



# Edelweiss Investor Day

September 24<sup>th</sup>, 2018

A vertical silver binder ring graphic on the left side of the slide, with four rings corresponding to the four text blocks.

**Our Strategy and Approach**

**Our Businesses**

**Building a High Quality Organisation**

**Closing Remarks**

# Our Strategy and Approach





# Who?



**Our Business  
Model makes it  
Hard to  
Categorize Us**





## ...Diversified Bank – Like NBFC

### Credit

- Retail Credit
- Corporate Credit
- Distressed Credit

### Franchise & Advisory

- Wealth Management
- Asset Management
- Capital Markets

### Insurance

- Life Insurance
- General Insurance



**Why?**

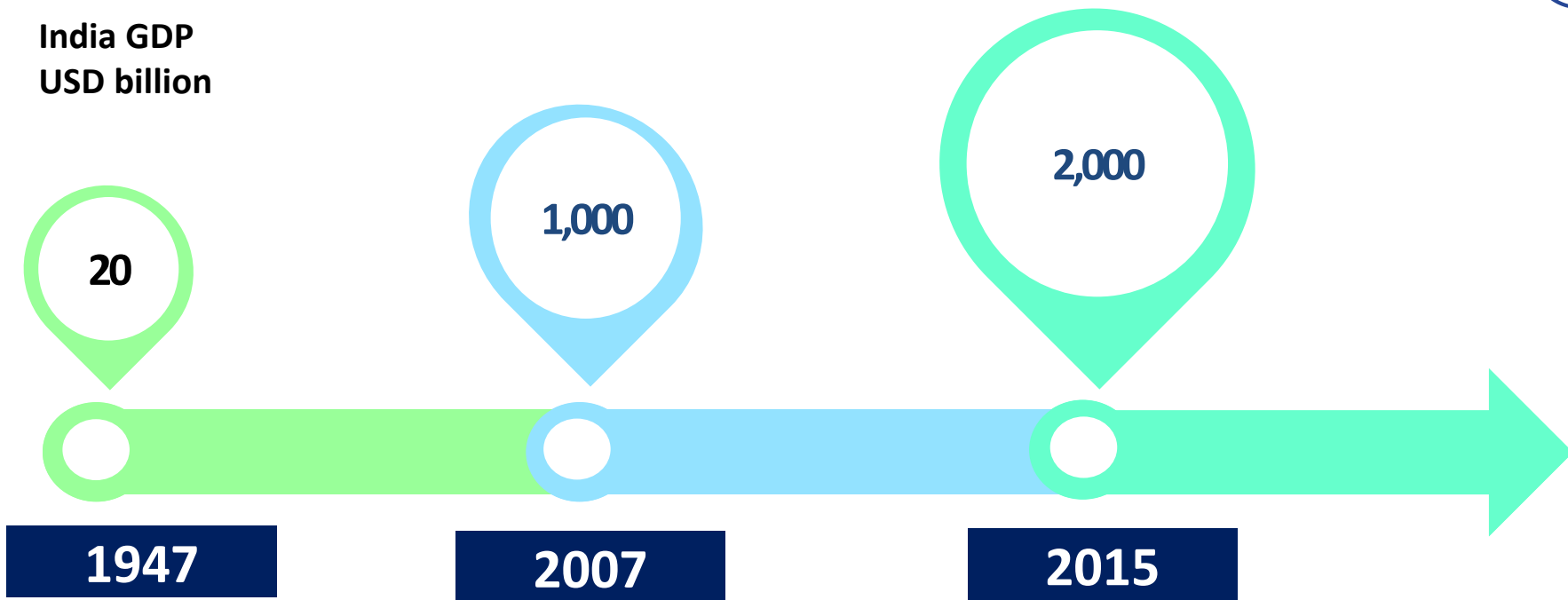
**India is a**  
**Capital Surplus**  
**Country**



## We took ~60 years to reach a GDP of USD 1 trillion



India GDP  
USD billion



However, the next trillion came in only 8 years!

# Deposits and Credit growth has been strong in last two decades...



INR trillion

2x every ~4.5 years

Deposit



1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016

Credit



2x every ~4 years

# Household Wealth growth is also one of the fastest globally ...



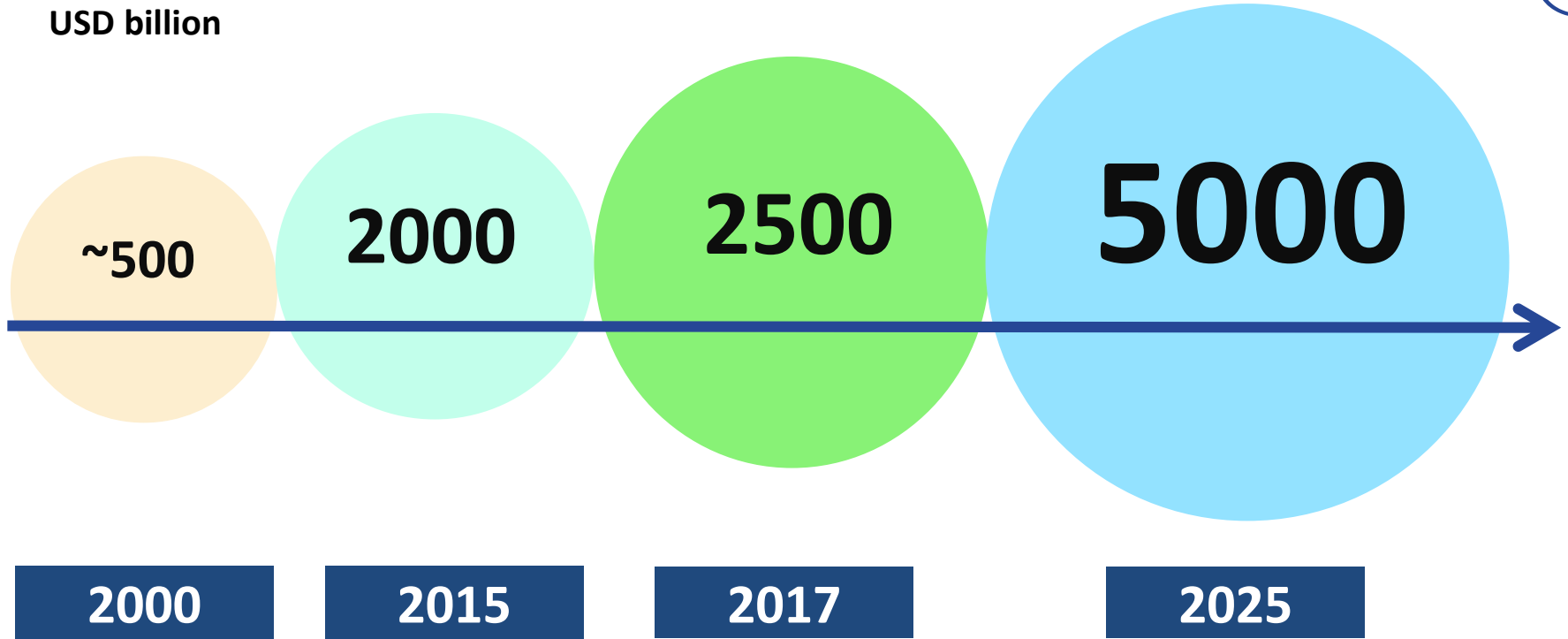
## Household Wealth (USD billion)

		2007	2017	CAGR
	U.S.A.	52,000	62,000	20%
	China	8,300	25,000	198%
	Japan	16,000	19,500	22%
	UK	10,000	10,000	0%
	Germany	9,600	9,600	0%
	India	3,000	8,200	160%

# India's Golden Age of compounding has started...



USD billion



...Will propel India to become the 3<sup>rd</sup> largest economy by 2025

## This scale up will be driven by some key trends...



1

Financialization of Assets

2

Democratization of Credit

3

Privatization of Financial Services

**...accompanied by a lot of volatility and change**



**...Providing ample opportunities  
on both sides of  
Household Balance Sheet**



While **Edelweiss** is gearing  
itself to capture this long term  
**growth opportunity...**



**Profits will not come at the  
expense of Balance  
Sheet...**



# How?

# Diversification





# Long Term Orientation



# 1 Counter cyclical investments...

... **Asymmetrical  
Payoffs**



## 2 Building Platform...

# ... Before Scale



3

# Organisation

before

**Business**

**Culture eats strategy  
for breakfast.**

- Peter Drucker



# Where are we today?

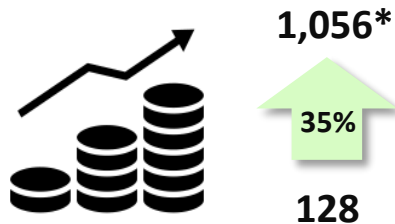


# We have grown manifold...

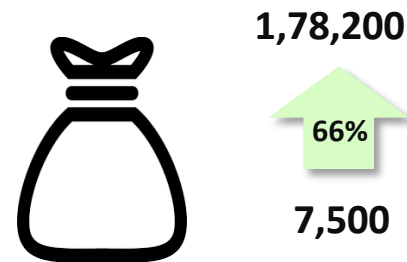
From FY12 to now  
INR Cr



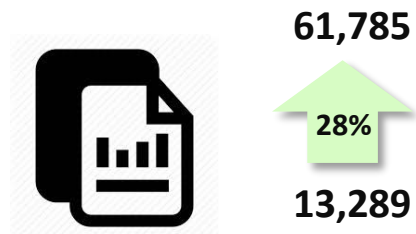
## Profit after Tax



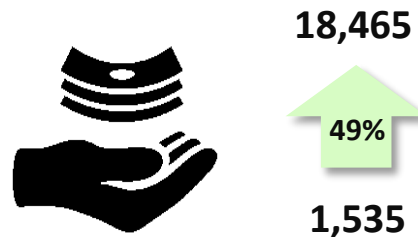
## Customer Assets



## Balance Sheet



## Retail Credit Book



CAGR

\*Annualised

...Consistently across business cycles...



**PAT CAGR of 38%**  
**over 29 quarters**

...Without dependence on any one business...



**Our 8 business verticals**  
**contribute between**  
**6%-17% to PAT**

...with significant focus on...



***Balance Sheet  
risk  
management***

- \* ALCO
- \* Interest rate sensitivity
- \* Liquidity cushion
- \* ALM



# Leadership



**Distressed Assets Credit**

**Wealth Management**

**Alternatives**

**Capital Markets**

...and expanding footprint...



**11,500** employees



**11,000,00** clients



**450** offices globally



# What Next ?



Over the years, we have always had aspirational targets for Edelweiss



**2004**

**10 by 10**

**2012**

**Asp 2020**

**2017**

**Project Everest**

## Project Everest is about...



**Continuing growth**

**Building a respected organisation**

**Exceeding expectations of all stakeholders**



# Key Aspects

**Growth strategy**

**Simplifying our structure**

**Leadership alignment and succession planning**

**Improving customer experience**

**Continuous focus on risk management and governance**



Vision without execution is daydreaming.

Bill Gates



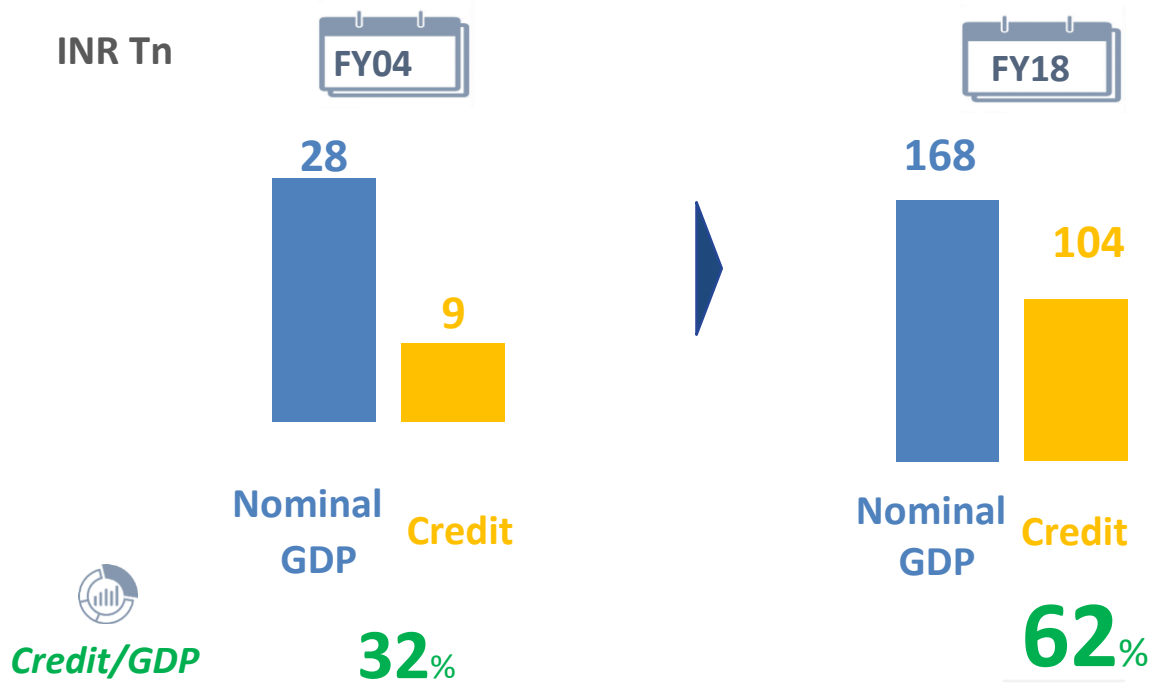
# Our Businesses



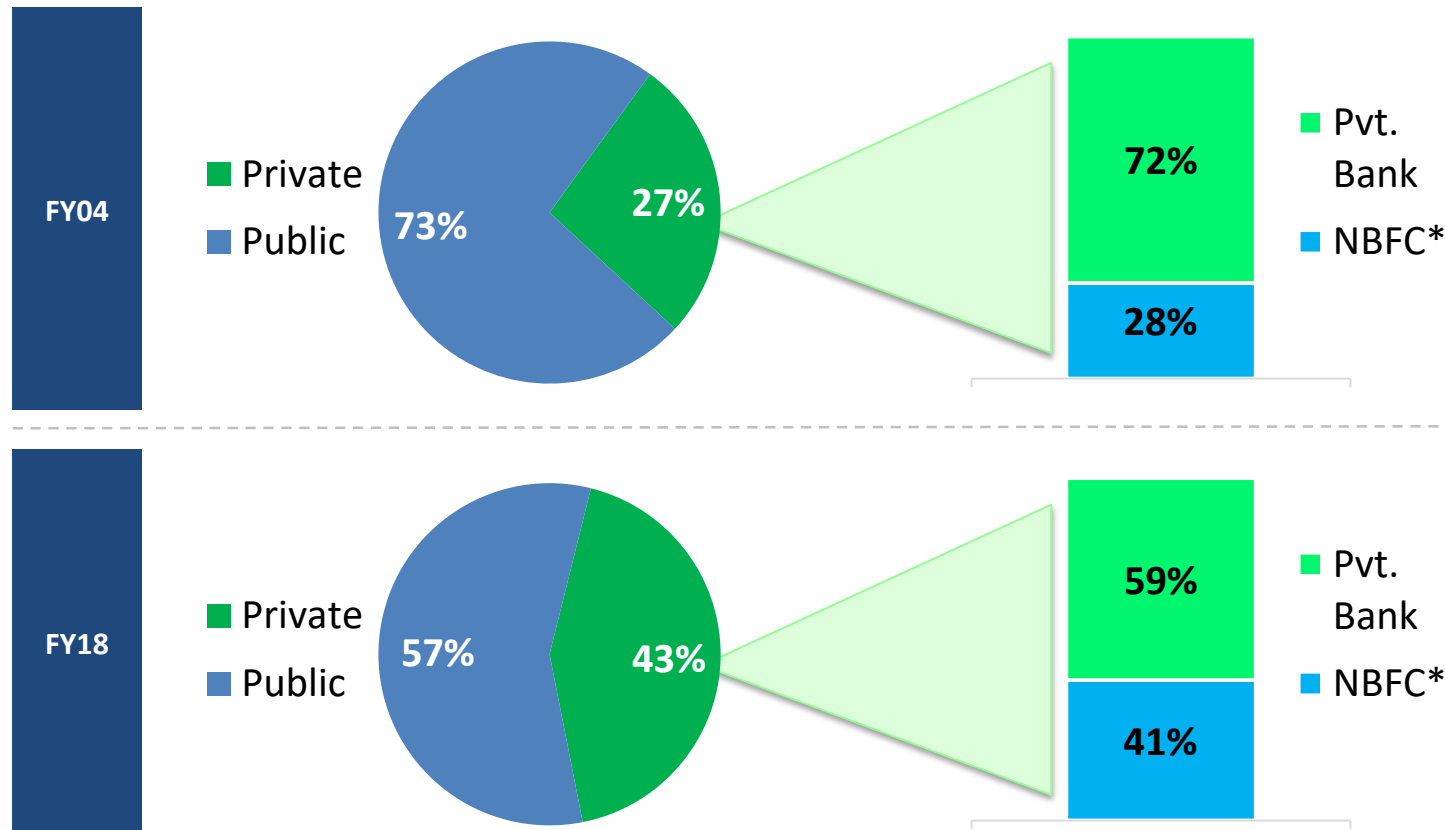


# Credit

# Industry Landscape | Market Sizing



# Credit Supply

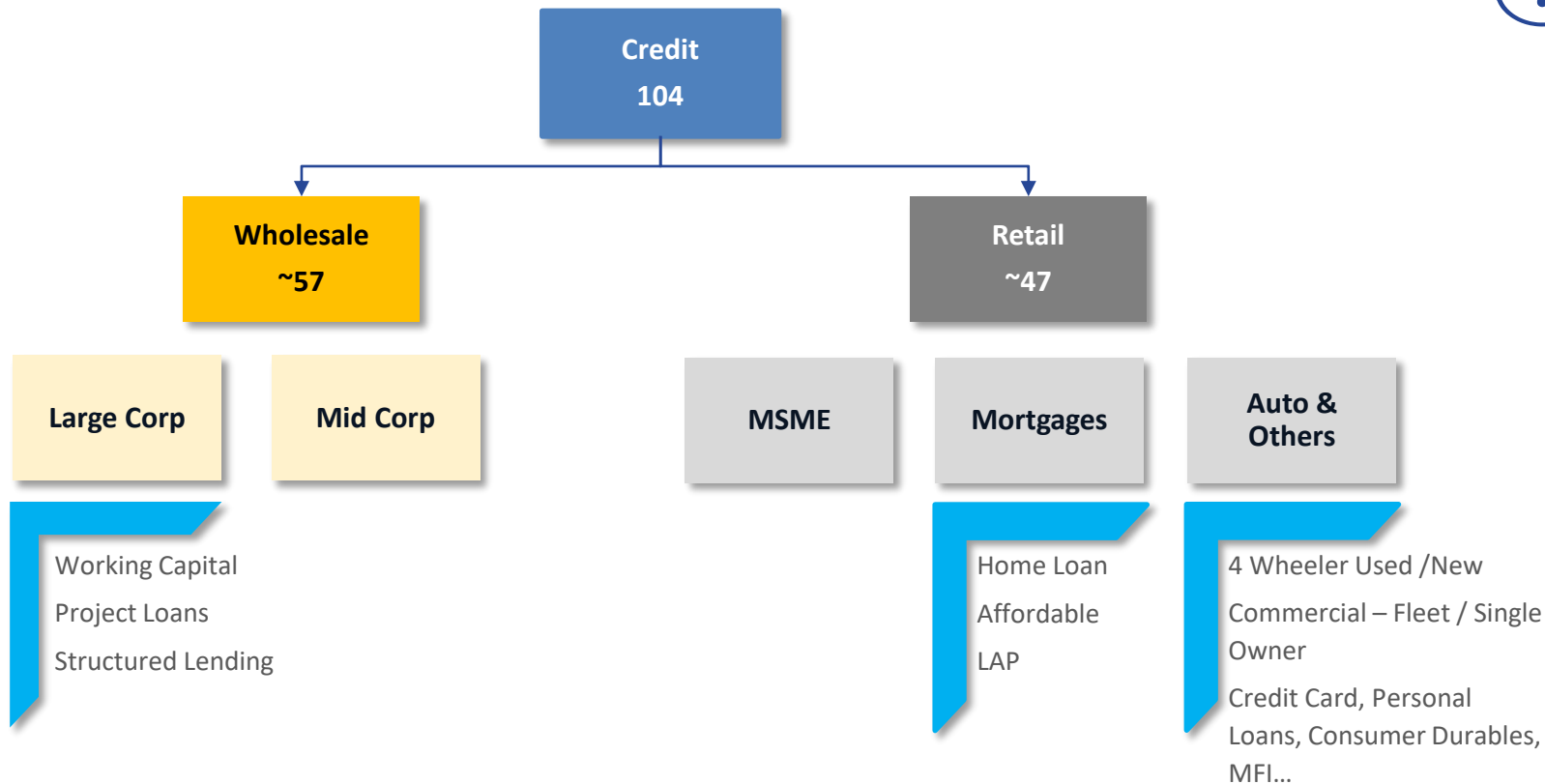


Source: RBI, CRISIL, Edelweiss Internal Estimates, market share excluding foreign bank

\* including Housing Finance companies

# Credit Market Segmentation

FY18  
INR Tn



## RoA Range



> 3%



Consumer Durables  
Microfinance, Personal Loans,  
Real Estate Loans

2% - 3%



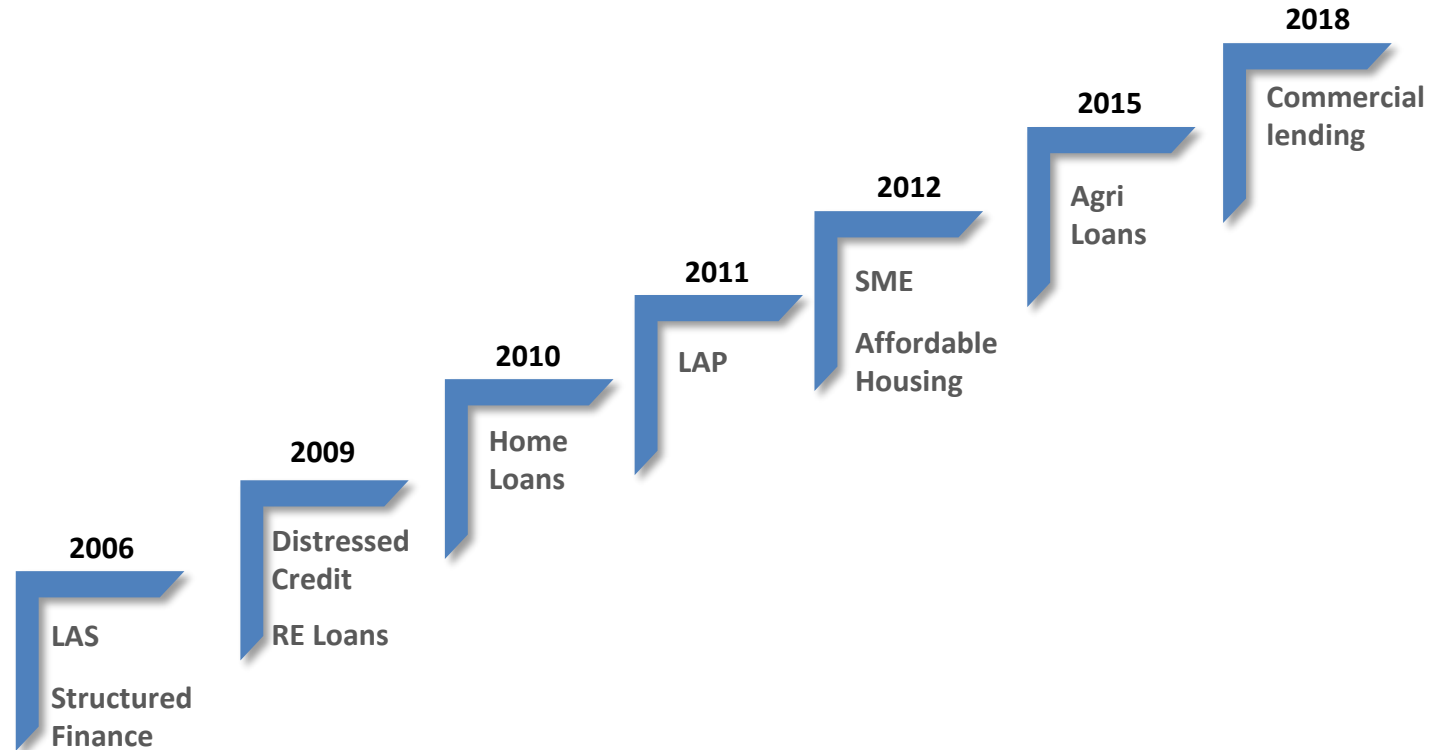
Affordable Housing  
Mid Market  
Commercial Vehicle Loans

< 2%



Home Loans  
Loan Against Property

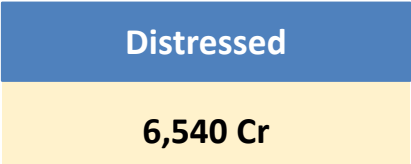
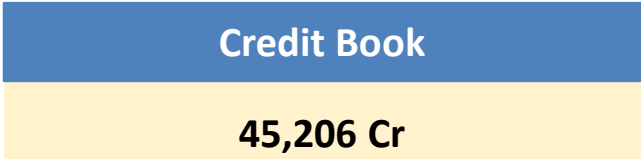
# Journey so far



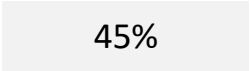
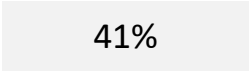
# Credit Book



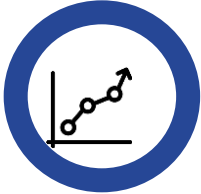
Q1FY19  
INR Cr



*% share of  
total book*



# Key Differentiators



**Growth with Right Diversification**



**Risk Pricing and Monitoring**



**Streamlining Processes**



**Customer Understanding and Experience**

**Leverage Analytics  
& Technology**

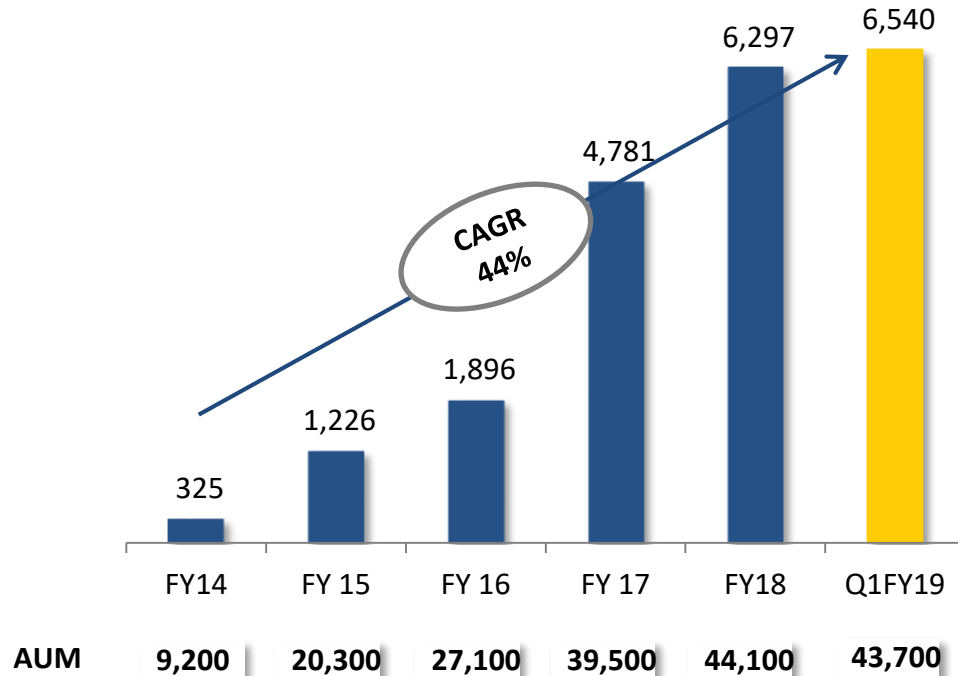


**We are **leaders** in a specialized  
opportunity space  
Distressed Assets**

# Steady growth in Distressed Assets business



## Capital Employed (INR Cr)



**Well diversified portfolio of mostly operating assets**

**Domain expertise and asset turnaround capabilities**

# Our Distressed Assets business model



FY18 (INR Cr)

Nominal value of debt acquired

93,700

Price paid @ avg. 50% discount

46,200

Capital Employed

6,300

Total Income

833

Yield of ~16% on  
average capital  
employed

PAT

192

RoA 3.6% and RoE Of  
20% for FY18

Avg. expected higher recovery @ 10%

4,600

Carry on the higher recovery @ 20%

920

Additional PAT due to higher recovery over 4 years

620

~150 cr p.a

# What makes Edelweiss distressed assets business successful

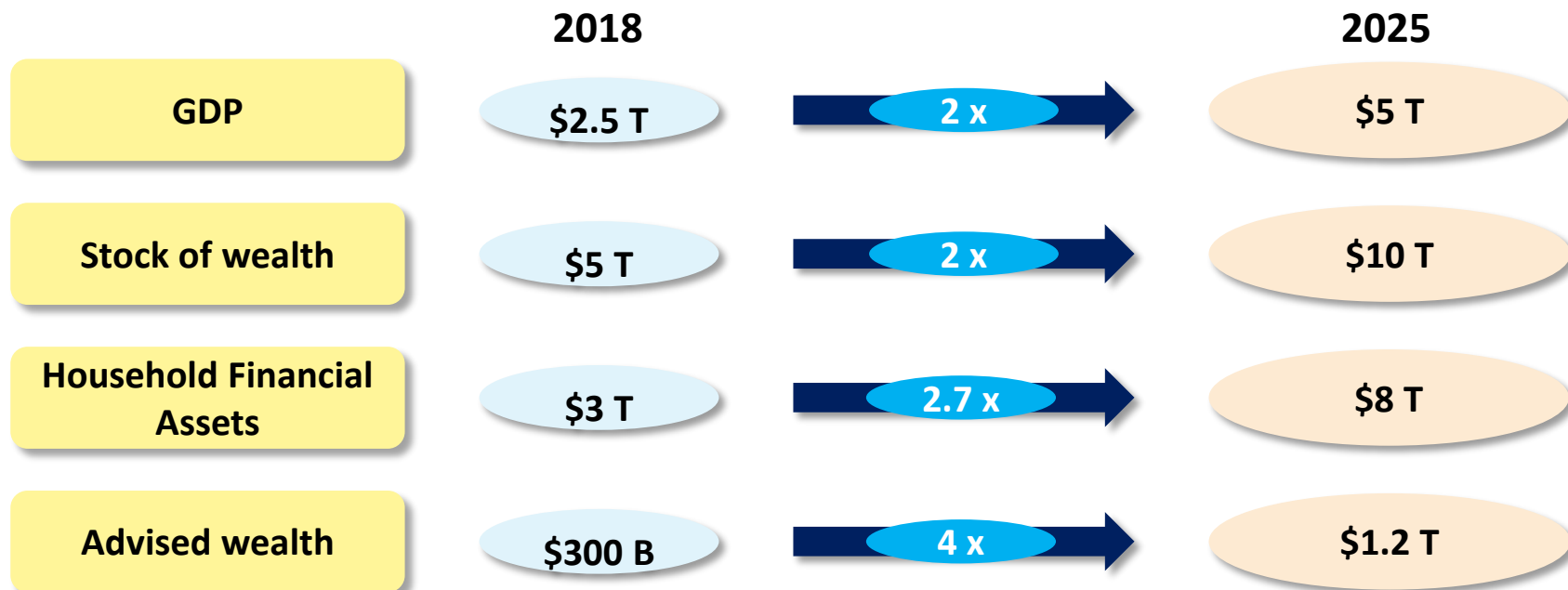


- 1 Focus on good operating assets with weak promoters
- 2 Access to capital – strong parent & strong relationships with funds and institutions
- 3 Deep relationships – ARC has acquired assets from 51 banks
- 4 Industry relationships & domain knowledge; Advisory Board of leaders across sectors
- 5 Investing experience across enforcement, settlement & revival based deals



# Franchise & Advisory

# Wealth Management: Large and growing Opportunity

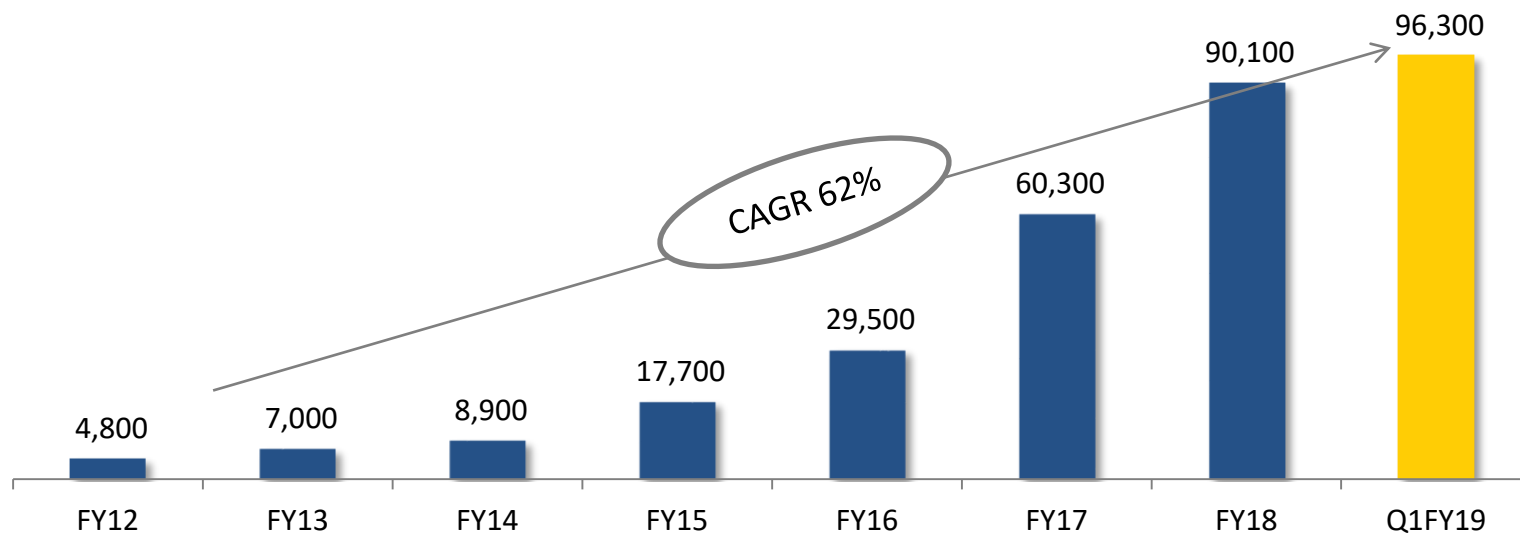


**Demand is NOT a constraint !**

# We are amongst the top players in the country



Industry leading AuM growth  
(INR Cr)



## Operating leverage has started to kick in ...



INR Cr	FY15	Q1FY19	Steady State
AUM	18 K	96K	200K
Cost to Income	90%	66%	55%-60%
PAT Yield (bps)	<8	~15	~25

# Our differentiators..



## Platform led

- More like Charles Schwab than Merrill Lynch
- Deep specialization: Segmentation, Productization, Organization alignment

## Diversified client segments

- Targeted the entire client continuum: Affluent, HNI and UHNIs
- Diversified model delivers consistency in growth & granularity
- Client & talent longevity as they migrate upwards

## Business model

- Diversified revenue profile to reduce volatility
  - Broking, Distribution, Advisory & Credit

## Technology

- Built specialized client segment platforms
  - EMT, ESOP Desk, Edelweiss.in
  - Wealth Reporting

# Well recognized by clients and stakeholders



## **Best Private Bank**

Asiamoney Best Bank Awards 2018

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## **Best Wealth Manager – Rising Star, India**

The Asset, Hong Kong, 2017

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## **Excellence in Wealth Management India**

Asian Private Banker, Hong Kong, 2017

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## **Best Consumer Mobile Service Award**

CMO Asia- BBC Knowledge's, Regional Digital Marketing Awards, 2017

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## **Best Use of Mobile Technology in Financial Sector – Edelweiss Global Wealth Management**

ET Now BFSI Awards, 2017

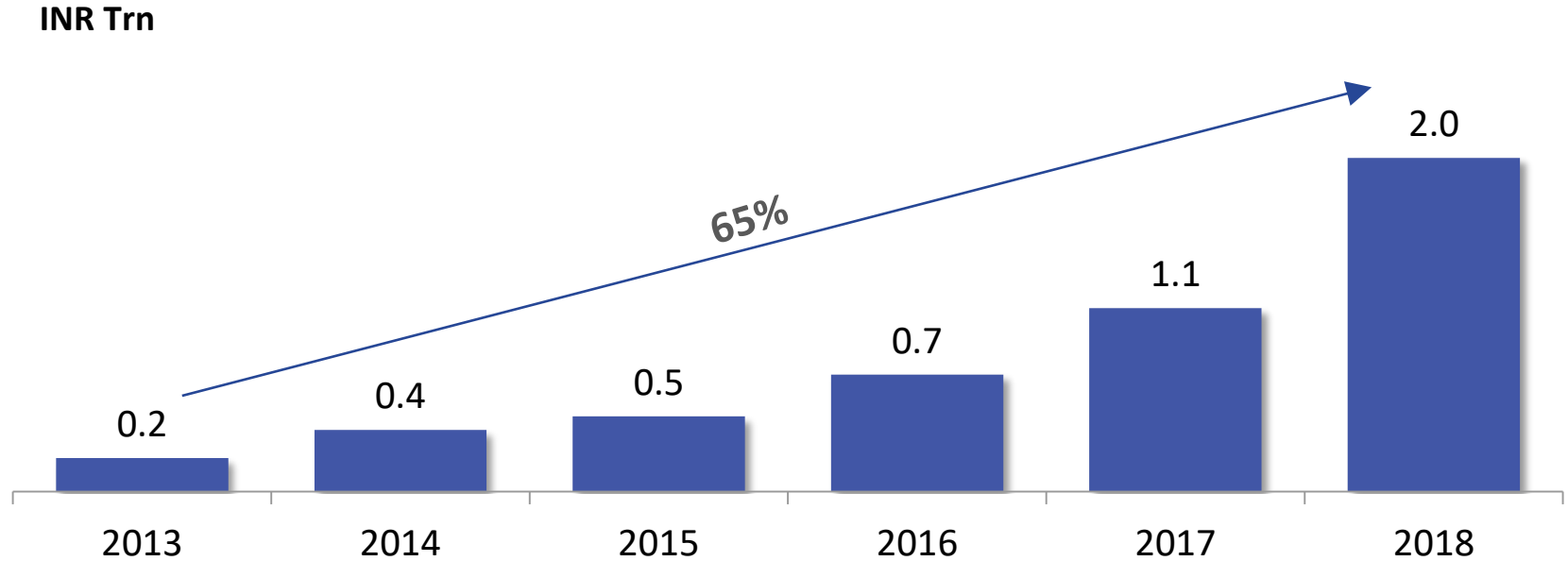
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## **Best Mobile App Content in Business (Mobile Trading)**

Mobbys, 2017



## Asset Management: Alternatives is becoming mainstream in India...



**Offshore India focused funds add another 2 Trn making it a large opportunity**

## ....And is large and profitable ...



- \* Globally Alternatives account for **15% of the AuM.....but 40% of profit pool**
- \* In India, Alternatives accounts for **~10%** of the total AuM and expected to grow to **25%** of the market (**INR ~20 Trn**) over the next 7-8 years
- \* Profit pool share of Alternatives likely to grow to **~40%-50%** by 2025

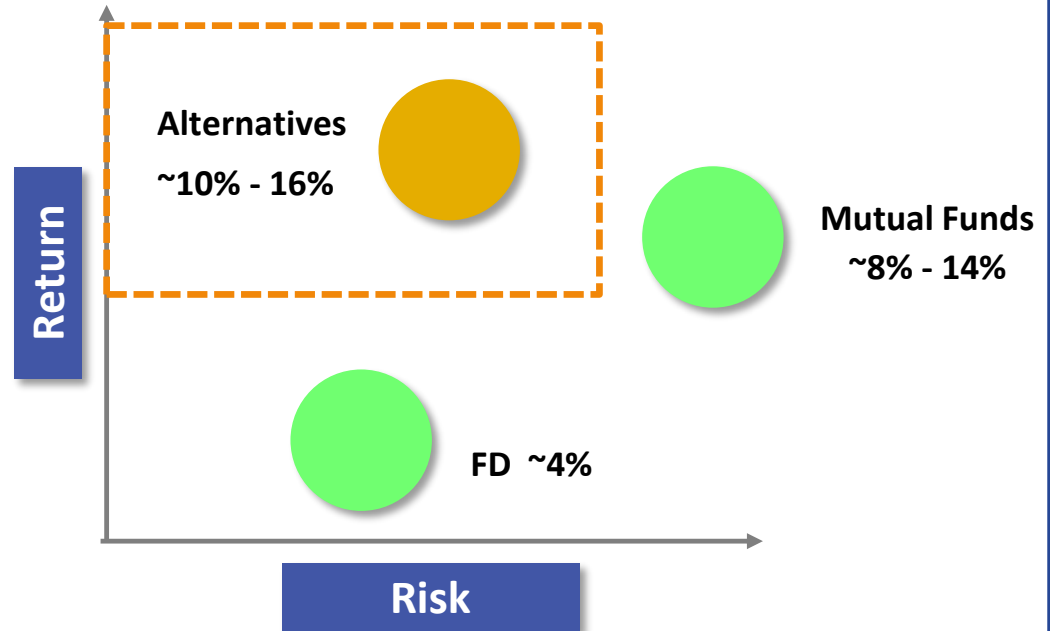
# Fulfilling client's need for Yield....

## Global demand

- Globally yields have come down
- India offers superior yields

## Domestic demand

- There is an increased appetite for yield amongst domestic investors

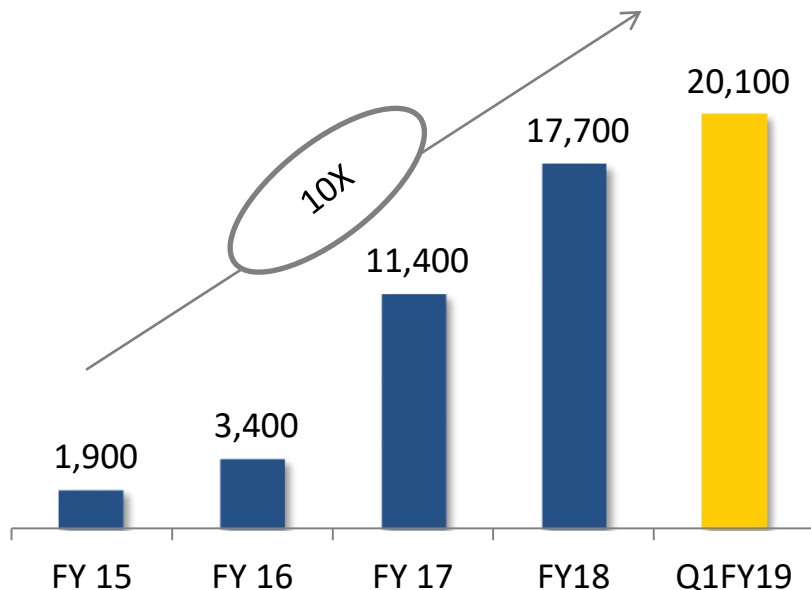


**Double digit return with low volatility**

# We have established leadership in Alternatives



## Alternative Assets - AuM (INR Cr)



- Offer full range of alternative solutions
- One of the top 5 Asia-based fund manager by aggregate capital raised in the last 10 years
- Raised ~3,500 Cr onshore over the last 6 months
- Ability to extend Edelweiss group capabilities to fund platform

# Capital Markets: Present across the spectrum



PRODUCT	SUB-PRODUCT	OVERVIEW
Institutional Security Services	Institutional Equites	<ul style="list-style-type: none"><li>• <b><u>Largest</u></b> domestic institutional brokerage house in India</li><li>• Serviced <b><u>650</u></b> FIIs and DIIs till date.</li><li>• Market <b><u>leader</u></b> in the derivatives space.</li><li>• Research covering <b><u>~255</u></b> stocks spanning <b><u>~85% Mcap</u></b></li></ul>
Investment Banking & Advisory	M&A and Advisory	<ul style="list-style-type: none"><li>• <b><u>Full Service</u></b> Investment Bank with <b><u>extensive</u></b> global reach</li><li>• <b><u>Strengthened advisory</u></b> capability; sole advisor to few marquee and 1<sup>st</sup> ever deals in India</li><li>• Indoors to Large Business Groups</li></ul>
	Equity & Debt Capital Markets	<ul style="list-style-type: none"><li>• <b><u>Dominance</u></b> maintained in ECM with <b>50% market share in top 20 issues</b></li><li>• Leadership position in Public Issuances &amp; CPs</li><li>• <b>Ranked no 1</b> Merchant Banker for Public Issuances of Debt since FY15</li></ul>
Prime Services	Prime Broking	<ul style="list-style-type: none"><li>• <b><u>Full service</u></b> custody, clearing, funding, distribution, research and support services</li></ul>

# Awards & Recognition



# Edelweiss Franchise & Advisory Differentiators



1

Platform Led rather than person led

2

Dominant in our chosen segments

3

Client Centricity – enabled with Technology



**Life**

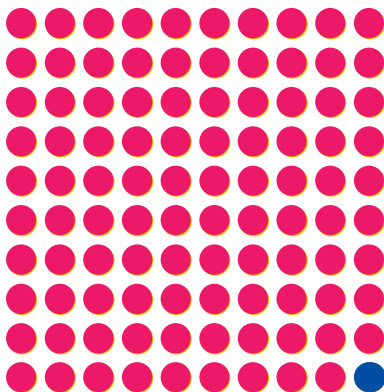
**Insurance**

# Insurance opportunity space



INR 4.6 Tn

*Annual life insurance collected premium*



< 5%

*Premium towards protection*



> 95%

*Investment driven products*

## Primary household savings flows into insurance



**Household  
Financial  
Assets**

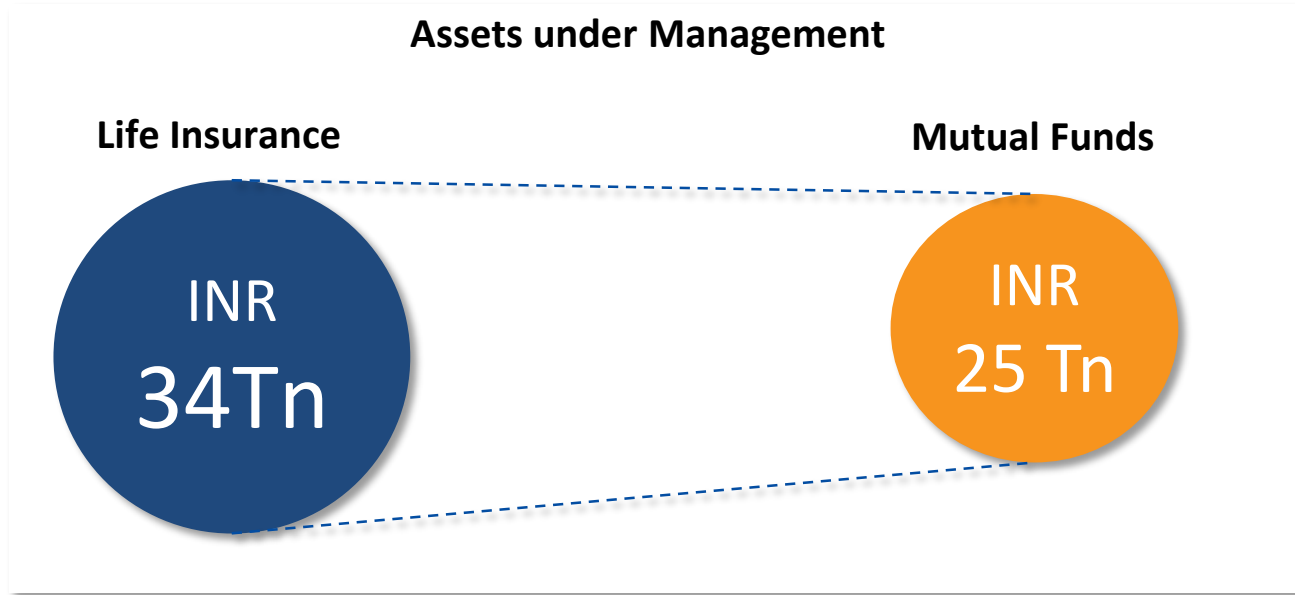
**18-20%**



**Life  
Insurance**

**Largest chunk of household financial assets after banks**

# Life Insurance is another form of asset management business



# Our structure



India understanding



Investment  
management  
expertise



Distribution  
capabilities



Edelweiss  
51%



Tokio  
Marine  
49%



Capital



Global presence

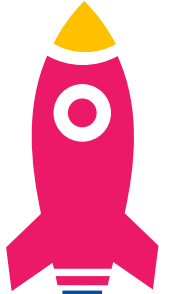


140 years insurance  
experience

# Business economics : long term value creation



16-18% *Steady state industry IRR\**



3-4% *IRR kicker for Edelweiss*





Commenced operations - **February 2018**



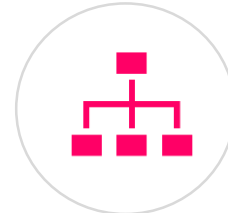
**Customer centric**  
new age player



**Technology**  
at the core



**Experienced team**  
in place



**Product roll out**  
in next 6 months



**But all this requires ....**



# ...Building a **High Quality** Organization

# 4 Pillars of a Quality Organisation





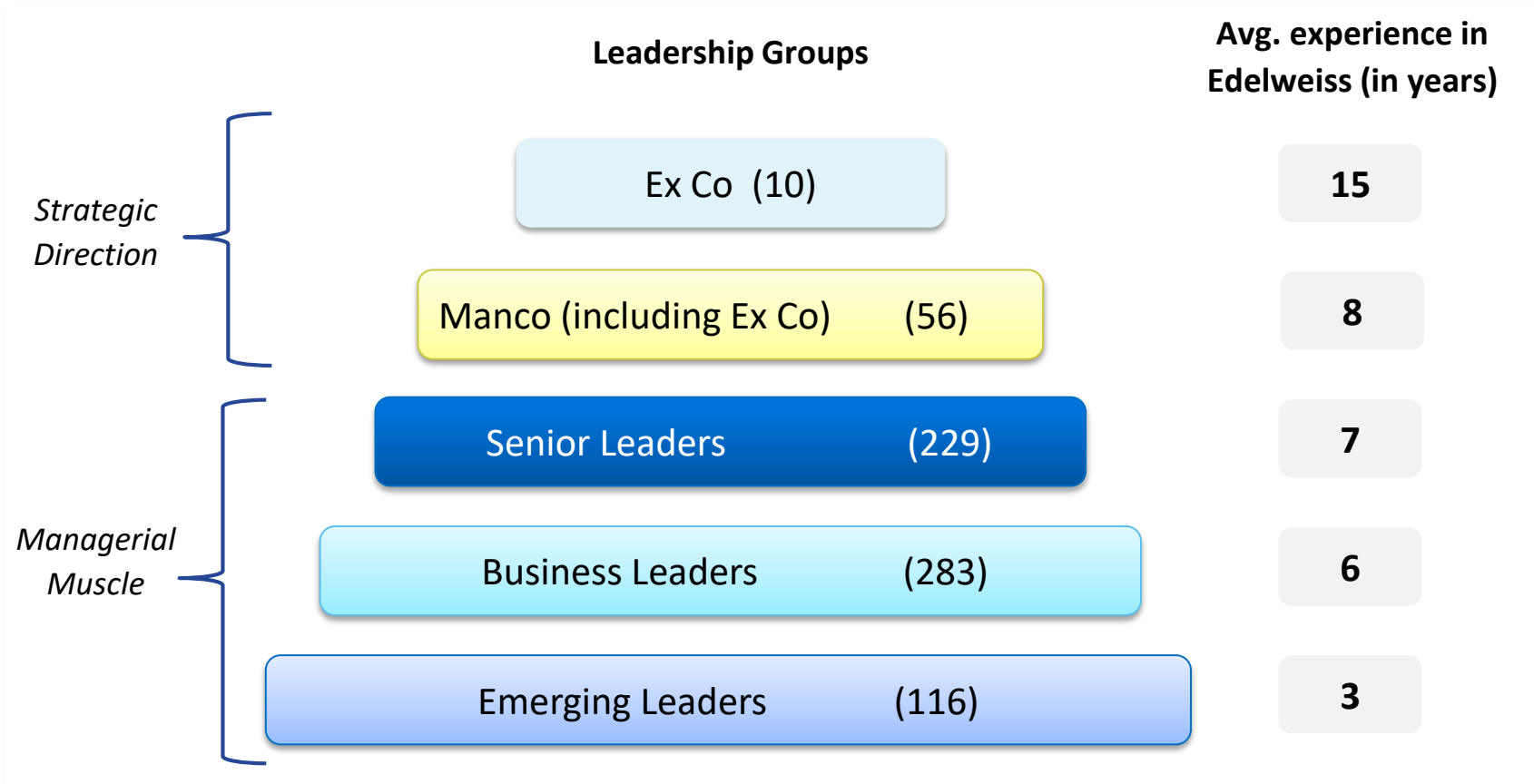
## Common Ethos

Empowerment & shared ownership

## Develop & Attract Talent

Home grown & lateral

# Leadership: Deep and Growing Talent Pool





**We are a risk  
conscious  
company**

is it **worth** it?

can we **afford** it?

# Enterprise risk management approach



**Business Risk**

**Credit Risk**

**Liquidity Risk**

**Market Risk**

**Regulatory &  
Reputational  
Risk**

**Physical  
Infrastructure  
Risk**

**Technology  
Risk**

**People Risk**

**Operational  
& Process  
Risk**

**Fraud Risk**

**Evaluate unknown risks as well**

# Our Risk and Governance Structure



**Oversight by Board Risk Committee**

**Global Risk Committee**

**Business Risk  
Group**

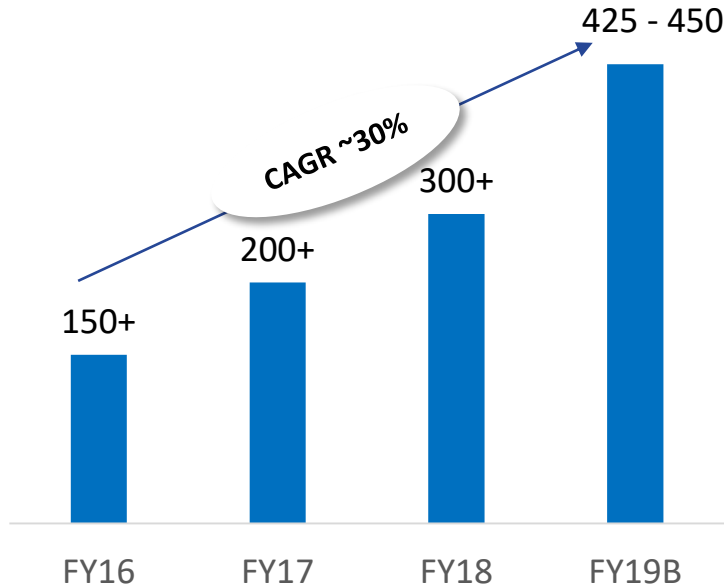
**Global Risk Group**

**Enterprise Risk  
Management  
Committee**

**Corporate  
Controller & Audit**



Technology spends (INR Cr)



**Customer Acquisition**

**Scale & Efficiency**

**Customer Experience**

**Risk Management**



Quality is not an  
act, it is a habit.

Aristotle



# **Closing Remarks**

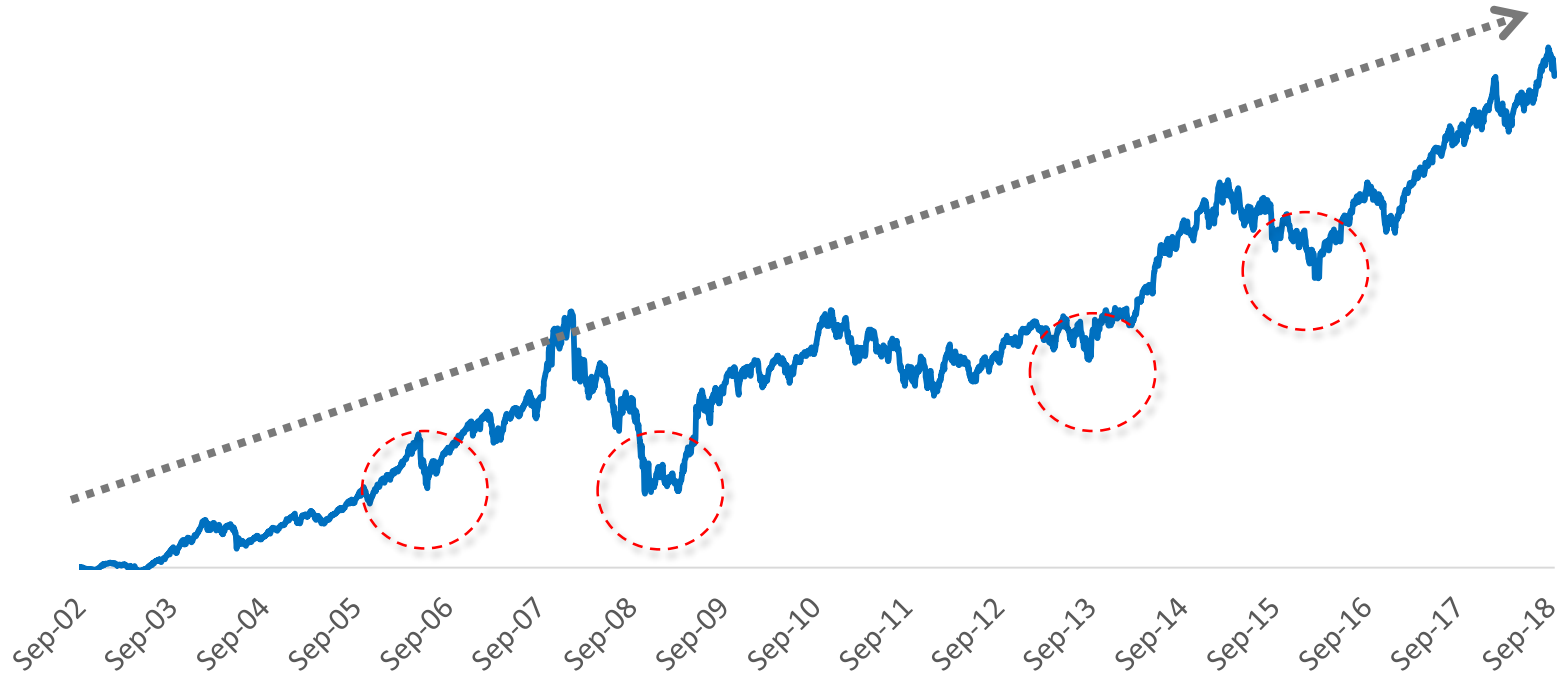
# There has been a great transformation in Indian Equity Markets...



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India



It is easy to forget this amidst the volatility...



**Long-term trend continues to be upwards!**



# Credit is the new Equity !

- \* Households looking for yields
- \* Corporates short of equity
- \* Retail borrowers are not afraid to borrow

...And our diversified platform is poised to benefit from these changes...



### Mature

- \* Corporate Credit
- \* Distressed Credit
- \* Capital Markets

### Scaling Up

- \* Retail Credit
- \* Wealth Management
- \* Asset Management
- \* Life Insurance

### Nascent

- \* Agri Credit
- \* General Insurance

...As our Businesses are at different inflection points

# Amundsen Vs Scott - Race to the South Pole



*Amundsen's philosophy:*

***“You prepare with intensity, all the time, so that when conditions turn against you, you can draw from a deep reservoir of strength”***

***“And equally, you prepare so that when conditions turn in your favor, you can strike hard”***



...We are preparing  
through Project  
Everest

2025



2017





# Right kind of growth hunger

- ▶ **Simplicity**
- ▶ **Transparency**
- ▶ **Governance**
- ▶ **Exceptional People**





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