

Edelweiss Financial Services Limited Q2FY16 Unaudited Results

16 Quarters of consistent growth in profits

Total Income ₹1,249 cr, up 36% YoY

Profit after Tax ₹96 cr, up 21% YoY

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the second quarter of FY16, ended 30 September 2015 today.

Q2FY16 Highlights:

- * **Total Revenue ₹1,249 cr** (₹ 915 cr for Q2FY15), **up 36%**
- * **Profit After Tax ₹96 cr** (₹79 cr for Q2FY15), **up 21%**
- * **Profit After Tax ex-insurance ₹120 cr** (₹90 cr for Q2FY15), **up 33%**
- * Consolidated **Asset Base ₹29,000 cr**
- * Group Gross Networth ₹3,757 cr; **Tangible Equity ex-insurance ₹2,764 cr**
- * **Return on Tangible Equity ex-insurance 17.4%** (15.1% for Q2FY15)

H1FY16 Highlights:

- * **Total Revenue ₹2,416 cr** (₹ 1,730 cr for H1FY15), **up 40%**
- * **Profit After Tax ₹187 cr** (₹157 cr for H1FY15), **up 19%**
- * **Profit After Tax ex-ins ₹231 cr** (₹180 cr for H1FY15), **up 29%**

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 16th quarter of consistent growth since the completion of our investment phase.

We are happy to note that Edelweiss Financial Services has been identified amongst the '100 Most Valuable Brands of India' in 2015 through a recent research study carried out by World Consulting & Research Corporation (WCRC).

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

"Global conditions during the quarter were volatile on the fears of a slow-down in China. However, the surprise 50 bps rate cut by RBI, which has seen a better transmission by banks, hopefully will spur the credit and investment growth in India soon. We thus see growth returning gradually in the next two or three quarters.

Our net profit for Q2FY16 is higher by 21% YoY and return on tangible equity ex-insurance is at 17.4% compared to 15.1% for Q2FY15. Our long-term strategy of diversifying across businesses, asset classes and client segments continues to build stability and growth in our performance despite volatile environment. We continue to focus on improving capital and operating efficiency, strengthening balance sheet, risk and compliance, scaling up retail businesses, building a customer-centric culture, upgrading technology and nurturing leadership for future growth.

During the quarter, we sponsored the ace Indian Badminton player and currently World number one Saina Nehwal and appointed her as Edelweiss Brand Ambassador. She is known for her commitment to the game – the unwavering focus, sheer hard work and mental discipline, qualities that we as an organisation strongly identify with when we speak of adding and delivering value to all our customers’ needs. Like her, we need to continually remain energised, disciplined, tenacious and committed to our game.”

Q2FY16 Financial Highlights:

- * **Fund based income** is ₹1,018 cr for Q2FY16 (₹732 cr in Q2FY15), **up 39%**
- * **Fee and Commission income** is ₹148 cr for Q2FY16 (₹127 cr in Q2FY15), **up 16%**
- * **Gross Premium income from Life Insurance business** is ₹60 cr for Q2FY16 compared to ₹42 cr in Q2FY15, **up 41%**.

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 **18.3%** as on 30 September 2015.

Business Highlights:

Operations of Edelweiss are organised around **Credit business** including Retail and Agri Finance, **Agency business** including Financial Markets, Asset Management and Agri & Commodity services, and **Life Insurance**. Brief highlights of business performance are as under:

* **Credit Business:**

Credit business of Edelweiss offers five broad products – **Mortgages** including housing finance, loan against property and real estate finance, **Structured Collateralised Credit** to corporates, **Distressed Assets Credit**, **SME and Agri Finance**, and **Loan against Securities** and **Rural Finance**. Total credit book of the group stands at ₹17,321 cr at the end of Q2FY16 compared to ₹10,595 cr at the end of Q2FY15, a growth of **63%**.

Among the above products, **housing mortgages including small-ticket housing loans**, rural finance, loans against property and SME finance are offered under the umbrella of **Retail Finance**. As at the end of Q2FY16, book size of Retail Finance was ₹3,535 cr (₹2,487 cr at the end of Q2FY15), **up 42%**. Its client base was over 78,000 (34,500 at the end of Q2FY15) in 44 cities and over 1,800 villages.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.45% and Net NPLs at 0.44%. Provision Cover including provision on Standard Assets stands at 93%.

* **Agency Businesses:**

Agency businesses include **Financial Markets, Asset Management** and **Agri and Commodity services businesses**.

* **Financial Markets:**

- * **Institutional Broking** business continued to be among the market leaders and perform in line with the industry. **Research** covers 210 stocks across 24 sectors representing over 75% of market capitalization.

- * **Retail Financial Market** business continued to scale up its market share with the total retail client base over 4,64,000. The AuAs of the Global Wealth Management business were over ₹19,500 cr at the end of Q2FY16 compared to ₹12,700 cr at the end of Q2FY15 including the broking and advisory assets.

- * **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 H1FY16 in HNI and Retail categories with around 39% market share of the amount procured (source: Prime Database).
- * Fixed Income Advisory business continued to be **ranked 1st** in public issues of Tax Free Bonds by amount mobilised during Q2FY16 with a market share of around 75% (source: Prime Database).
- * **Asset Management:**
 - * Global Asset Management business comprises of four verticals – Illiquid Alternatives, Multi-Strategy Funds, Retail Asset Management and Asset Reconstruction with a total AuMs/AuAs of over ₹26,700 cr at the end of Q2FY16 compared to ₹21,100 cr at the end of Q2FY15, up 26%, 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.
 - * Forefront Alternative Equity Scheme (a Category III Alternative Investment fund) is one of the best performing and largest fund in its category with 46% annualised returns since inception.
- * **Global Commodities and Agri Services & Credit:**

Edelweiss’ approach to Agri and Commodity business is comprehensive including diversifying across commodity buckets while also intensifying its presence throughout the value chain covering procurement, warehousing, collateral management, financing and distribution. We had over 190 warehouses under management with capacity of over 7 lacs MT as on 30 September 2015. 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.

It continues to expand its distribution footprint across agency and alternate channels with presence across 59 branches in 49 major cities and the agency channel force of over 12,400 Personal Financial Advisors.

Edelweiss Tokio funds have been rated top performers by Morningstar. **All individual ULIP funds have been rated 5 Star** as on September 30, 2015. Its focus on consistent top performance positions it well to leverage the renewed customer interest in ULIP offerings.
- * **Other Updates:**
 - * The client base of Edelweiss group across its diversified businesses is over 6,30,000 at the end of Q2FY16. In addition, our Depository Participants maintain over 2,93,000 Demat accounts.
 - * **EdelGive Foundation** with the mission to empower social entrepreneurs and organisations towards achieving sustainable social change, has so far financially supported around 65 organisations impacting over 2,60,000 lives with a financial commitment of around ₹34 cr.
 - * The Economic Times has selected Edelweiss among India’s Promising Brands 2015.



About Edelweiss Financial Services

The Edelweiss Group is one of India's leading diversified financial services conglomerates 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** (Mortgages including Housing Finance, Structured Collateralised Credit, Distressed Assets Credit, SME and Agri Finance, Rural Finance and other loans), **Agency Business** (Financial Markets, Asset Management and Agri and Commodity Services) and **Life Insurance**. The **Balance Sheet Management Unit** operations manage the liquidity and Balance Sheet. Edelweiss has an asset base of ₹29,000 crore with revenue of ₹2,416 crore and net profit of ₹187 crore for H1FY16. Its consistent performance is evidenced by a PAT CAGR of 37% over the last three years and 30% over the last ten years till FY15.

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 6,30,000 strong client base through 5,937 employees based out of 248 offices (including eight international offices) in 128 cities. Together with over 4,700 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 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 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 2015

(₹ in crore)

		Quarter Ended			Half Year Ended		Year Ended
	Particulars	September	June	September	September	September	March
		30, 2015	30, 2015	30, 2014	30, 2015	30, 2014	31, 2015
		(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Audited)
	Part I						
1	Income from operations						
	(a) Fee and commission	148.04	162.84	127.50	310.88	233.28	572.71
	(b) Fund based activities	1,017.78	947.07	732.12	1,964.85	1,406.97	3,082.00
	(c) Premium from life insurance business	57.53	30.20	40.89	87.73	62.19	186.57
	(d) Other operating income	16.42	14.04	4.05	30.46	8.93	38.51
	Total income from operations	1,239.77	1,154.15	904.56	2,393.92	1,711.37	3,879.79
2	Expenses						
	(a) Employee benefits expense	213.41	211.34	170.93	424.75	314.80	708.63
	(b) Depreciation and amortisation expense	20.68	20.05	17.31	40.73	32.37	71.64
	(c) Change in life insurance policy liability - actuarial	49.57	22.06	29.11	71.63	42.97	139.49
	(d) Other expenses	188.19	171.31	151.89	359.50	286.73	632.61
	Total expenses	471.85	424.76	369.24	896.61	676.87	1,552.37
3	Profit / (Loss) from operations before other income and finance costs (1-2)	767.92	729.39	535.32	1,497.31	1,034.50	2,327.42
4	Other income	0.57	4.63	4.95	5.20	7.04	14.01
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	768.49	734.02	540.27	1,502.51	1,041.54	2,341.43
6	Finance costs	637.68	605.59	422.28	1,243.27	808.02	1,831.54
7	Profit / (Loss) before tax (5-6)	130.81	128.43	117.99	259.24	233.52	509.89
8	Tax expense	48.21	47.16	44.96	95.37	88.65	201.70
9	Net Profit / (Loss) after tax (7-8)	82.60	81.27	73.03	163.87	144.87	308.19
10	Share of profit / (Loss) of associates	8.20	9.01	5.44	17.21	11.82	18.14
11	Minority interest	(4.89)	(1.00)	(0.77)	(5.89)	(0.80)	(2.37)
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	95.69	91.28	79.24	186.97	157.49	328.70
13	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	81.12	80.26	77.76	81.12	77.76	79.18
14	Reserves excluding Revaluation Reserves						3,077.15
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)						
	- Basic (Not annualised)	1.15	1.12	1.02	2.27	2.00	4.09
	- Diluted (Not annualised)	1.11	1.06	0.98	2.18	1.91	3.88

Part II - Select Information for the quarter and half year ended September 30, 2015

A	PARTICULARS OF SHAREHOLDING						
1	Public shareholding						
	- Number of shares	50,38,56,403	50,38,93,066	49,19,04,798	50,38,56,403	49,19,04,798	49,30,36,929
	- Percentage of shareholding	62.11%	62.78%	63.26%	62.11%	63.26%	62.27%
2	Promoters & promoter group shareholding						
	a) Pledged/ Encumbered						
	- Number of shares	14,76,83,000	16,01,83,000	2,76,83,000	14,76,83,000	2,76,83,000	14,91,83,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	48.04%	53.62%	9.69%	48.04%	9.69%	49.94%
	- Percentage of shares (as a % of total share capital of the company)	18.20%	19.96%	3.56%	18.20%	3.56%	18.84%
	b) Non-encumbered						
	- Number of shares	15,97,02,690	13,85,32,690	25,80,32,690	15,97,02,690	25,80,32,690	14,95,32,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	51.96%	46.38%	90.31%	51.96%	90.31%	50.06%
	- Percentage of shares (as a % of total share capital of the company)	19.69%	17.26%	33.18%	19.69%	33.18%	18.89%
B	INVESTOR COMPLAINTS				Quarter ended September 30, 2015		
	Pending at the beginning of the quarter				Nil		
	Received during the quarter				15		
	Disposed off during the quarter				15		
	Remaining unresolved at the end of the quarter				Nil		

Consolidated Statement of assets and liabilities				(₹ in crore)	
		As at	As at		
		September	March		
		30, 2015	31, 2015		
		(Unaudited)	(Audited)		
A	EQUITY AND LIABILITIES				
1	Shareholders' funds				
	(a) Share capital	81.12	79.18		
	(b) Reserves and surplus	3,308.54	3,077.15		
	Sub-total - Shareholders' funds	3,389.66	3,156.33		
2	Share application money pending allotment	1.88	4.24		
3	Minority interest	365.37	370.88		
4	Non-current liabilities				
	(a) Long-term borrowings	9,549.49	8,097.80		
	(b) Other long-term liabilities	39.50	42.20		
	(c) Long-term provisions	401.44	298.62		
	Sub-total - Non-current liabilities	9,990.43	8,438.62		
5	Current liabilities				
	(a) Short-term borrowings	13,360.27	13,583.00		
	(b) Trade payables	1,389.46	1,314.79		
	(c) Other current liabilities	4,392.08	3,310.05		
	(d) Short-term provisions	319.95	303.04		
	Sub-total - Current liabilities	19,461.76	18,510.88		
	TOTAL - EQUITY AND LIABILITIES	33,209.10	30,480.95		
B	ASSETS				
1	Non-current assets				
	(a) Fixed assets	655.42	665.85		
	(b) Non-current investments	1,826.51	1,602.66		
	(c) Deferred tax assets (net)	99.26	97.40		
	(d) Long-term loans & advances	6,722.89	6,734.56		
	(e) Other non-current assets	1,195.72	1,022.44		
	Sub-total - Non-current assets	10,499.80	10,122.91		
2	Current assets				
	(a) Current investments	746.63	1,189.62		
	(b) Inventories	10,764.74	8,708.74		
	(c) Trade receivables	684.80	434.72		
	(d) Cash and cash equivalents	1,288.70	2,365.26		
	(e) Short-term loans & advances	7,842.27	6,736.38		
	(f) Other current assets	1,382.16	923.32		
	Sub-total - Current assets	22,709.30	20,358.04		
	TOTAL - ASSETS	33,209.10	30,480.95		

Notes:

- 1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and half year ended 30 September 2015 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 16 October 2015.
- 2 The Company conducts its operations along with its subsidiaries and associates. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Accounting Standards (AS 21 and AS 23) prescribed by Companies (Accounting Standards) Rules, 2015.
- 3 During the quarter ended 30 September 2015, the Company has issued 8,633,337 equity shares of face value of ₹ 1 each to the employees on exercise of employee stock options.
- 4 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current year's/period's presentation.
- 5 The standalone and consolidated results will be available on the Company's website - www.edelweissfin.com.

On behalf of the Board of Directors

Rashesh Shah

Chairman

Mumbai, October 16, 2015