

US \$ version



# Edelweiss Financial Services Limited

*Q2FY20 Earnings Update*



**Edelweiss**  
Ideas create, values protect



1

Quarterly Performance Highlights

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2

Business Performance Highlights

---

3

Liquidity Management

---

4

Balance Sheet Highlights

---

5

ESG at Edelweiss

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6

Addenda

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## Quarterly Performance Highlights – Q2FY20



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# Financial Snapshot – Q2FY20



\$Mn	EOP Equity	Profit after Tax
<b>Total Pre Minority</b>	<b>1,396</b>	<b>10</b>
Credit	829	5
Asset Reconstruction	316	10
Advisory	30	7
Insurance	134	(10)
BMU & Corporate	87	(4)
<b>Minority Interest (MI)</b>	<b>297</b>	<b>2</b>
<b>Total Consolidated Post MI</b>	<b>1,100</b>	<b>7</b>
<b>Total Ex-Insurance Post MI</b>	<b>1,024</b>	<b>13</b>

# Q2FY20 Overview



- 1 In line with our stated strategy of focusing on enhancing capital light business model:
  - Signed co-origination agreements with SBI,CBI and PNB in addition to BOB signed last quarter
  - Securitized retail credit book of \$99 Mn during the quarter
- 2 Asset Reconstruction business continues with sustained momentum in recoveries
- 3 Customer Assets grew by 7% YoY despite dampened customer activity in Advisory business
- 4 Closed completion financing fund of \$425 Mn for the real estate sector with Meritz Group
- 5 Sanaka Capital and others will be investing upto \$75 Mn of growth equity in EGIA
- 6 Received first tranche of \$25 Mn from Kora Management out of the \$75 Mn investment commitment in EGIA
- 7 Arthur J. Gallagher acquires minority stake by way of primary equity in our insurance broking arm
- 8 Embedded Value at \$207 Mn as on 30<sup>th</sup> Sep 2019 in Life Insurance Business; Persistency ratio stood at 78% for H1FY20

# Key Actions Taken - Liquidity, Asset Quality and Balance Sheet



## Liquidity

- We continue to maintain liquidity at ~17% of balance sheet; No change anticipated in our stated liquidity plan
- Overall Liquidity maintained at \$1,188 Mn including undrawn bank lines of \$141 Mn

## Asset Quality

- We have provided \$63 Mn in H1FY20 as against \$65 Mn for entire FY19
- Gross NPA and Net NPA stood at 2.7% and 1.7% as of 30<sup>th</sup> Sep 2019

## Balance Sheet

- We are the only player in the industry to have raised fresh equity twice since the crisis started
- Debt to Equity (Ex-Treasury) progressively reduced to 3.4x

# Launch of Completion Financing Platform



- Launched India's first completion financing platform for the real estate sector
- Platform will house funds that will buy out existing real estate loans and provide requisite completion financing; Funds will be managed by Edelweiss' Alternative Asset Management business
- Funds will be managed by Edelweiss' Alternative Asset Management business
- First fund of this platform of \$425 mn is closed with Meritz Group
- The platform is targeting to raise \$1 bn over the next 12 months from similar International Institutional investors

## **About Meritz Group**

- Meritz Group is a South Korean financial conglomerate with a presence in securities & broking, insurance and investment banking
- Has been a pioneer in real estate investing in South Korea & globally
- Renowned for its understanding and deep expertise in real estate investing both in Korea and globally

**The funds will combine investor capital with our operational capabilities in project management as well as workouts and recoveries**

## Fund Raise in EGIA - \$150 Mn Target Raise



- Sanaka Growth SPV I Ltd (part of Sanaka Capital) has committed to invest ~\$44 mn of growth equity in EGIA in the form of compulsorily convertible instrument
- We and Sanaka are in talks with other investors alongside for a further investment of ~\$31 mn in EGIA
- Sanaka is a growth-focused private equity fund founded by Mr. Shankar Narayanan, an industry veteran with over 25 years of experience of private equity investment in India and other Asian countries
- Sanaka targets to achieve capital appreciation from investing in high-quality, growth-oriented, mid-market companies led by entrepreneurial passionate teams
- This is in line with our strategic plan of having separate business groups with distinct entities, ring fenced capital base and independent Board



## We Continue to Forge Strong Partnerships



**CDPQ**



**Tokio Marine**



**Allianz**



**SANAKA**



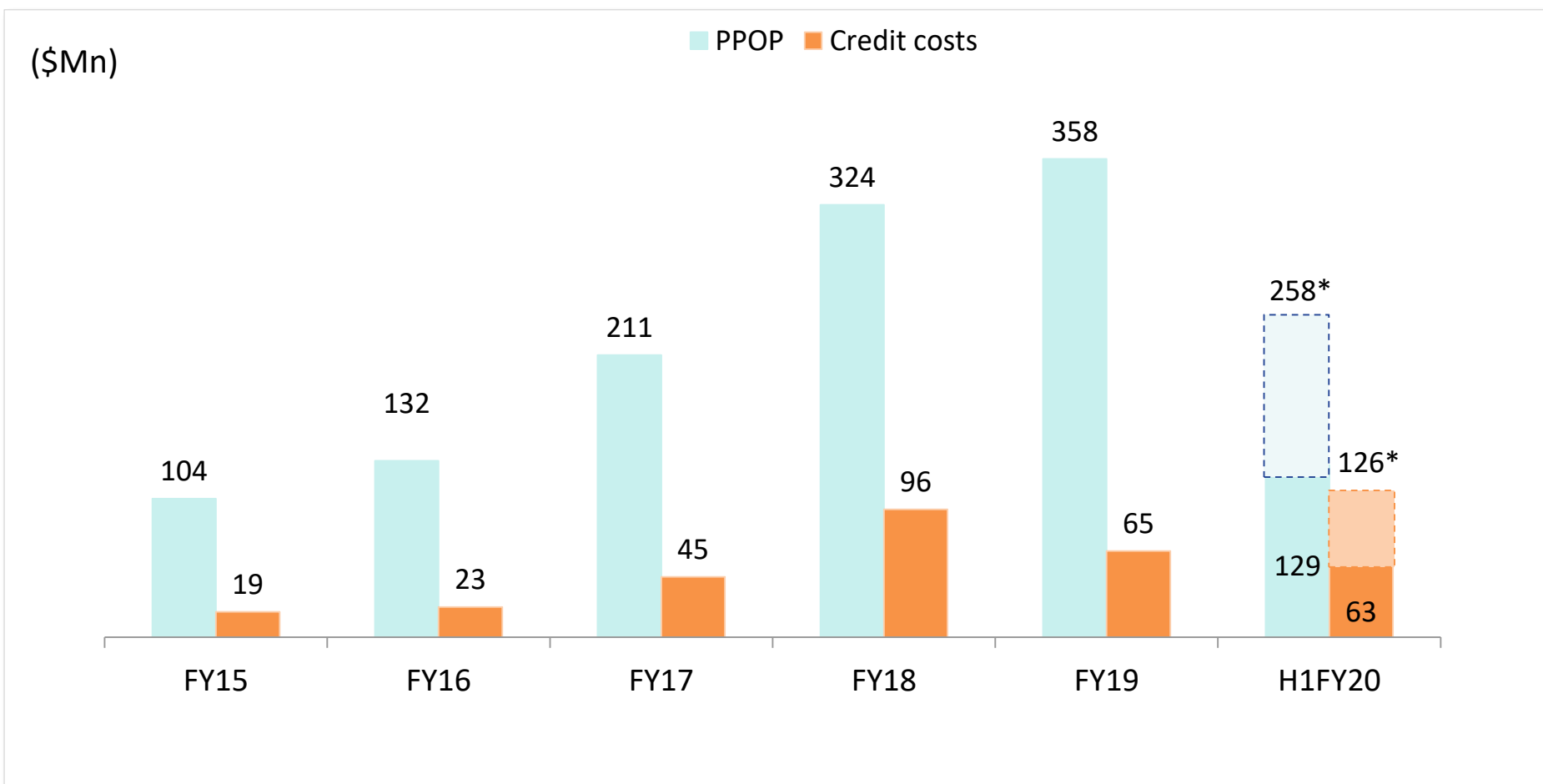
**Arthur J. Gallagher**



**Bank of Singapore**

**We are proud to have been chosen by partners who embody the highest standards of quality and governance**

# PPOP Remains Adequate For Enhanced Credit Costs



**While the enhanced credit costs will impact P&L for FY20, we do not expect any balance sheet impact on account of asset quality**

# PAT Distribution Across Businesses



(\$Mn)	Q2FY19	Q1FY20	Q2FY20
<b>Total Consolidated Post MI PAT</b>	<b>39</b>	<b>19</b>	<b>7</b>
<i>Credit</i>	30	16	5
<i>Asset Reconstruction</i>	5	9	6
<i>Advisory</i>	11	10	7
<i>Insurance</i>	(7)	(7)	(6)
<i>BMU &amp; Corporate</i>	-	(8)	(6)
<b>Total Ex-Insurance Post MI PAT</b>	<b>46</b>	<b>26</b>	<b>13</b>
<b>Balance Sheet</b>	<b>8,408</b>	<b>7,712</b>	<b>7,036</b>

# Key Profitability Ratios



Ex-Insurance	Q2FY19	Q1FY20	Q2FY20
PPOP	4.6%	4.0%	2.8%
Credit Costs	0.9%	1.9%	1.5%
RoA	2.5%	1.7%	1.0%
RoE	19.1%	10.2%	5.1%
Cost to Income Ratio	47%	50%	56%
Consolidated	Q2FY19	Q1FY20	Q2FY20
RoA	1.9%	1.0%	0.5%
RoE	14.7%	6.8%	2.6%
Cost to Income Ratio	61%	67%	73%

**Ex-Insurance RoA and RoE for H1FY20 are 1.3% and 7.7%**

## Diversified Business Model...



Business Segments (\$Mn)	Q2FY20 Pre MI PAT	% Contribution
Retail Credit	4	23%
Corporate Credit	1	4%
Asset Reconstruction Business	10	54%
Wealth Management and Capital Markets	5	28%
Asset Management	2	11%
BMU & Corporate	(4)	(20%)
<b>Total Ex- Insurance Pre MI PAT</b>	<b>19</b>	<b>100%</b>
Insurance Pre MI PAT	(10)	-
<b>Total Consolidated Pre MI PAT</b>	<b>10</b>	<b>-</b>

...makes us resilient even in a tough market environment

# Steady Growth in Customer Assets



As on 30<sup>th</sup> September, 2019 (rounded off to nearest 100)

## Customer Assets

\$Bn

YoY Growth

28.6

7%

*Assets under Advice (Wealth Management)*

15.3

10%

*Funds under Management (Asset Management)*

4.9

2%

*Asset Reconstruction (ARC) Assets under Management*

5.4

(5%)

*Assets under Custody & Clearing*

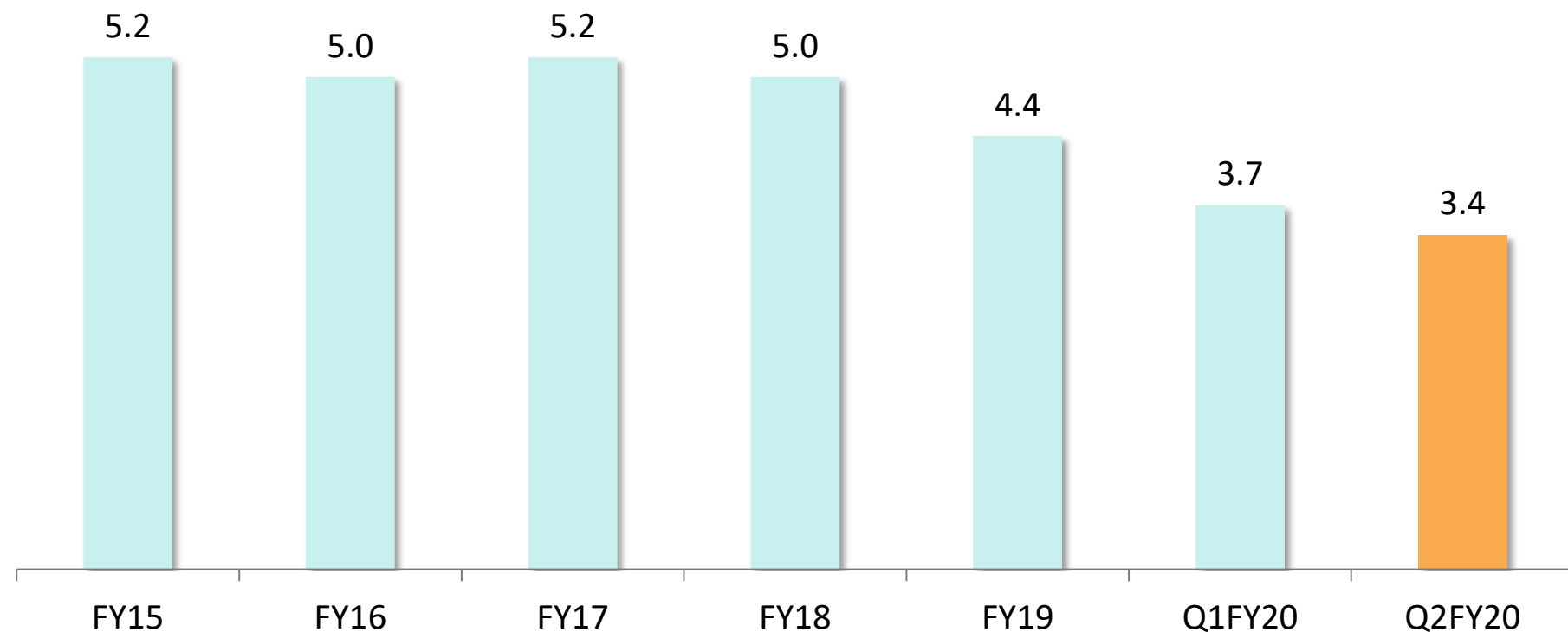
3.0

35%

## Debt Equity Ratio declines further to 3.4x



D/E (Excluding Treasury Assets)





## Business Performance Highlights

***CREDIT***

***Retail Credit – Corporate Credit***



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# Credit Business Mix



As on 30 <sup>th</sup> September, 2019	Capital Employed (\$Mn)	%	
<b>Retail Credit</b>	<b>2,138</b>	<b>48%</b>	
Retail Mortgage	1,142	26%	Blend of loans to home owners and home buyers
SME & Business Loans	541	12%	Under-served and highly scalable market, key focus area
ESOP and Margin Financing	416	9%	Catering to customers in Wealth Mgmt and Capital Markets
Agri and Rural Finance	39	1%	Under-served market with low competitive intensity
<b>Corporate Credit</b>	<b>2,289</b>	<b>52%</b>	
Structured Collateralised Credit	728	17%	Customized credit solutions with robust risk management systems
Wholesale Mortgage	1,561	35%	Project financing for primarily residential properties
<b>Total Credit Book</b>	<b>4,427</b>	<b>100%</b>	

# Credit Business at a Glance



Credit Business (\$Mn)	Q1FY20	Q2FY20
Capital Employed	4,806	4,427
Average Interest Yield	15.9%	14.6%
Average Cost of Borrowing	10.3%	10.5%
Net Interest Margin	7.0%	5.6%
Net Interest Income	88	65
Cost to Income	41%	49%
Pre Provisioning Operating Profit	52	34
Credit Costs	31	26
PAT (Pre MI)	16	5
RoA	1.2%	0.4%
RoE	9.3%	3.2%

# Credit Business Performance Snapshot



Q2FY20 (\$Mn)	Total	Retail	Corporate
EOP Capital Employed	4,427	2,138	2,289
EOP Equity	829	354	475
Net Interest Income	65	31	34
PAT	5	4	1
Net Interest Margin	5.6%	5.6%	5.7%
Cost to Income	49%	48%	49%
RoA	0.4%	0.8%	0.1%
RoE	3.2%	6.9%	0.8%

# Asset Quality at a Glance

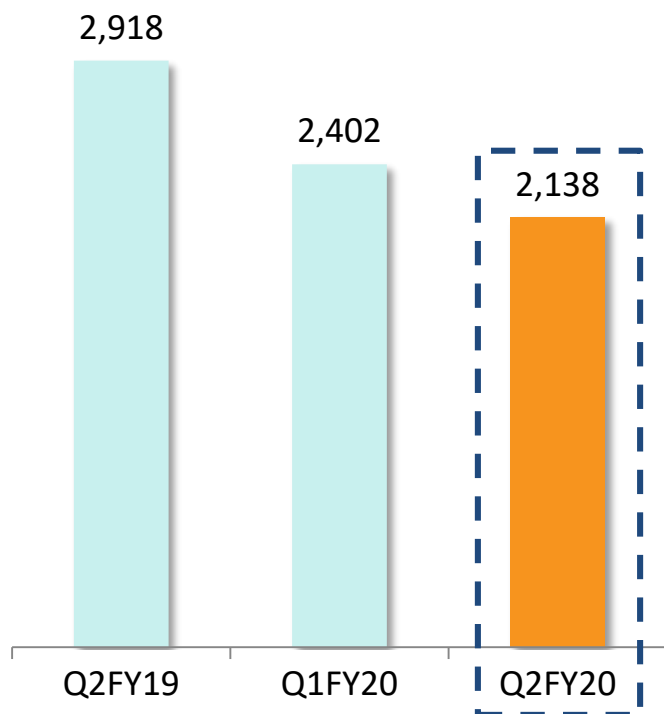


As on 30 <sup>th</sup> September,19 (\$Mn)	Q1FY20	Q2FY20
Credit Book	4574	4,205
<i>Of which Stage 3</i>	106	115
ECL Provision	118	114
<i>Of which Stage 3</i>	50	45
Specific Provision Cover	47%	39%
Total Provision Cover	111%	99%
Gross NPA	2.33%	2.73%
Net NPA	1.24%	1.66%

# Retail Credit

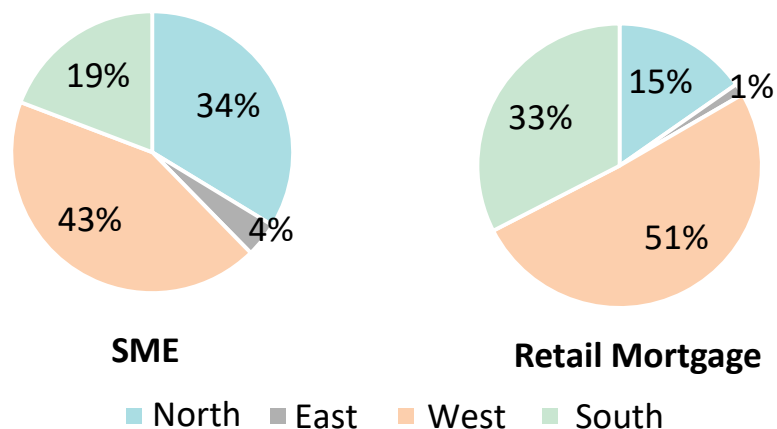


**Capital Employed**  
(\$Mn)



	SME		Retail Mortgage	
	Secured	Unsecured	HL	LAP
Average Yields %	14%	23%	11%	13%
Median Ticket Size (\$Mn)	~0.14	0.01	0.02	0.03
Average LTV	~75% -85%		~50%-60%	
Locations (#)	108		100	

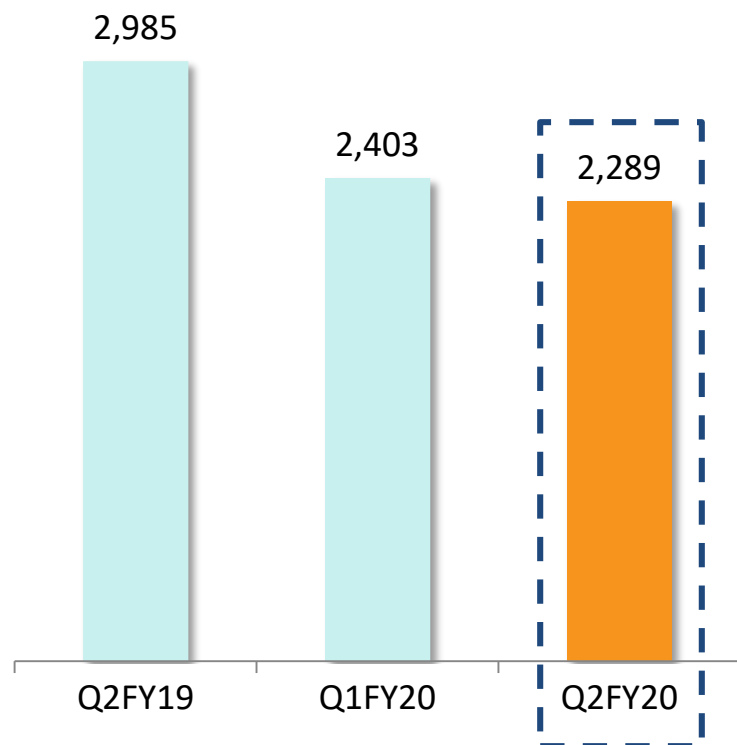
**Loan Book - Geographical Split**



# Corporate Credit

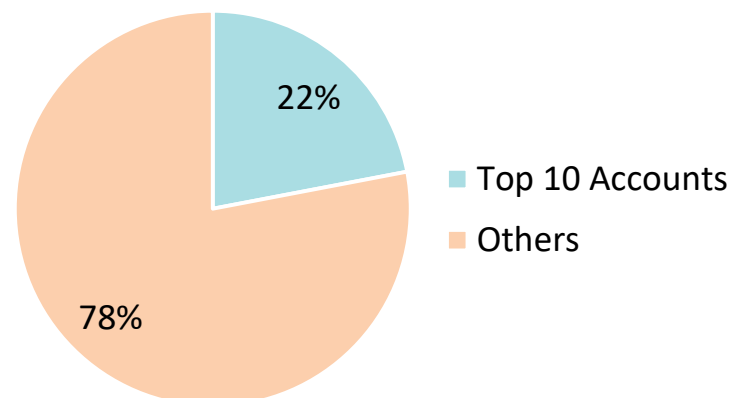


**Capital Employed**  
(\$Mn)



	Structured Collateralised Credit	Wholesale Mortgage
Average Yields %	15% - 17%	17% - 19%
Portfolio Granularity	67 accounts	162 projects
Typical Ticket size	\$14-18 Mn	

**Exposure in Top 10 Accounts**





## Business Performance Highlights

**ADVISORY**

**Wealth Management – Asset Management – Capital Markets**



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# Advisory Business Performance Snapshot



Q2FY20 (\$Mn)		Wealth Management	Asset Management	Capital Markets
	Total			
Net Revenue	36	18	9	10
PAT	7	5	2	1
Cost to Income	71%	64%	66%	88%
PAT Yield	-	13 bps	16 bps	-

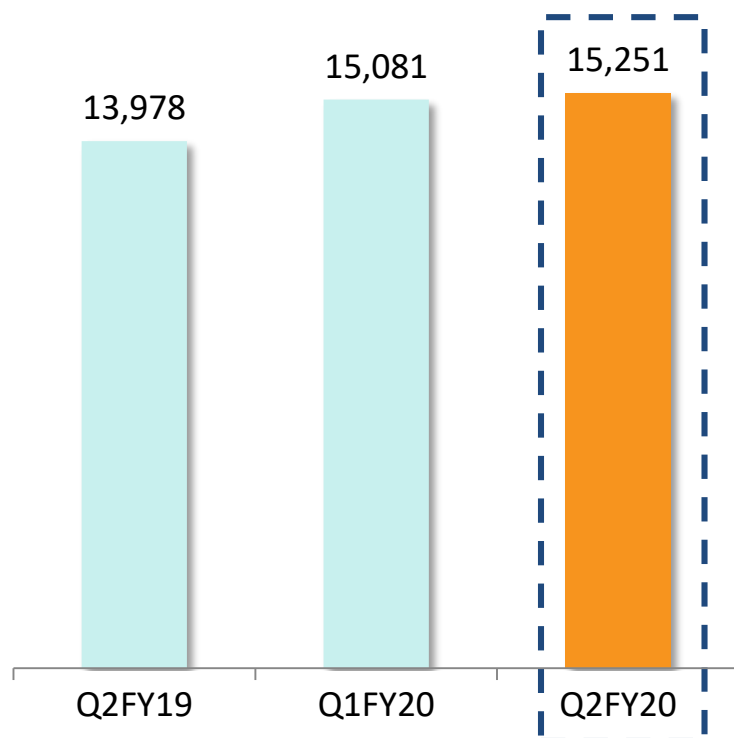
  

Customer Assets (\$Bn)	Assets under Advice	Assets under Management	Assets under Custody and Clearing
	15.3	5.1	3.0



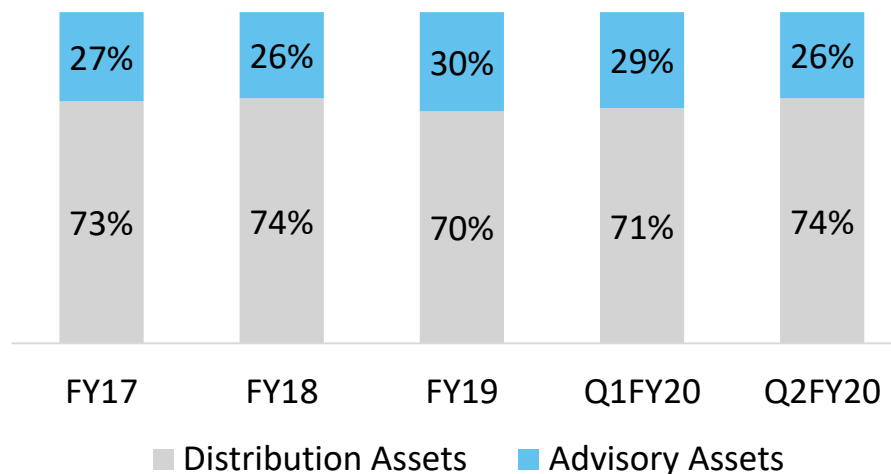
# Wealth Management

## Assets Under Advice (\$Mn)



As on 30 <sup>th</sup> Sept'19	Number of Clients	AUA (\$Mn)	Number of RMs
Ultra High Net Worth Individuals	~2,410	11,813	161
Affluent Investors	~525,300	3,438	781

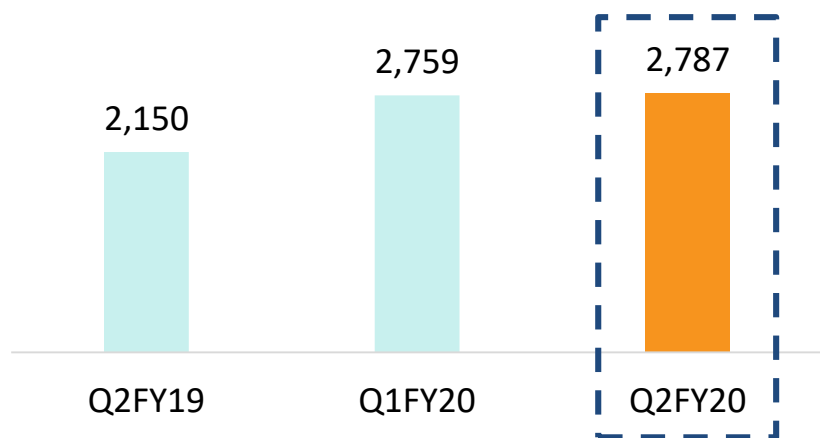
## Wealth AUA Breakup



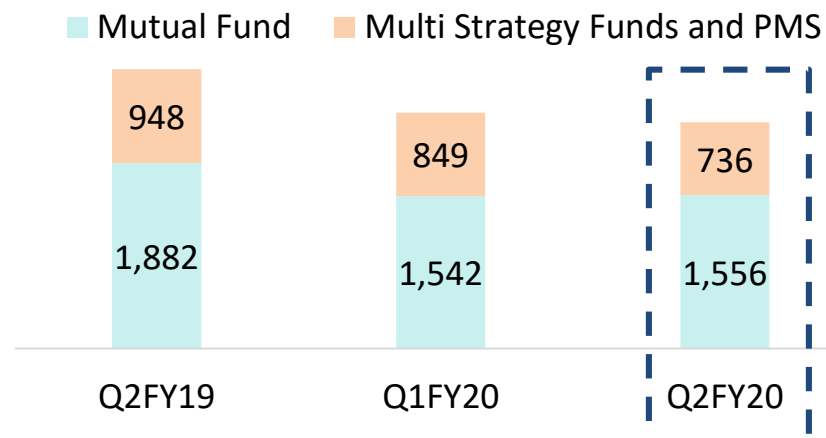
# Asset Management



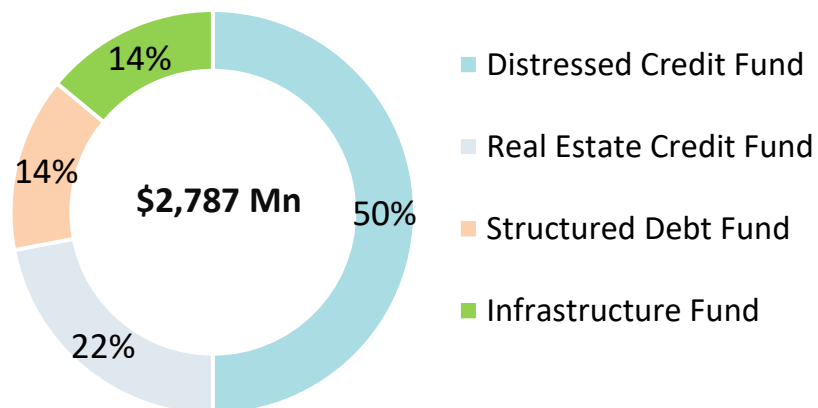
## Alternative Assets – Private Credit (\$Mn)



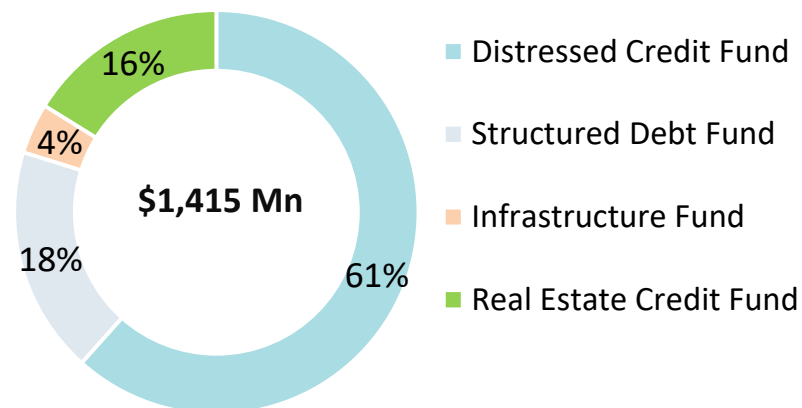
## Public Markets (\$Mn)



## Alternative Assets AUM as on 30<sup>th</sup> Sep 19



## Deployment in Alternative Assets till Date

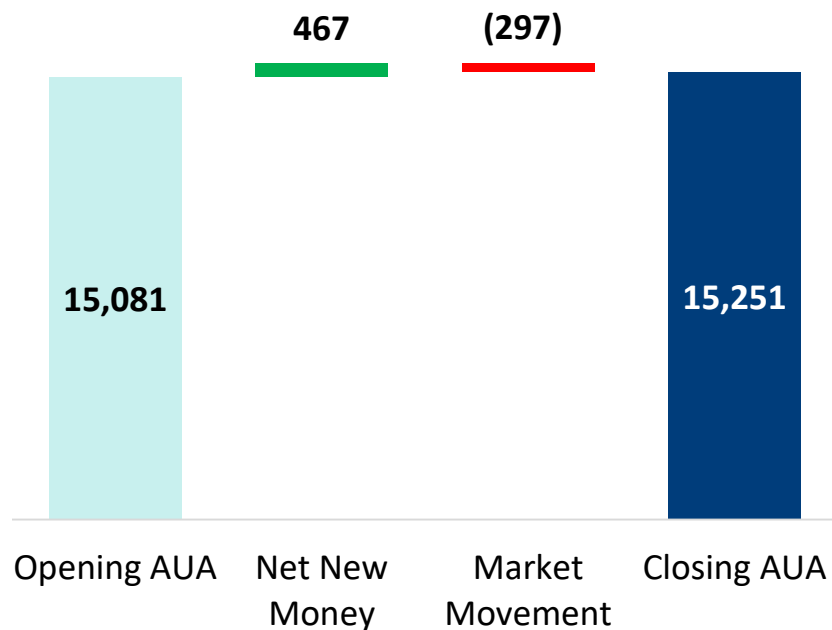


# Net New Flows in Wealth and Asset Management



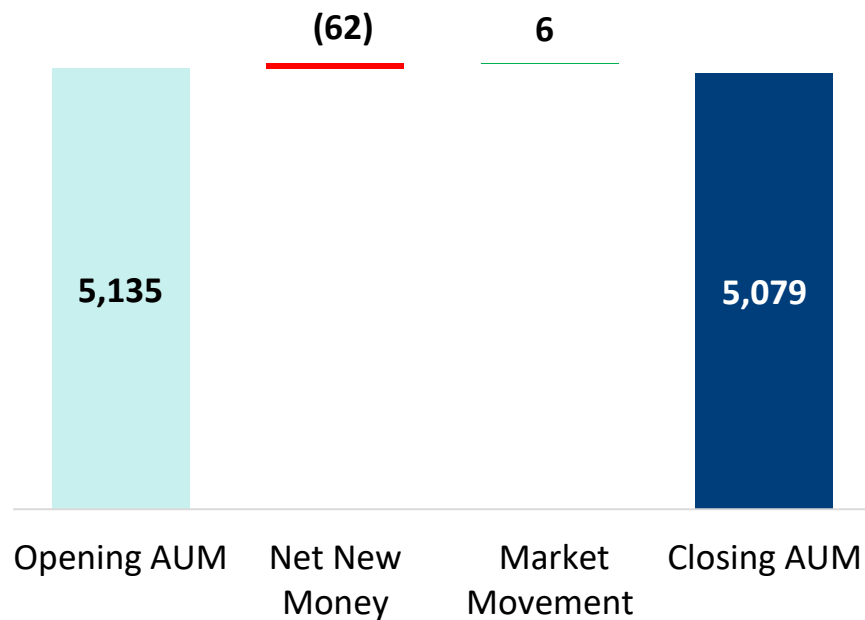
## Wealth Management AUA Movement in Q2FY20

(\$Mn)



## Asset Management AUM Movement in Q2FY20

(\$Mn)



# Capital Markets



## Key Equity Capital Market & Advisory Transactions

**Capital Small Finance Bank**

**Private Equity Placement**  
July 2019  
Sole Financial Advisor



**Initial Public Offering**  
July 2019  
BRLM



**Buyback**  
September 2019  
Sole Manager

## Key Debt Capital Market Transactions



**Public Issue**  
August 2019  
Lead Manager



**Public Issue**  
September 2019  
Lead Manager



**Public Issue**  
September 2019  
Lead Manager



**Public Issue**  
September 2019  
Lead Manager



## Business Performance Highlights

*Asset Reconstruction*



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# Asset Reconstruction Business Performance Snapshot



(\$Mn)	Q1FY20	Q2FY20
AUM	6,715	6,653
EOP Capital Employed	1,221	1,240
EOP Equity	305	316
Net Interest Income	29	25
Credit Costs	4	2
PAT	15	10
Net Interest Margin	11.2%	8.3%
Cost to Income	22%	28%
RoA	5.8%	3.4%
RoE	22.3%	13.1%

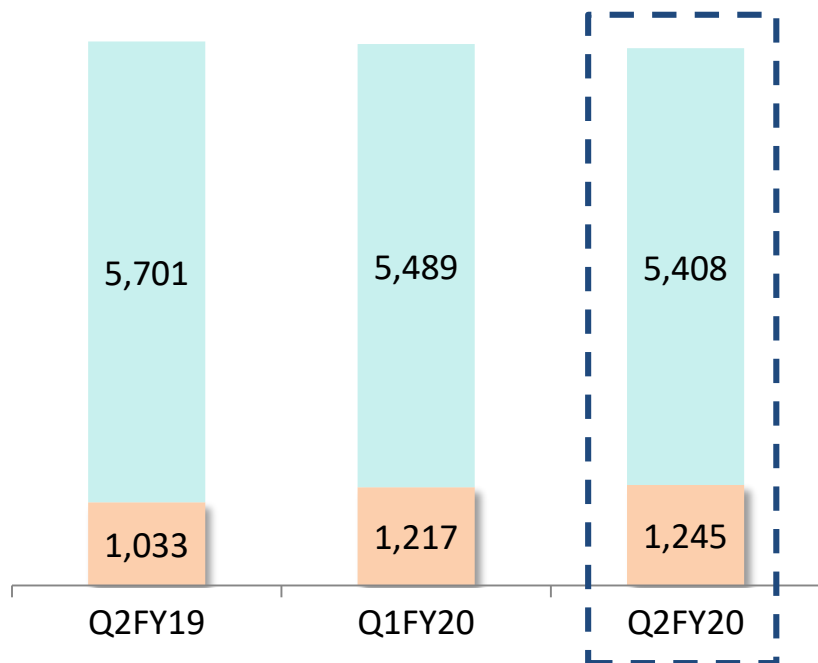
# Asset Reconstruction Overview



## AUM

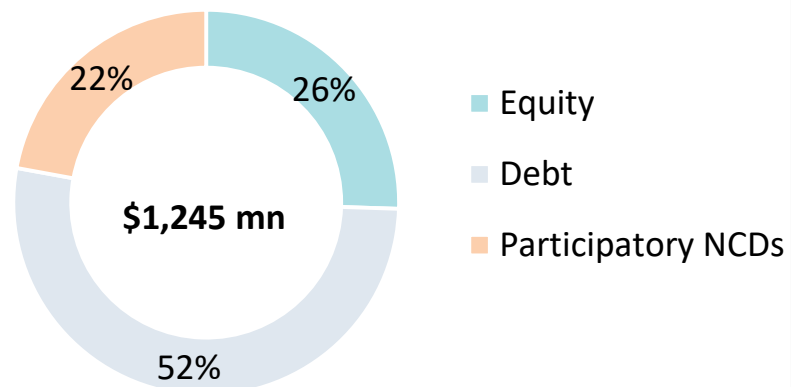
(\$Mn)

Edelweiss Contribution Investors Contribution



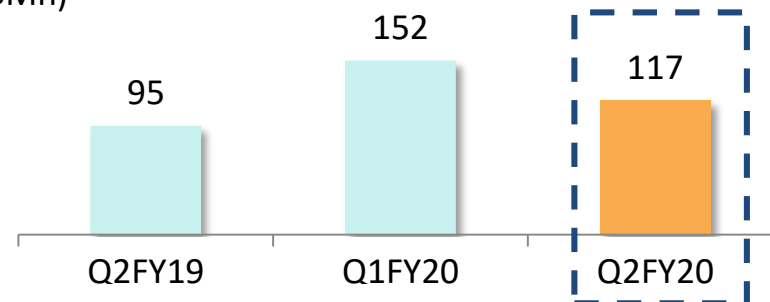
## Funding profile of Edelweiss's Contribution in ARC

(\$Mn)



## ARC Recoveries

(\$Mn)

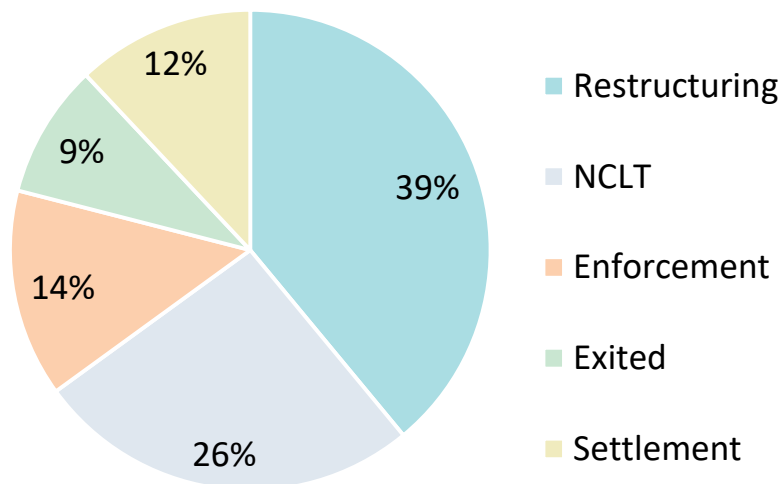


**ARC pipeline remains robust;  
Settlement financing and Retail recoveries are emerging opportunities**

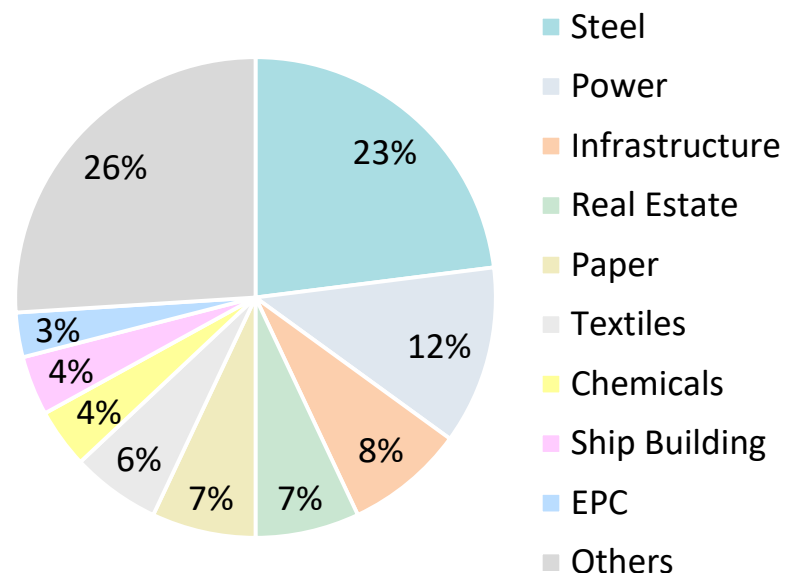
# Resolution Strategy and Top Industry Exposures



SRs Issued : Resolution Strategy wise Break-up



SRs outstanding : Top 10 industry exposure %



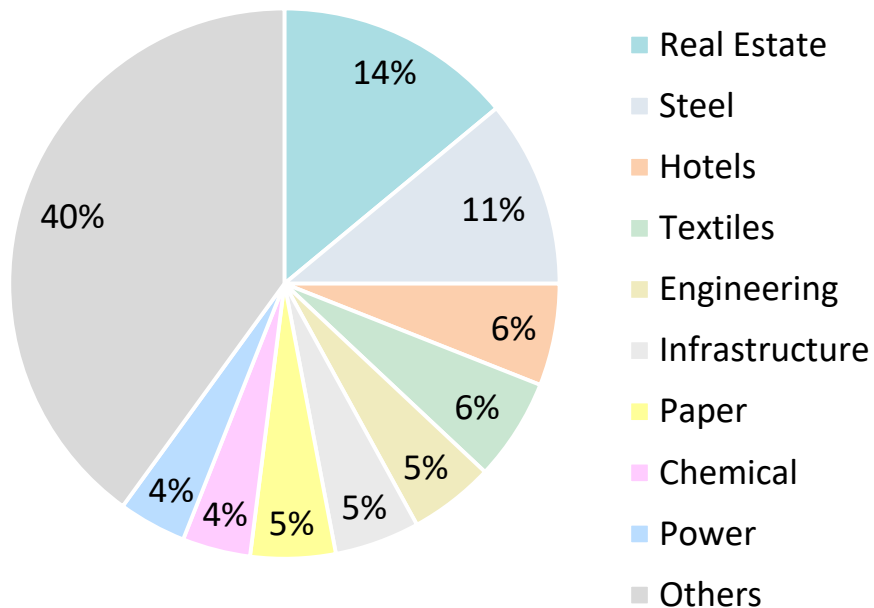
NAV of these assets are calculated bi-annually



# Strong Sourcing Ability and a Robust Pipeline



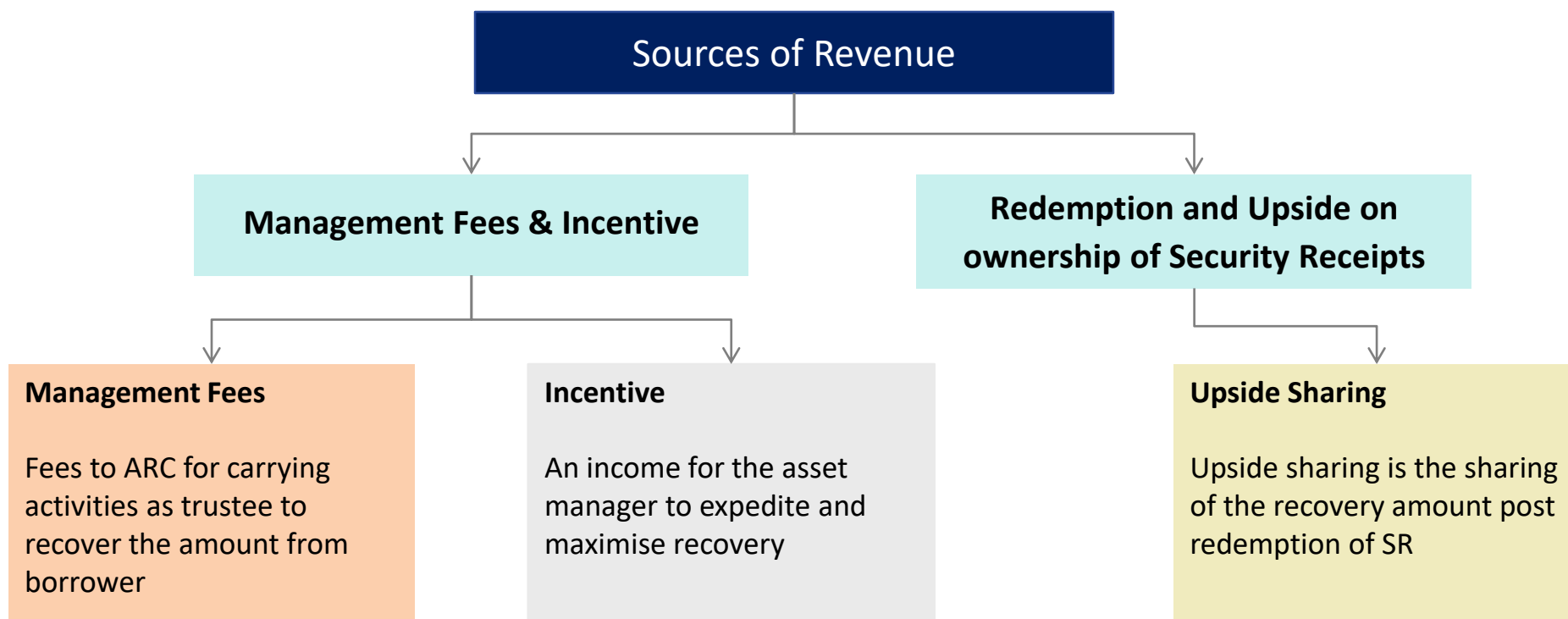
## Deals in pipeline spread across sectors



## Deep Banking Relationships

- Our Asset Reconstruction business has acquired assets from over 65 banks/FIs since inception
- Knowledge of the portfolios of banks
- Currently have access to information on over 100 stressed assets in system with potential deal size of more than \$2,122 Mn
- Database of over 2,000 stressed assets created over last 5 years from auctions/bilateral discussions

# Model on Revenue Stream



**Recurring revenue from Management Fees & Incentive generate yields of 15-17% p.a.;  
Upside from carry income in successful cases can add around 4-6%**

# How do ARC Economics work?



Assuming asset with book value \$200 is sold to ARC at \$100 - Bank contributes \$85 and ARC \$15

Assuming a time period of 5 years	Case 1	Case 2	Case 3
Recovery Assumption (A)	100	125	150
Management Fee @ 2% p.a. (B)	10	10	10
Recovery Incentive @ 1.5% of recovery ( $C = 1.5\% * A$ )	1.5	1.9	2.3
Return of Capital/ Upside to ARC ( $D = (A - B - C) * 15\%$ )	13.3	17.0	20.7
<b>Total Earning for ARC = B + C + D</b>	<b>24.8</b>	<b>28.8</b>	<b>32.9</b>

**Banks get a return over and above their invested capital without any incremental effort in this model;  
Average IRR of ~18-20% is earned on the investment by the ARC**

# Snapshot of ARC Economics for H1FY20



\$Mn	H1FY20
Nominal Value of debt acquired	16,160
Price paid @ avg. 50% discount	7,897
Capital Employed	1,240
Net Interest Income	54
<b>PAT</b>	25

**NII of 9.6% on average capital employed and RoA 4.5% and RoE of 17.3% for H1FY20**



## Business Performance Highlights

### *INSURANCE*

*Life Insurance – General Insurance*



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# Life Insurance Performance Snapshot



(\$Mn)	Q2FY19	Q2FY20	Y-o-Y Growth
Net Premium Income	25	31	21%
Investment Income & Other Income	2	6	185%
<b>Total Business</b>	<b>28</b>	<b>37</b>	<b>34%</b>
Profit After Tax	(11)	(8)	-
Minority	(5)	(4)	-
<b>Edelweiss' Share in PAT</b>	<b>(5)</b>	<b>(4)</b>	<b>-</b>
<b>Net Worth</b>	<b>139</b>	<b>118</b>	

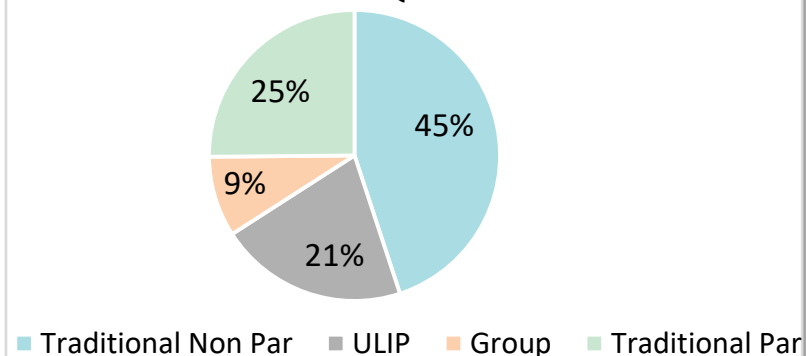
121 branches and 46,306 PFAs across 93 locations in India

# Life Insurance – Long Term Value Creation

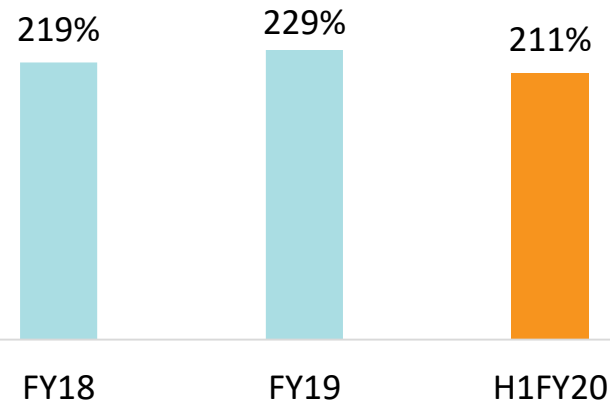


## Product Mix

New Business Premium Q2FY20

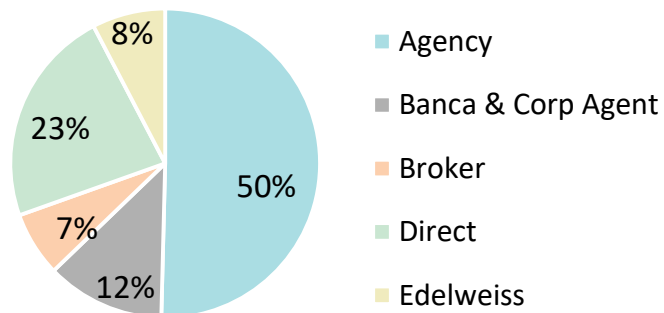


## Solvency Ratio

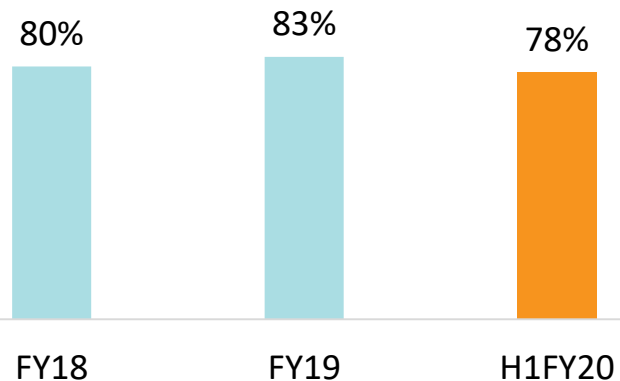


## Channel Mix

New Business Premium Q2FY20



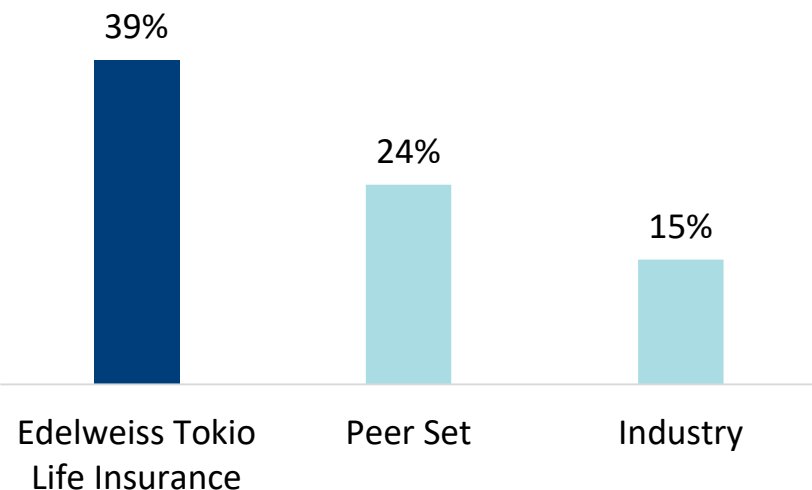
## 13<sup>th</sup> Month Overall Rate Persistency



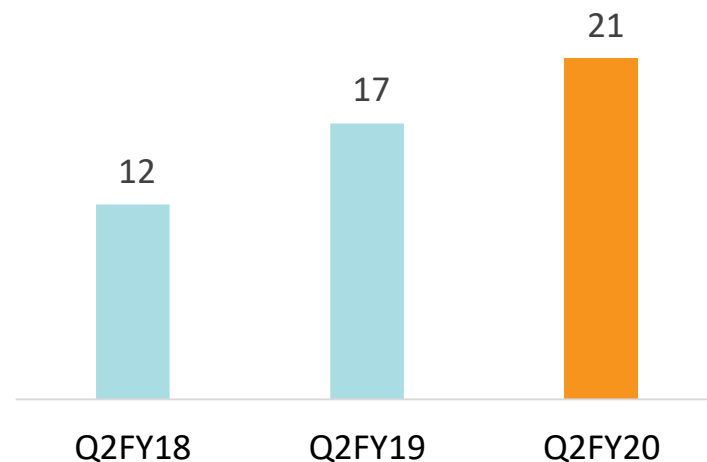
# Life Insurance Scaling Rapidly



**Collected Individual Annual Premium Equivalent**  
CAGR growth since FY17



**Number of Policies Issued (Individual business )**  
(in 000)



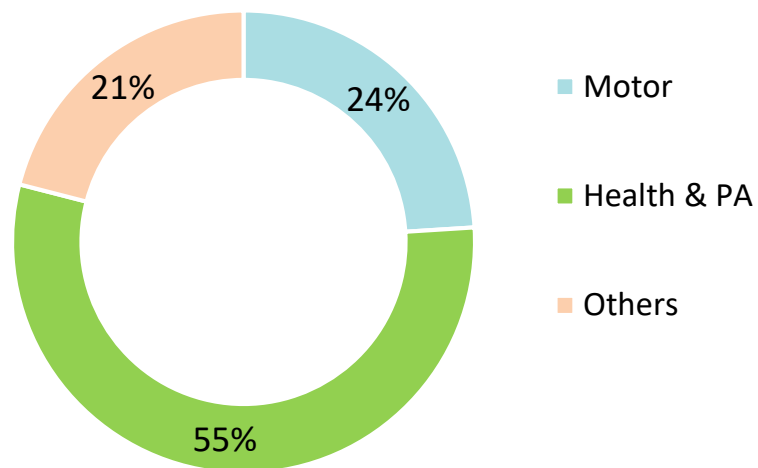
- Collected Individual Annual Premium Equivalent (APE) for Q2FY20 stood at \$12 Mn
- Gross premium at \$32 Mn growth of 23% YoY
- Embedded Value at \$207 Mn as on 30<sup>th</sup> September 2019



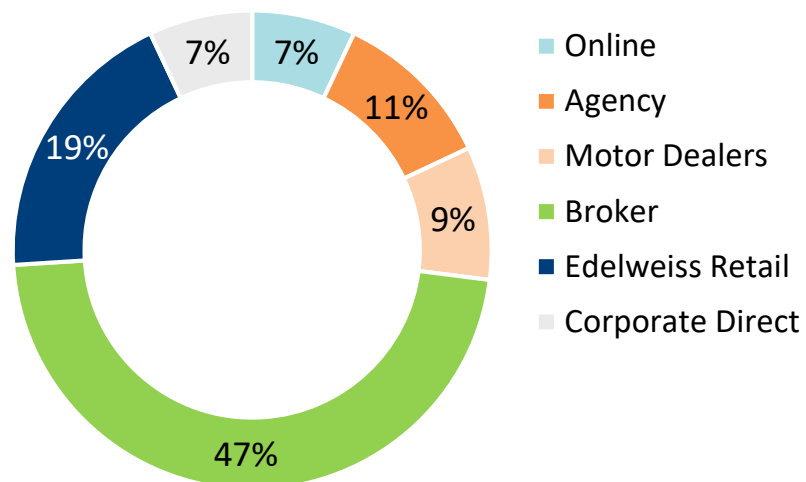
# General Insurance



Product Mix - Q2FY20



Channel Mix – Q2FY20



- Gross Written Premium at \$8 Mn - growth of 67% YoY
- Contribution of profitable Motor Own Damage line is 63% - highest in the industry
- 1,500+ partners created in Retail
- Youngest insurer but not the smallest – ahead of 8 General Insurance players in Retail Health Insurance



# Liquidity Management



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# Maintained Sufficient Liquidity



\$Mn	FY 16	FY 17	FY 18	FY 19	H1FY20
Available Liquidity	566	821	1,500	1,429	1,188
Balance Sheet Size*	3,876	5,220	7,328	7,342	6,876
Liquidity %	15%	16%	20%	19%	17%

\* Excludes Asset Specific Borrowings (ASB)

# Cash Flow Plan



Particulars (\$Mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Opening Available Liquidity (A)</b>	<b>1,188</b>	<b>1,132</b>	<b>1,245</b>	<b>1,203</b>
<b>Inflows</b>				
Asset EMIs and Repayments	283	396	255	212
Securitization	141	141	141	-
Fresh Borrowings	354	297	241	354
<b>Total Inflows (B)</b>	<b>778</b>	<b>835</b>	<b>637</b>	<b>566</b>
<b>Outflows</b>				
Total Borrowings Repayments	622	439	396	325
Fresh disbursements	212	283	283	283
<b>Total Outflows (C)</b>	<b>835</b>	<b>722</b>	<b>679</b>	<b>608</b>
<b>Closing Available Liquidity (A+B-C)</b>	<b>1,132</b>	<b>1,245</b>	<b>1,203</b>	<b>1,160</b>

# Assets in each Period Adequately Covering the Liabilities



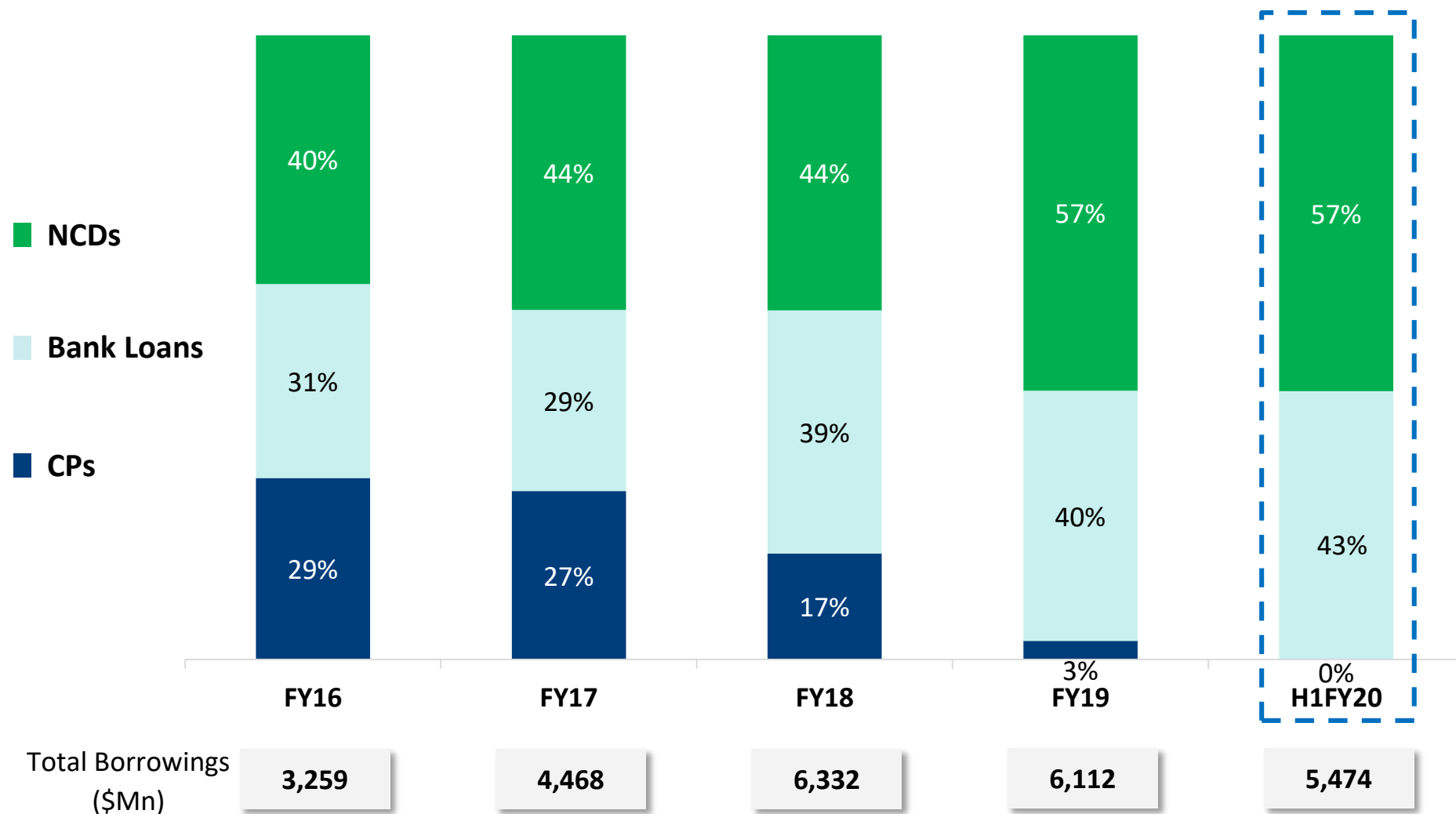
(\$Mn)	Assets	Liabilities	Gap
Upto 1 year	2,165	1,995	170
1-3 years	2,348	2,179	170
3 years+	2,363	1,302	1,061

Total gap represents our equity base



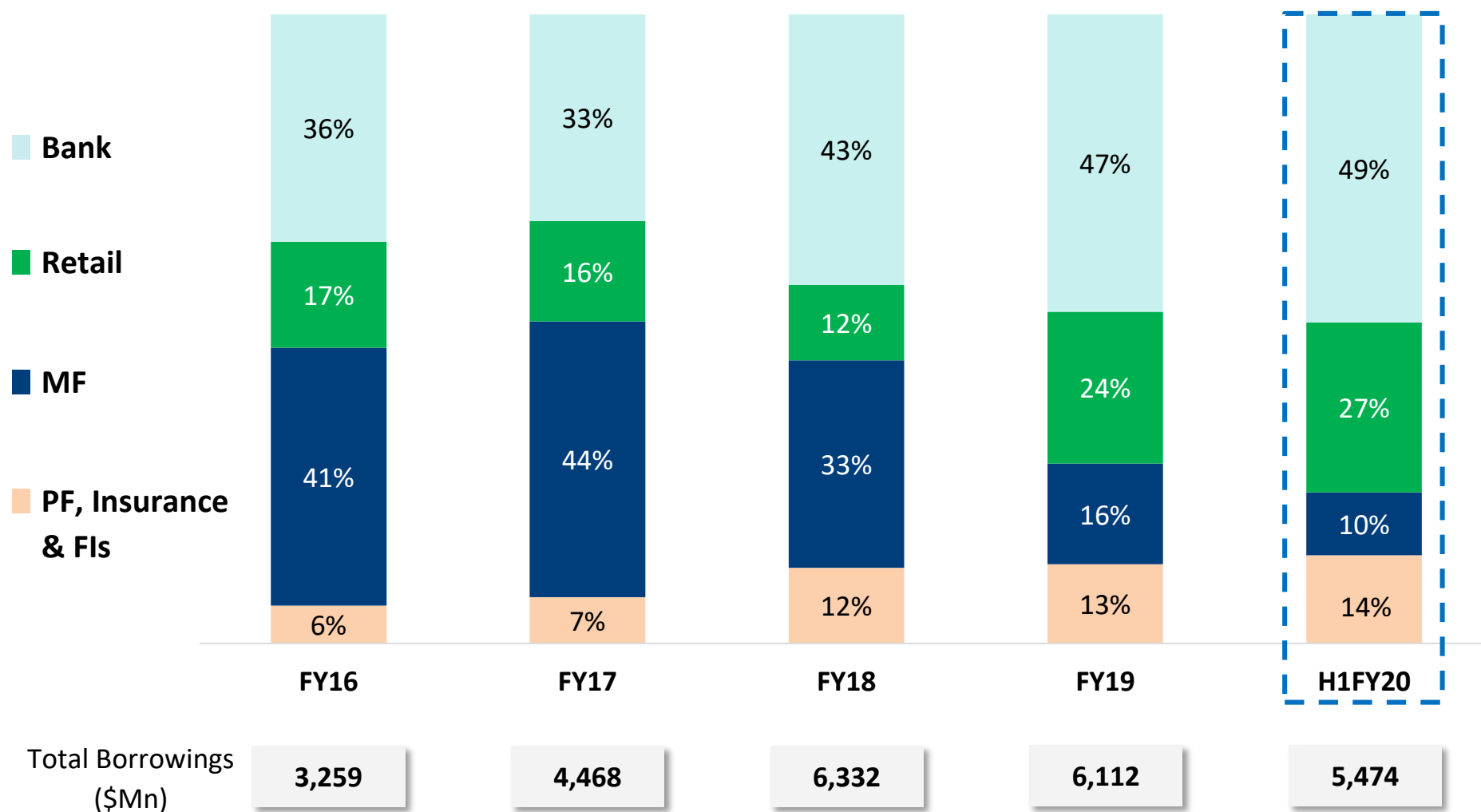
## Balance Sheet Highlights

# Diversified Borrowing Profile By Instruments...



**Negligible CP exposure as on 30<sup>th</sup> September, 2019**

## ...And By Source



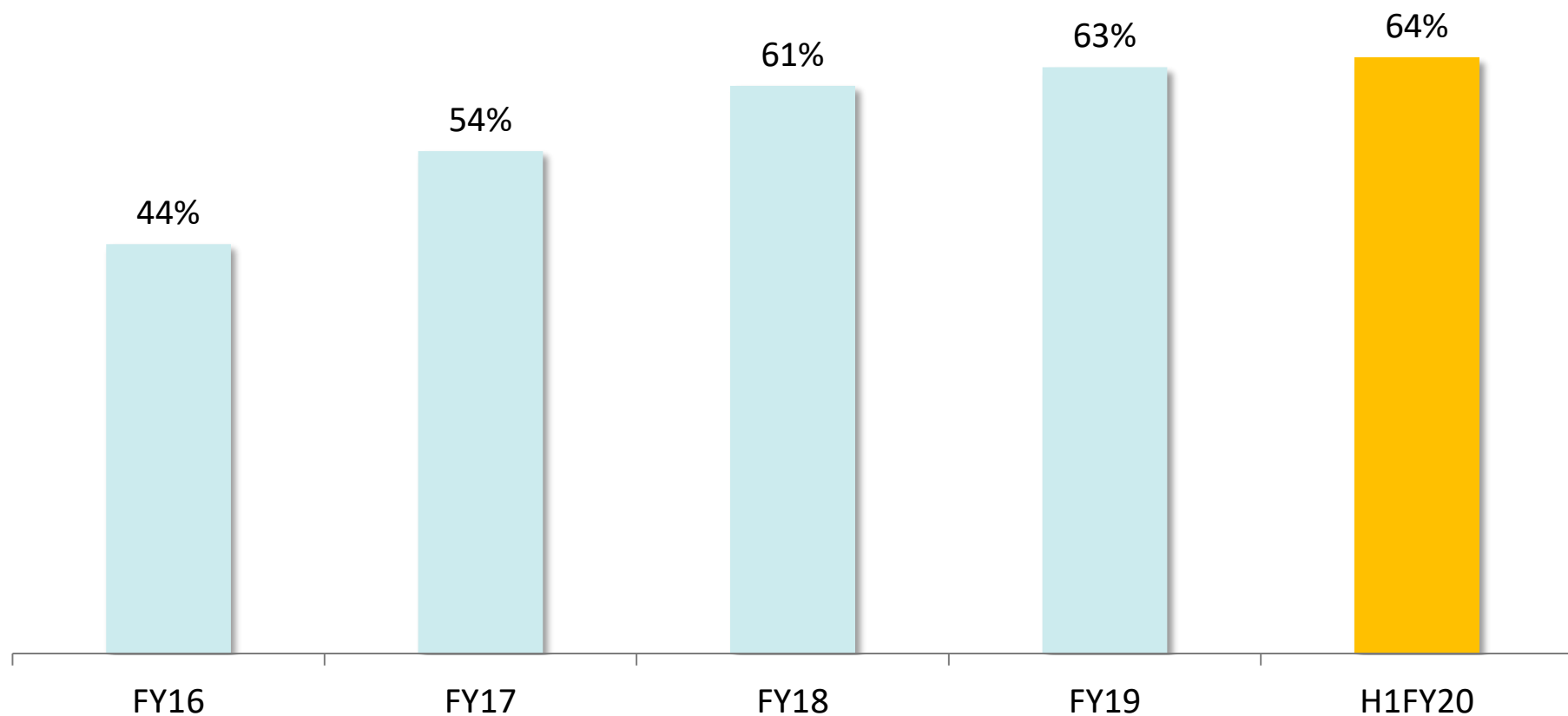
**Increasing focus on retail borrowings in the total liability mix**



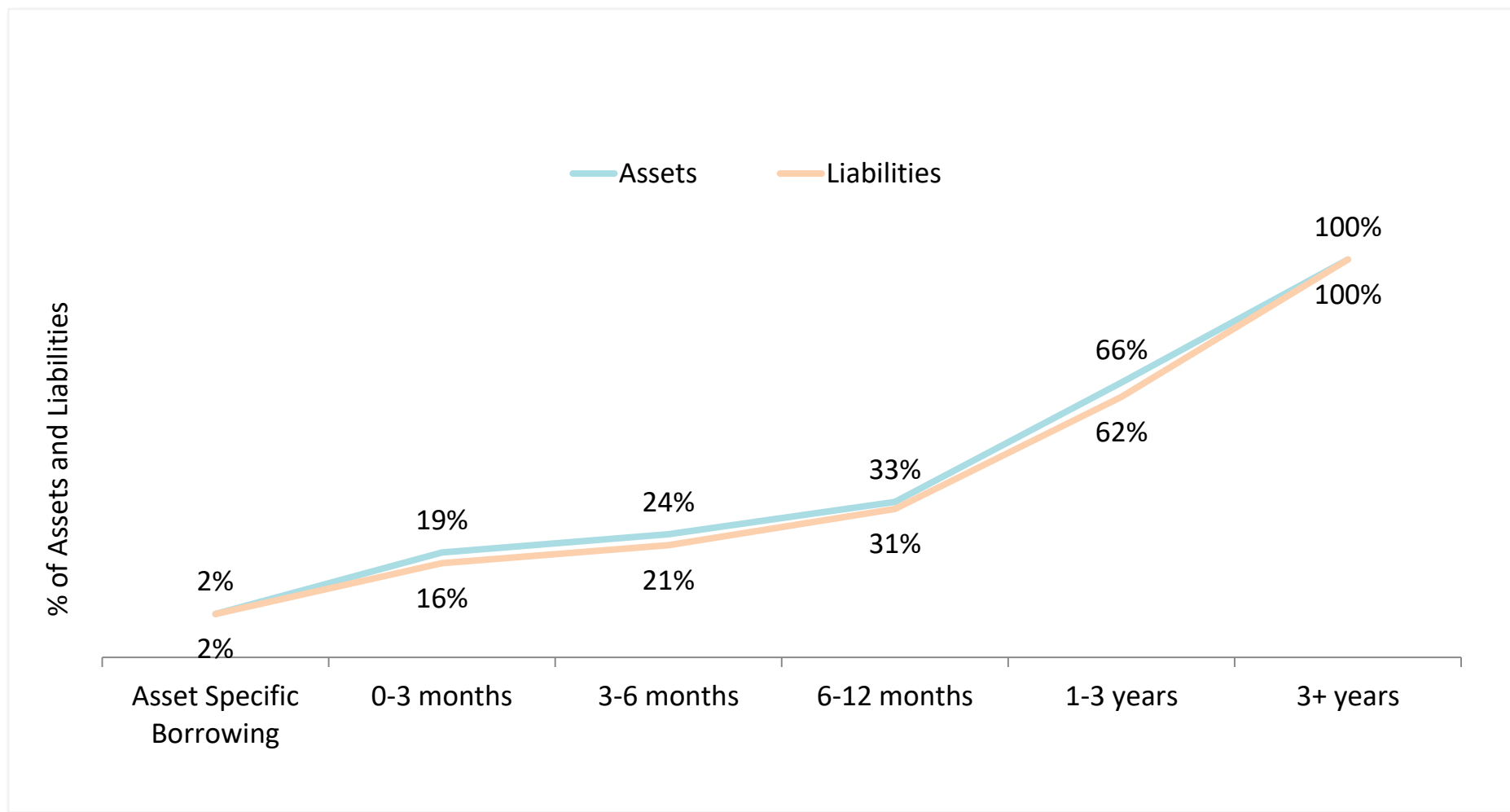
# Increasing Percentage of Long Term Borrowings



% of Total Borrowings (excl ASB)



# Positive ALM Across Durations



- BMU manages ALM under the aegis of Asset Liability Committee

# Comfortable Capital Adequacy Ratio



## Capital Structure as on 30<sup>th</sup> Sept, 2019 (\$Mn)

Core Equity Tier I	1,176	15.6%
Additional Tier I	49	0.6%
Tier II	366	4.9%
Total Capital	1,591	

## Capital Adequacy Ratio

**21.1%**

# Debt to Equity Ratio Reduced Further



## Capital Structure as on 30<sup>th</sup> Sept, 2019 (\$Mn)

Total Debt		5,474
Less:	Treasury Assets	659
Net Debt (Ex-Treasury Assets)		4,815
Equity		1,396
D/E ratio (Ex- Treasury Assets)		3.4x

# Our Risk Governance Structure...



## Oversight by Board Risk Committee

### Global Risk Committee

#### Business Risk

- Implementation of risk framework for specific businesses
- Defining risk policies & limits for various products
- Continuous monitoring of risks and ensure adherence to policies

#### Group Risk & Assurance

- Risk aggregation and monitoring
- Risk culture
- Will have an oversight over all 11 risk vectors & provide assurance on financial & business parameters

#### Enterprise Risk Management Council

- Define Organization risk framework & appetite
- Review “High Impact” risk events
- Risk aggregation and interplay assessment

## ...Ensures Prudent Risk Management and Responsible Growth



**Business Risk**

**Credit Risk**

**Liquidity Risk**

**Market Risk**

**Regulatory  
Risk**

**Reputational  
Risk**

**Physical  
Infrastructure  
Risk**

**Technology  
Risk**

**People Risk**

**Operational &  
Process Risk**

**Fraud Risk**

**Enterprise risk management approach: 11 Risk Framework**

# 13 Member Board Comprises Majority of Independent Directors



**Mr. K Chinniah**  
**Independent Director**

- Served as Managing Director & Global Head Infrastructure, Portfolio, Strategy & Risk Group with GIC Special Investments



**Mr. Biswamohan Mahapatra**  
**Independent Director**

- Former RBI Executive Director, chaired various committees of RBI
- Handled varied areas of banking regulations, policy and supervision



**Mr. P N Venkatachalam**  
**Independent Director**

- Banking sector expert and former member of the Interim Pension Fund Regulatory Authority of India
- Former MD, State Bank of India



**Mr. Ashok Kini**  
**Independent Director**

- Former Managing Director (National Banking Group) State Bank of India
- Served as an advisor to the Thorat Committee on Financial Inclusion at RBI
- 35 years of banking experience



**Mr. Navtej S. Nandra**  
**Independent Director**

- Served as President of E\*TRADE Financial Corporation.
- Prior to this he served as CEO for Morgan Stanley Investment Mgmt Inc. and COO for Wealth Management at Merrill Lynch



**Dr. Ashima Goyal**  
**Independent Director**

- Professor at Indira Gandhi Institute of Development Research
- Specialist in open economy macroeconomics, international finance, institutional and development economics
- Serves as a Part-time member of Economic Advisory Council to the Prime Minister



**Mr. Berjis Desai**  
**Independent Director**

- An independent legal counsel engaged in private client practice.
- Retired as Managing Partner at J. Sagar & Associates



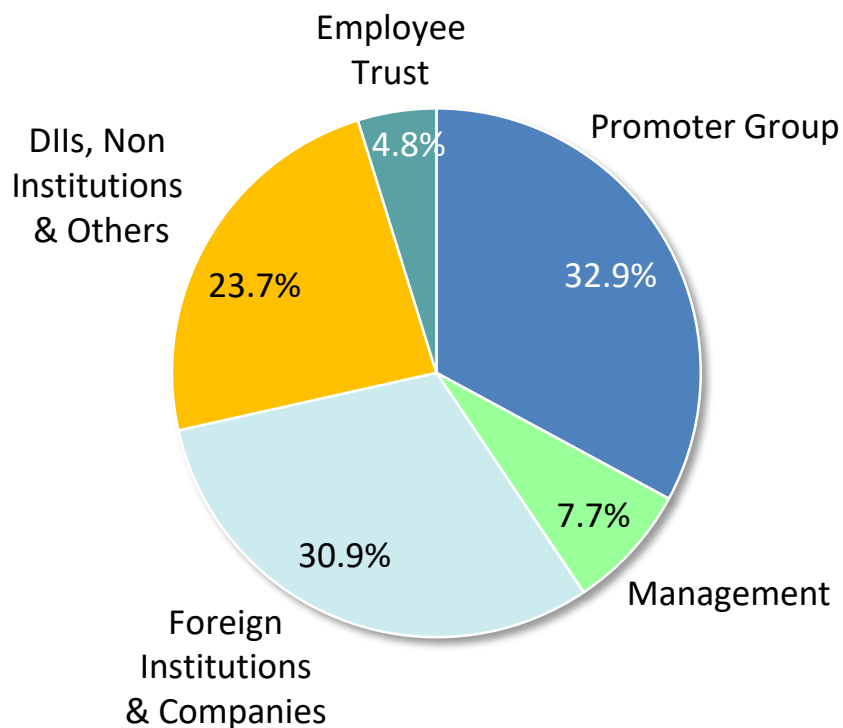
**Ms. Anita M George**  
**Non- Executive Director**

- Executive Vice President, Strategic Partnership- Growth Markets, CDPQ India
- Prior to CDPQ, was Senior Director of the World Bank's Energy and Extractive Industries Global Practice

# Significant Institutional Ownership



Shareholding Pattern as on 30<sup>th</sup> September, 2019



Key Shareholders above 1%		Percent
1	BIH SA	4.3%
2	Pabrai Investment Funds	3.6%
3	Wellington Management	2.6%
4	LIC	2.1%
5	HDFC Mutual fund	2.0%
6	Vanguard Group	1.6%
7	Caisse de dépôt et placement du Québec (CDPQ)	1.5%
8	Flowering Tree Investment Management	1.3%
9	Baron Asset Management	1.3%
10	Kotak Mutual Fund	1.2%
11	Goldman Sachs Funds	1.2%
12	Rakesh Jhunjunwala	1.1%
13	Fidelity Management & Research	1.0%

~45% owned by Edelweiss management and employees





## ESG at Edelweiss

# Our Framework is based on the United Nations Sustainable Development Goals



## People Focused Goals



No Poverty, Zero Hunger & Economic Growth



Quality Education



Gender Equality

## Planet Focused Goals



Affordable & Clean Energy

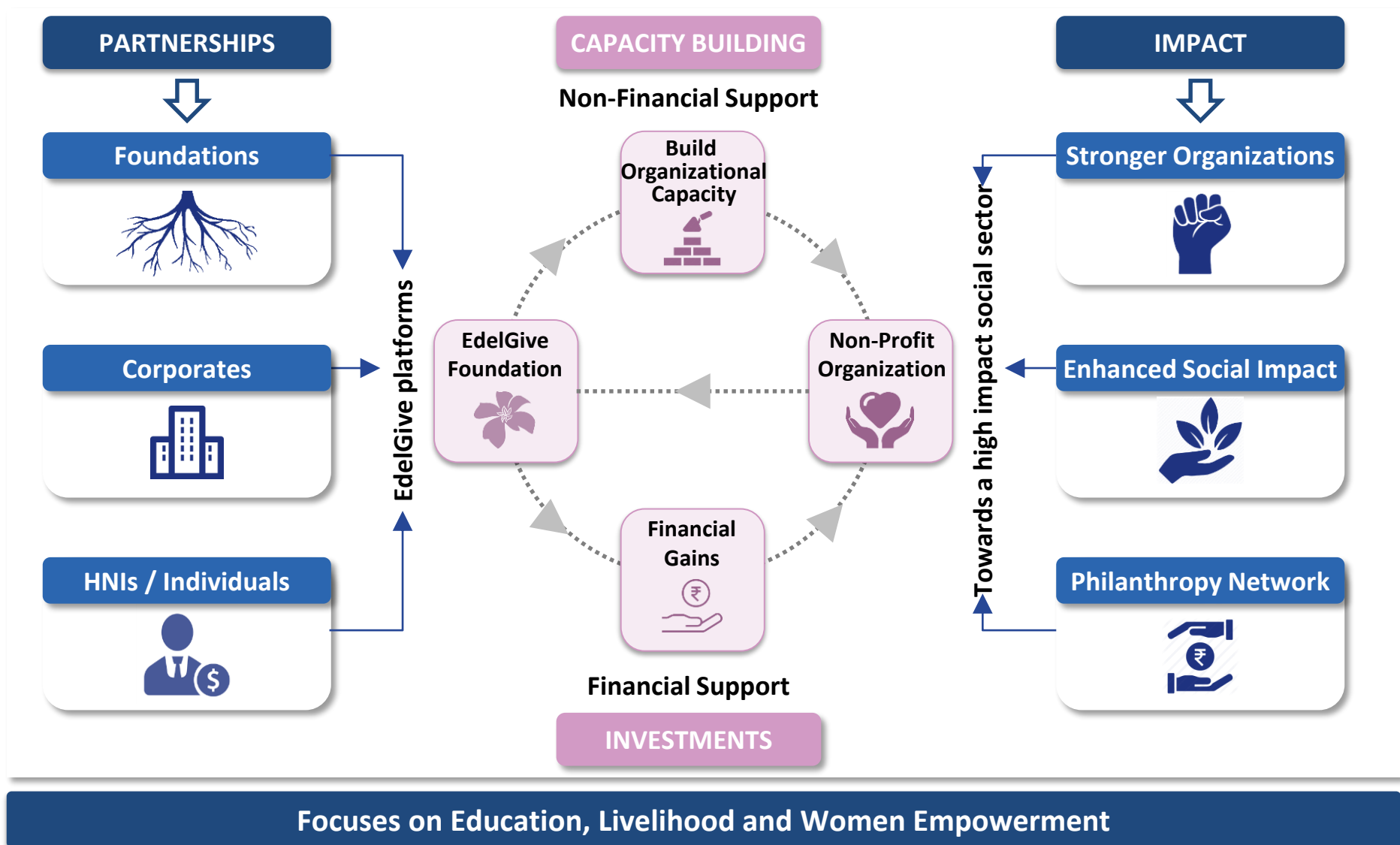


Responsible Consumption



Climate Support

# EdelGive Foundation - Unique Philanthropic Platform



# EdelGive Funding Partners

		 BRITISH ASIAN TRUST TRANSFORMING LIVES TOGETHER	 GREAT EASTERN CSR FOUNDATION	 Asian Venture Philanthropy Network	 CHILDREN'S INVESTMENT FUND FOUNDATION
		 CHANDRA FOUNDATION			
		 Indian Institute of Technology Bombay			
					
		 Enriching young lives in emerging markets		 ENTERPRISES Insight   Intellect   Integrity	

We have partnered with some of the largest foundations, Corporates and HNIs through our innovative models focused on collaboration

# EdelGive is supported by Funding Partners of Four Categories



## International Foundations

Bill and Melinda Gates Foundation	Savannah Wisdom	Children's Investment Fund Foundation
Ford Foundation	Dalyan Foundation	British Asian Trust

## International Funders

Burgundy Asset Management	atDta	General Atlantic
CPDQ	First Data	Genpact

## Indian Foundations

Tata Trusts	Volkart Foundation	H.T. Parekh Foundation
SDMC		Great Eastern Shipping Foundation

## Indian Corporates

Borosil	Allcargo Logistics	Lucky Securities
---------	--------------------	------------------



# EdelGive NGO Partners



## Education



Working to improve Student Learning Outcomes by leveraging Government systems



## Women Empowerment



Working to enable economic and social empowerment of women



## Livelihoods



Working to improve livelihoods in agrarian communities through water related interventions

# EdelGive Foundation - Key Metrics



## Employee Engagement

Employee Engagement %	More than 70% engaged in financial and nonfinancial giving
Man Hours spent till date	33,170 hrs
Field Visits till date	168+

## Capacity Building – Non financial support

Employees provided skills and time pro bono in over 100+ projects till date

- Strategy and leadership
- Systems, processes and technology
- Financial planning
- Human resources

## Grants and Funding

### Cumulative till date

Grantees	More than 95 NGOs
Funds Committed	> \$33 Mn
Presence in Indian States	14 States
Funding Partners	116

**Edelweiss wins National CSR Award**

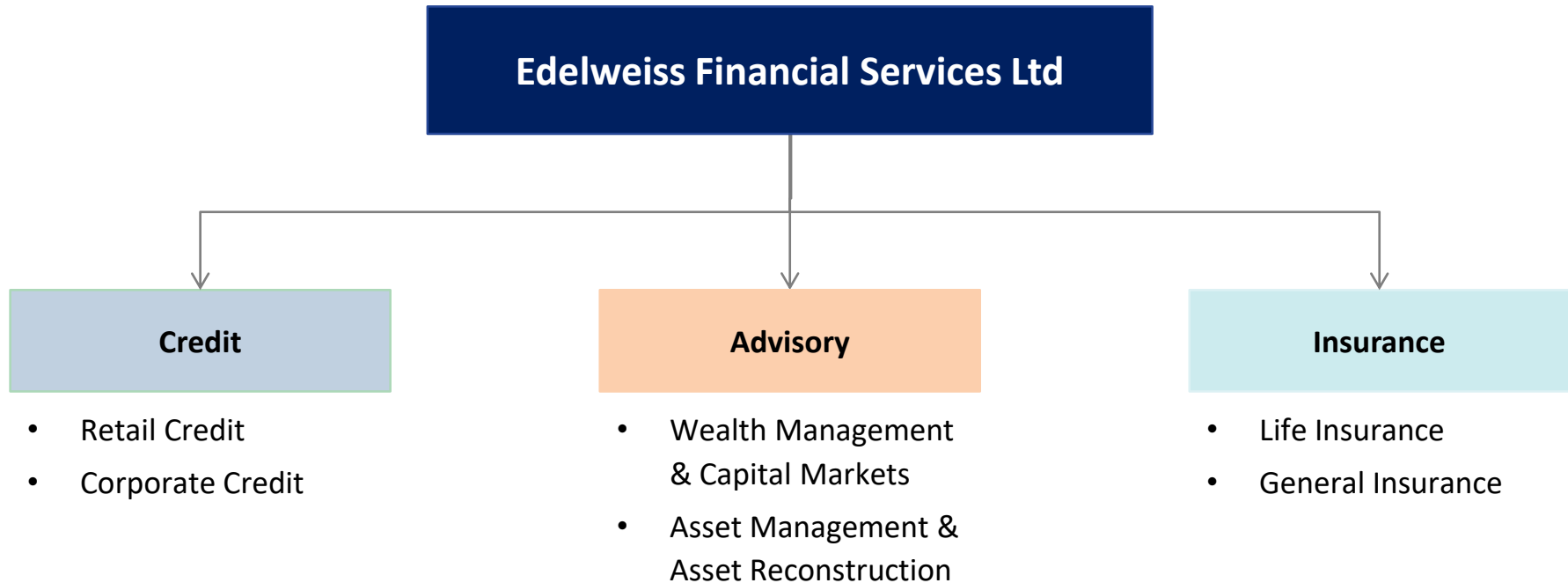


## **Addendum to Q2FY20 Earnings Update**

***Business Strategy Going Forward***



# Edelweiss Business Group Structure



## Six businesses across three ring fenced verticals

- Our Retail Credit, Life and General Insurance businesses are in growth phase
- Our Advisory businesses are market dominant and scaling steadily
- Our Corporate Credit business is being transitioned to the Asset Management model

# Edelweiss Strategy FY20-23



Line of Business	Strategy	Benefits
<b>Retail Credit</b>	<ul style="list-style-type: none"> <li>Will work largely in partnership with banks for Co-origination</li> </ul>	<ul style="list-style-type: none"> <li><b>Equity Release:</b> Equity in the Corporate Credit will be released as we wind down the book</li> </ul>
<b>Corporate Credit</b>	<ul style="list-style-type: none"> <li>Showcase our workout capabilities especially in real estate and structured credit transactions</li> <li>Deliberate move to fund structure</li> </ul>	<ul style="list-style-type: none"> <li><b>Financing :</b> Gradual rundown of the Corporate Credit will generate liquidity which will finance Retail Credit growth</li> <li><b>ALM:</b> Costs of maintaining liquidity will reduce as the book becomes more granular</li> <li><b>Asset Quality:</b> Credit risk will be more granular since the book will be predominantly retail credit</li> <li><b>Quality of Earnings:</b> Earnings will be a blend of fee and spread, leading to healthy RoAs</li> </ul>
<b>Wealth Management &amp; Capital Markets</b>	<ul style="list-style-type: none"> <li>Maintain dominance in each of the segments</li> </ul>	<ul style="list-style-type: none"> <li>Favourable landscape for synergistic expansion</li> <li>Low competitive intensity</li> <li>Superior economics</li> </ul>
<b>Asset Management &amp; Asset Reconstruction</b>	<ul style="list-style-type: none"> <li>Alternatives will be a big growth area</li> <li>To build platform for Retail ARC</li> </ul>	
<b>Life Insurance</b>	<ul style="list-style-type: none"> <li>Continue as per plan towards breakeven</li> </ul>	<ul style="list-style-type: none"> <li>Building source of long - term annuity income</li> </ul>
<b>General Insurance</b>	<ul style="list-style-type: none"> <li>Focus on cross-sell and digital delivery model</li> </ul>	

**New phase in our journey of building sustainable diversified institution**

# Retail Credit



## Key Metrics

H1FY20	\$Mn
Capital Employed	2,138
Equity	354
PAT	11

## Business Strategy

- Continue our focus on growing in niche segments especially in SME and Affordable Housing Loans in partnership with banks
- Move from Tech-enabled to Tech-first approach – revamp of customer outreach and delivery model
- Business is still in growth investment phase
- Growth in book will result in efficiency in scale, reduce C/I thereby improving RoA
- Steady state RoA target of ~2-2.5% in next 2-3 years from current levels

**Retail Credit will constitute 75% of the book by FY23**

# Corporate Credit



## Key Metrics

H1FY20	\$Mn
Capital Employed	2,289
Equity	475
PAT	10

## Business Strategy

- Book is going through a down cycle and is expected to reverse in next 3-4 quarters
- Asset Management vehicles have proved to be a better source of long term stable and flexible capital for non-granular, high yield credit opportunities in the longer term
- This will come from global investors and domestic HNIs looking for duration and yielding assets
- We are hence accelerating the move of Corporate Credit from NBFC to fund form
- Current drag on profitability is due to higher credit costs which will continue to impact profits for next 3-4 quarters

**We expect the corporate book to come down by ~50-60% in the next 2 years**

# Asset Management & Asset Reconstruction Business



## Key Metrics

H1FY20	\$Mn
AUM	11,728
Equity	326
PAT	29

## Business Strategy

- We manage ~\$11,730 Mn of combined customer assets with our capital contribution of ~\$1,415 Mn
- Continue to maintain dominance in Asset Reconstruction business with the opportunity in mid market /retail NPAs with NBFC and banks
- Will consolidate our market leadership in alternatives – as we intend to raise and deploy \$1 Bn every year
- With the establishment of our performance track record, sponsor commitments will progressively reduce to 5%
- Investments will happen for next 3-4 years in Mutual Fund business to scale it further

**Our key differentiator is our investment expertise and our large operating team capability**

# Wealth Management and Capital Markets



## Key Metrics

H1FY20	\$Mn
AUA	15,251
AUC	3,042
Equity	20
PAT	13

## Business Strategy

- Achieved leadership position especially in affluent segment which is one of the fastest growing segments
- Strong technology platform and product capabilities already built
- Ability to scale up credit book for WM clients as well as focus on advisory and distribution products
- Significant synergies with Capital Markets business especially in HNI client coverage and delivery of full suite of capabilities

**We see significant opportunity in using technology to lower the cost of delivery of our services**

# Insurance



## Life Insurance

H1FY20	\$Mn
Equity	118
PAT	(18)
Embedded Value	207

## Life Insurance Business Strategy

- Increase Protection and Non Par products share to boost margins
- Multi-channel distribution strategy while ramping up proprietary channels like Direct and Agency
- Our 51% JV with Tokio Marine ensures both growth capital and specialist knowledge
- We plan to achieve EV breakeven by 2022 in Life insurance business

## General Insurance

H1FY20	\$Mn
Equity	16
PAT	(4)

## General Insurance Business Strategy

- Started operations in February 2018 to strengthen the retail offering
- Our current distribution strategy focuses on using our platform for cross-sell and upsell
- People- light approach to operations while leveraging technology prowess
- We plan to breakeven in another 6-7 years



## **Addendum to Q2FY20 Earnings Update**

***Indian Real Estate Snapshot***



# There Is Significant Pessimism Around Real Estate..



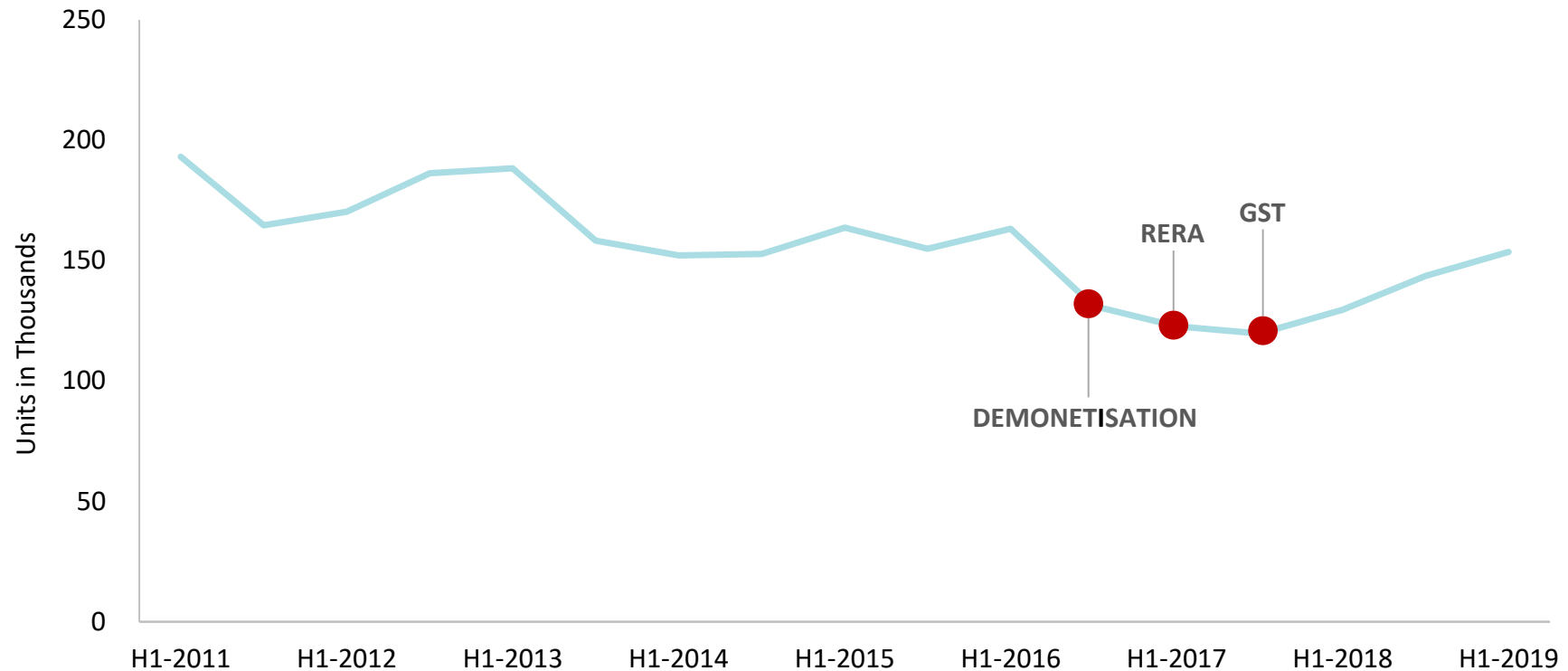
- 1 Liquidity squeeze has created a severe cash crunch for most developers
- 2 Many projects are stuck for lack of last-mile financing
- 3 Undelivered homes, along with one or two cases of fraud, have created a very negative perception in the market
- 4 General view is that the sector is under severe stress

**.. but data shows that things are actually improving**

# Reform-Led Revival in Sales Volumes...



Sales Trend



**-7% CAGR**

Sales from 2011 to 2017

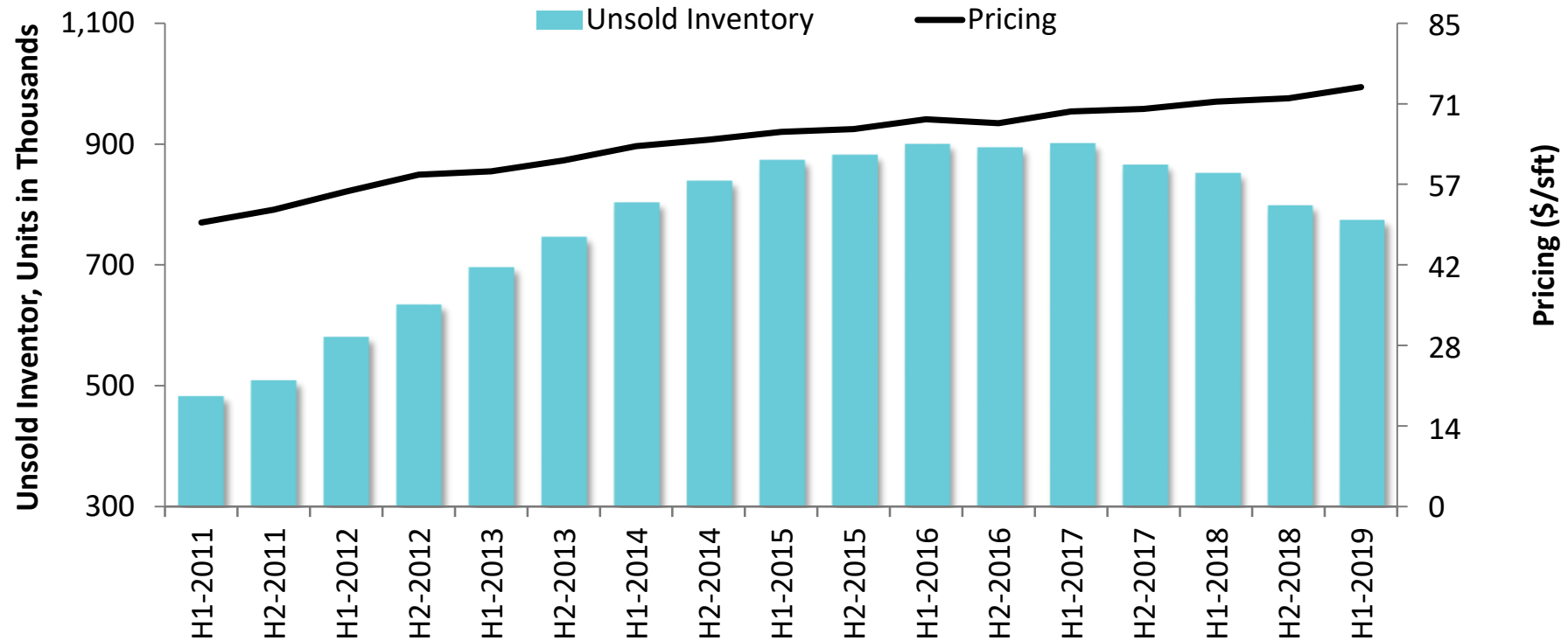
**+11% CAGR**

Last 2 years

# ...has Rationalised Inventory Levels, Helped by Flat Pricing Trends



Selling Price and inventory levels



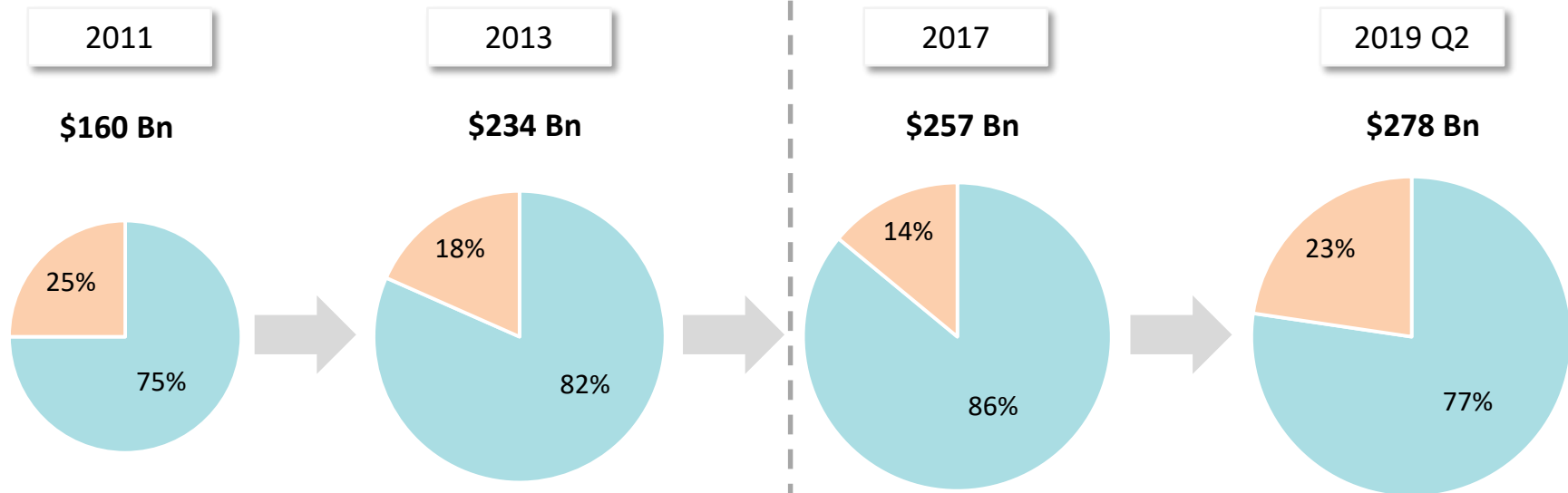
- Inflation-adjusted prices have remained flat, leading to improved affordability
- 15% decline in piled up inventory since beginning of reforms

# Balance Restored in Residential vs Commercial RE Asset Class Mix



## Value of Assets Under Construction

Residential Commercial



### 2011 - 2013

- Rapid growth in Residential RE, led largely by institutional funding
- Mix between Commercial and Residential changed from 1:3 (2011) to 1:4 (2013)

### 2017 - Present

- Investment in Commercial RE has caught up in light of economic activity – low vacancy levels
- Restoration of a mix of 1:3 between Commercial and Residential RE

## Assets under watch is only ~2x of current stressed debt



Developer Financing (Total Book)	\$Bn
Banks	46.7
NBFCs	28.3
<b>Total</b>	<b>75.0</b>

- Estimated stress of ~15% translates to a book of \$11.3 Bn
- \$11.3 Bn of total stressed debt would need ~40% of completion financing - ~\$4.5 Bn
- Government and other private funds should be able to bridge this gap



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## NOTES:

- |                     |                                                                                                                                         |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Slide 5, 40 :       | Embedded value (EV) is calculated on market consistent basis                                                                            |
| Slide 11 :          | Balance sheet is on net basis. General insurance loss of \$2.0 Mn in Q2FY20                                                             |
| Slide 12,18,19 :    | RoE is calculated excluding equity convertible instrument of CDPQ of \$147 Mn                                                           |
| Slide 6,20 :        | GNPA is as per RBI prudential norms; Stage 3 Credit Book and ECL Provision correspond to GNPA and specific provision taken respectively |
| Slide 19,24,30,38 : | Business wise financial performance numbers are on fully loaded cost basis with allocation of Group Enterprise costs                    |
| Slide 51 :          | Risk weighted assets is 88.7% of Gross Assets of \$7,091 Mn                                                                             |
| Slide 56 :          | Key institutional shareholders: Holding of known affiliates have been clubbed together for the purpose of this information              |