public bond issue in the history of Indian debt capital markets.
- **Wealth Management:**
 - The AuAs of the Global Wealth Management business were over INR 29,500 cr at the end of FY16 compared to INR 17,750 cr at the end of FY15.

- **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 32,000 cr at the end of FY16 compared to INR 23,000 cr at the end of FY15, 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 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 around 265 warehouses under management with storage capacity of over 11 lacs MT as on 31 March 2016. We see this business as a large, scalable and untapped opportunity in India.

Life Insurance:

ETLI 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. During the year Tokio Marine infused INR 527 crores and increased its stake to 49% in ETLI.

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 15,400 Personal Financial Advisors.

Edelweiss Tokio Life funds have been rated top performers by Morningstar with most of its ULIP funds being in top decile. Its focus on consistent top performance positions it well to leverage the renewed customer interest in ULIP offerings.

One of the customer activation programmes which also doubles up as a social awareness programme – Yamraj for Public Safety – was declared a winning idea and won the Gold in the recent Asia Pacific Customer Engagement Forum Awards 2015 under the category 'BTL-Successful use of CSR activity'

Other Updates:

- The client base of Edelweiss group across its diversified businesses is over 887,000 at the end of FY16. In addition, our Depository Participants maintain over 303,000 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.
- Awarded Best Private Banking Solution (Edelweiss Structured Products) by Asia-Pacific SRP's Structured Products & Derivatives' Award 2015
- 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, **Real Estate** finance 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 32,000 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 887,000 strong client base through 6,227 employees based out of 237 offices (including nine international offices) in 122 cities. Together with over 4,500 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 and Year Ended 31 March 2016 (INR in Crores)

	Particulars	Quarter Ended			Year Ended	
		March	December	March	March	March
		31, 2016	31, 2015	31, 2015	31, 2016	31, 2015
	Part I	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
1	Income from operations					
	(a) Fee and commission	205.03	180.70	179.77	696.61	572.71
	(b) Fund based activities	1,129.35	1,076.16	924.00	4,170.36	3,082.00
	(c) Premium from life insurance business	148.71	63.74	84.52	300.18	186.57
	(d) Other operating income	35.96	20.37	20.96	86.79	38.51
	Total income from operations	1,519.05	1,340.97	1,209.25	5,253.94	3,879.79
2	Expenses					
	(a) Employee benefits expense	241.17	216.21	223.92	882.13	708.63
	(b) Depreciation and amortisation expense	27.01	22.49	19.77	90.23	71.64
	(c) Change in life insurance policy liability – actuarial	136.13	47.73	69.06	255.49	139.49
	(d) Other expenses	245.06	244.42	180.50	848.98	632.61
	Total expenses	649.37	530.85	493.25	2,076.83	1,552.37
3	Profit / (Loss) from operations before other income and finance costs (1-2)	869.68	810.12	716.00	3,177.11	2,327.42
4	Other income	6.66	2.29	5.76	14.15	14.01
5	Profit / (Loss) from ordinary activities before finance costs(3+4)	876.34	812.41	721.76	3,191.26	2,341.43
6	Finance costs	695.97	680.85	577.73	2,620.09	1,831.54
7	Profit / (Loss) before tax (5-6)	180.37	131.56	144.03	571.17	509.89
8	Tax expense	91.14	48.87	55.65	235.38	201.70
9	Net Profit / (Loss) after tax (7-8)	89.23	82.69	88.38	335.79	308.19
10	Share of profit / (loss) of associates	12.57	17.87	0.05	47.65	18.14
11	Minority interest	(19.95)	(5.10)	0.06	(30.94)	(2.37)
12	Net Profit / (Loss) after taxes, minority interest & share of profit / (loss) of associates (9+10-11)	121.75	105.66	88.37	414.38	328.70
13	Paid-up equity share capital (Face Value of INR 1/- Per Share)	81.40	81.29	79.18	81.40	79.18
14	Reserves excluding Revaluation Reserves				3,591.40	3,077.15
15	Earnings Per Share (EPS) in Rupees (Face Value of INR 1/- Per Share)					
	- Basic (Refer Note 5)	1.47	1.27	1.05	5.01	4.09
	- Diluted (Refer Note 5)	1.42	1.22	1.00	4.85	3.88

Consolidated Statement of Assets and Liabilities
(INR in Crores)

		March	As at March
		31, 2016	31, 2015
		(Audited)	(Audited)
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	81.40	79.18
	(b) Reserves and surplus	3,591.40	3,077.15
	Sub-total - Shareholders' funds	3,672.80	3,156.33
2	Share application money pending allotment	2.06	4.24
3	Minority interest	696.87	370.88
4	Non-current liabilities		
	(a) Long-term borrowings	10,103.64	8,097.80
	(b) Other long-term liabilities	221.78	42.20
	(c) Long-term provisions	575.94	298.62
	Sub-total - Non-current liabilities	10,901.36	8,438.62
5	Current liabilities		
	(a) Short-term borrowings	13,861.22	13,583.00
	(b) Trade payables	1,650.73	1,314.79
	(c) Other current liabilities	5,832.54	3,310.05
	(d) Short-term provisions	366.99	303.04
	Sub-total - Current liabilities	21,711.48	18,510.88
	TOTAL - EQUITY AND LIABILITIES	36,984.57	30,480.95
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets	694.45	665.85
	(b) Non-current investments	2,000.91	1,602.66
	(c) Deferred tax assets (net)	179.59	97.40
	(d) Long-term loans and advances	7,720.06	6,734.56
	(e) Other non-current assets	1,313.78	1,022.44
	Sub-total - Non-current assets	11,908.79	10,122.91
2	Current assets		
	(a) Current investments	695.52	1,189.62
	(b) Inventories	11,511.91	8,708.74
	(c) Trade receivables	518.60	434.72
	(d) Cash and cash equivalents	1,934.01	2,365.26
	(e) Short-term loans and advances	9,060.19	6,736.38
	(f) Other current assets	1,355.55	923.32
	Sub-total - Current assets	25,075.78	20,358.04
	TOTAL – ASSETS	36,984.57	30,480.95

Notes:

1. The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and year ended 31 March 2016 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 13 May 2016.
2. 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.
3. During the quarter ended 31 March 2016, the Company has issued 1,127,337 equity shares of face value of INR 1 each to the employees on exercise of employee stock options.
4. During the year, the Company had declared and paid interim dividend of INR 1.25 per share (on a face value of INR 1 per equity share).
5. Earnings per share for the quarters ended 31 March 2016, 31 December 2015 and 31 March 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 year's/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, 13 May 2016