



# EDELWEISS FINANCIAL SERVICES LIMITED

## Q3FY16 EARNINGS UPDATE



- 1 FINANCIAL HIGHLIGHTS
- 2 BUSINESS HIGHLIGHTS
- 3 ENTERPRISE UPDATES
- 4 MACRO-ENVIRONMENT
- 5 DETAILED FINANCIALS

# FINANCIAL HIGHLIGHTS





## Key Highlights

### 1 28% YoY growth in consolidated profits

- 36% growth in Ex Insurance PAT
- 17<sup>th</sup> quarter of consistent growth in profits

### 2 Improved capital efficiency

- Consolidated RoE 13.0%
- Ex Insurance RoE 18.5%

### 3 Calibrated Growth in Balance Sheet

- Diversified Asset Mix
- Focus on long term funds – marquee lenders
- Liquidity cushion at ₹ 30 bn
- ALM maintained
- Adequately Collateralized Credit Book
- Capital Adequacy ratio at 17.8%

# A QUARTER OF SUSTAINED GROWTH



₹ in million

## Consol PAT



Q3FY16 1,057

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Q3FY15 829

## PAT Ex-Insurance

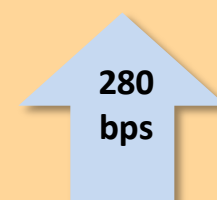


Q3FY16 1,329

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Q3FY15 981

## RoE Ex-Insurance

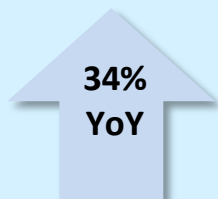


Q3FY16 18.5%

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Q3FY15 15.8%

## Balance Sheet

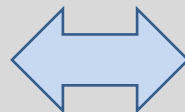


Q3FY16 309,982

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Q3FY15 232,101

## Credit Book Spread

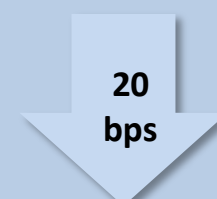


Q3FY16 5.5%

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Q3FY15 5.5%

## RoA Ex-Insurance



Q3FY16 1.8%

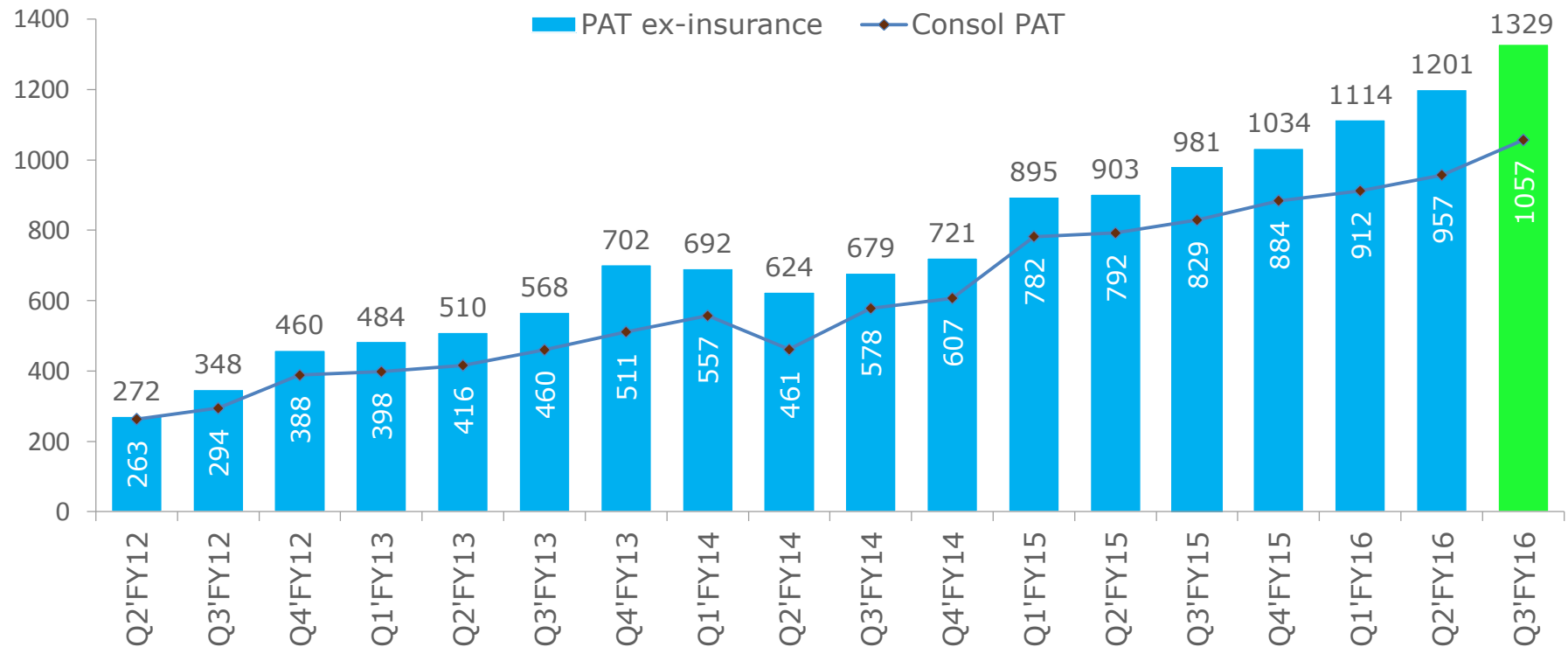
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Q3FY15 2.0%

# PROFITABILITY TRAJECTORY



Profit after Tax (₹ in million)

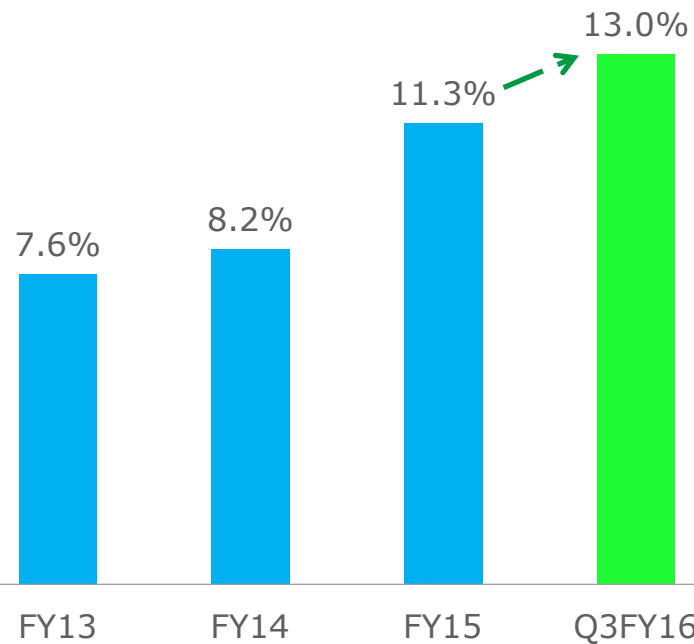


**CONSISTENT TRACK RECORD OF GROWTH SINCE Q2FY12**

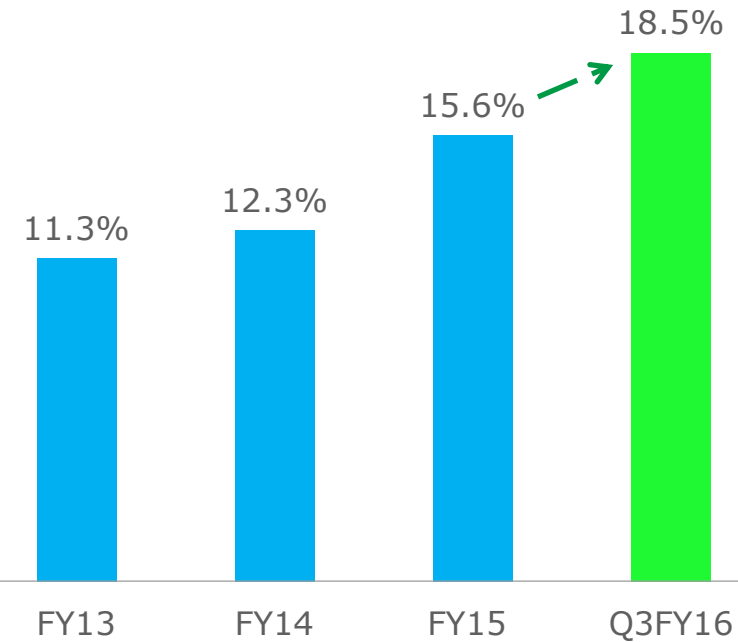
## EX-INSURANCE ROE IMPROVED TO 18.5%



**Consolidated RoE %**



**Tangible RoE % Ex-Insurance**



## ROA ATTRIBUTION (EX INSURANCE)



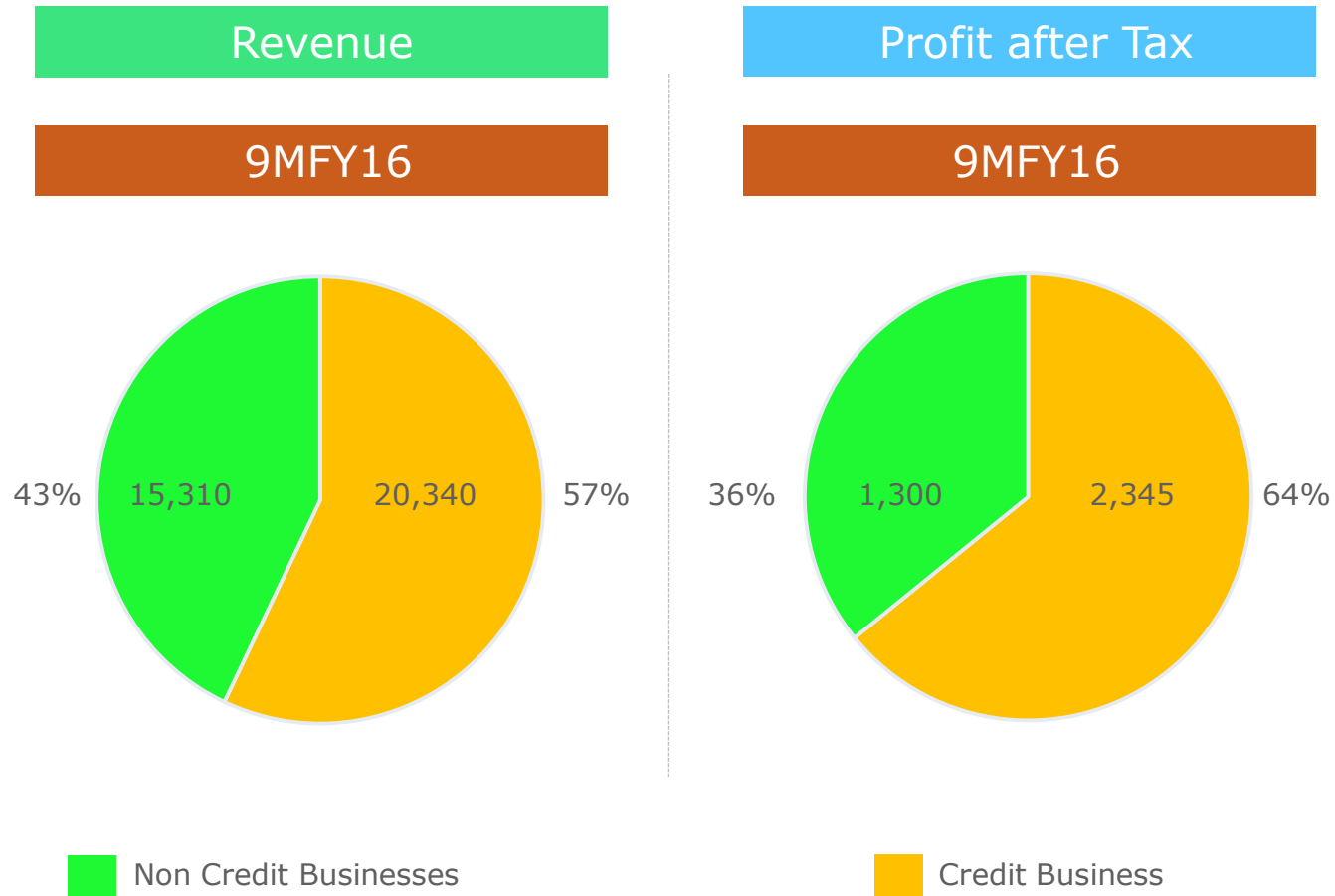
	9M'FY16	FY15	FY14
<b>NII</b>	<b>5.1%</b>	<b>5.6%</b>	<b>5.3%</b>
Interest	12.7%	12.0%	11.6%
Treasury	1.2%	2.2%	1.9%
Interest Cost	-8.9%	-8.7%	-8.1%
<b>Non-interest income</b>	<b>2.6%</b>	<b>2.9%</b>	<b>2.6%</b>
Fee & commission	2.3%	2.7%	2.4%
Other income	0.3%	0.2%	0.2%
<b>Expenses</b>	<b>-5.2%</b>	<b>-5.7%</b>	<b>-5.1%</b>
Employee cost	-2.6%	-2.9%	-2.5%
Depreciation & amortization	-0.3%	-0.3%	-0.3%
Operating expenses	-1.6%	-1.9%	-1.9%
Provisions	-0.7%	-0.6%	-0.4%
<b>PBT</b>	<b>2.4%</b>	<b>2.8%</b>	<b>2.8%</b>
Tax	-0.7%	-1.0%	-0.9%
<b>PAT</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.9%</b>



# CREDIT BUSINESS MAJOR GROWTH VECTOR

Ex-Insurance

₹ in million



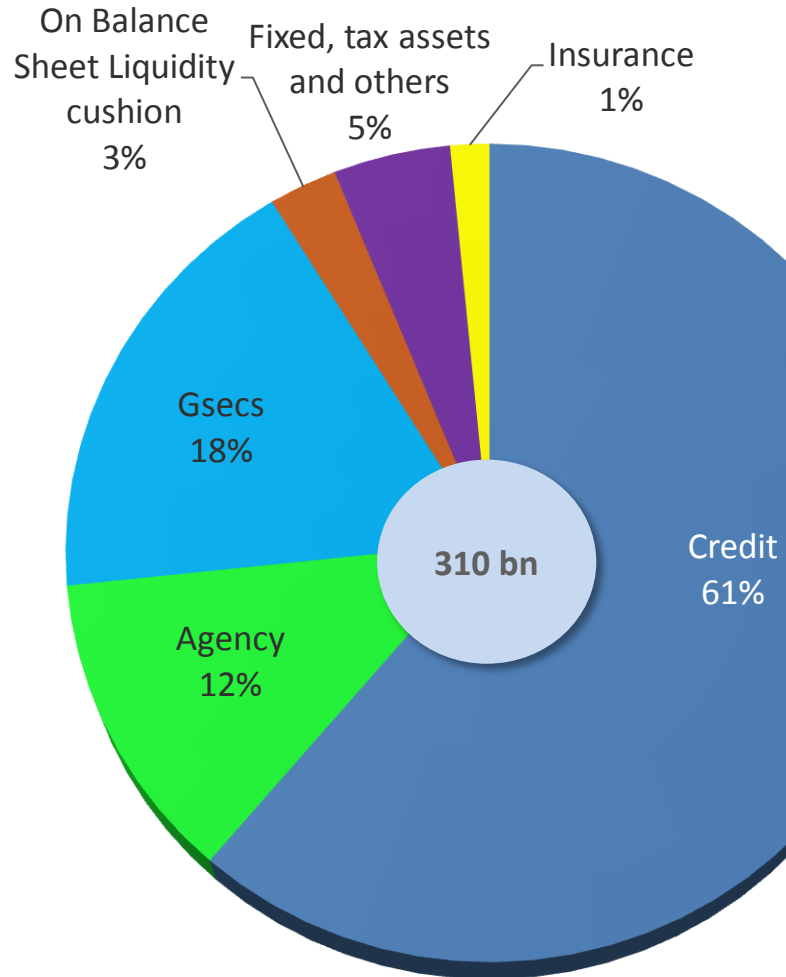
# FINANCIAL HIGHLIGHTS

## BALANCE SHEET & ALM

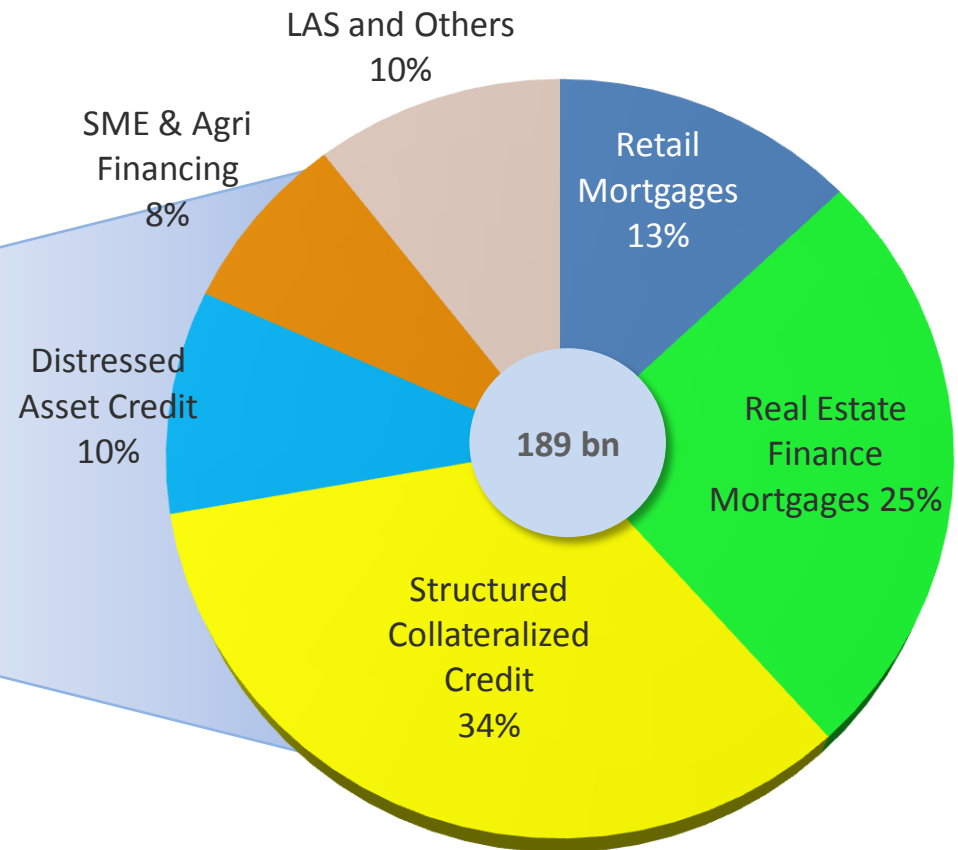
# DIVERSIFIED ASSET MIX



AS ON DEC 31, 2015



Balance Sheet Split



Credit Book Split

## \$12.7 BILLION OF ASSETS



As on 31 Dec 2015

₹ bn

USD bn

**Assets on Balance Sheet**

310

4.7

**Assets Under Management**

295

4.5

**Assets Under Advice**

234

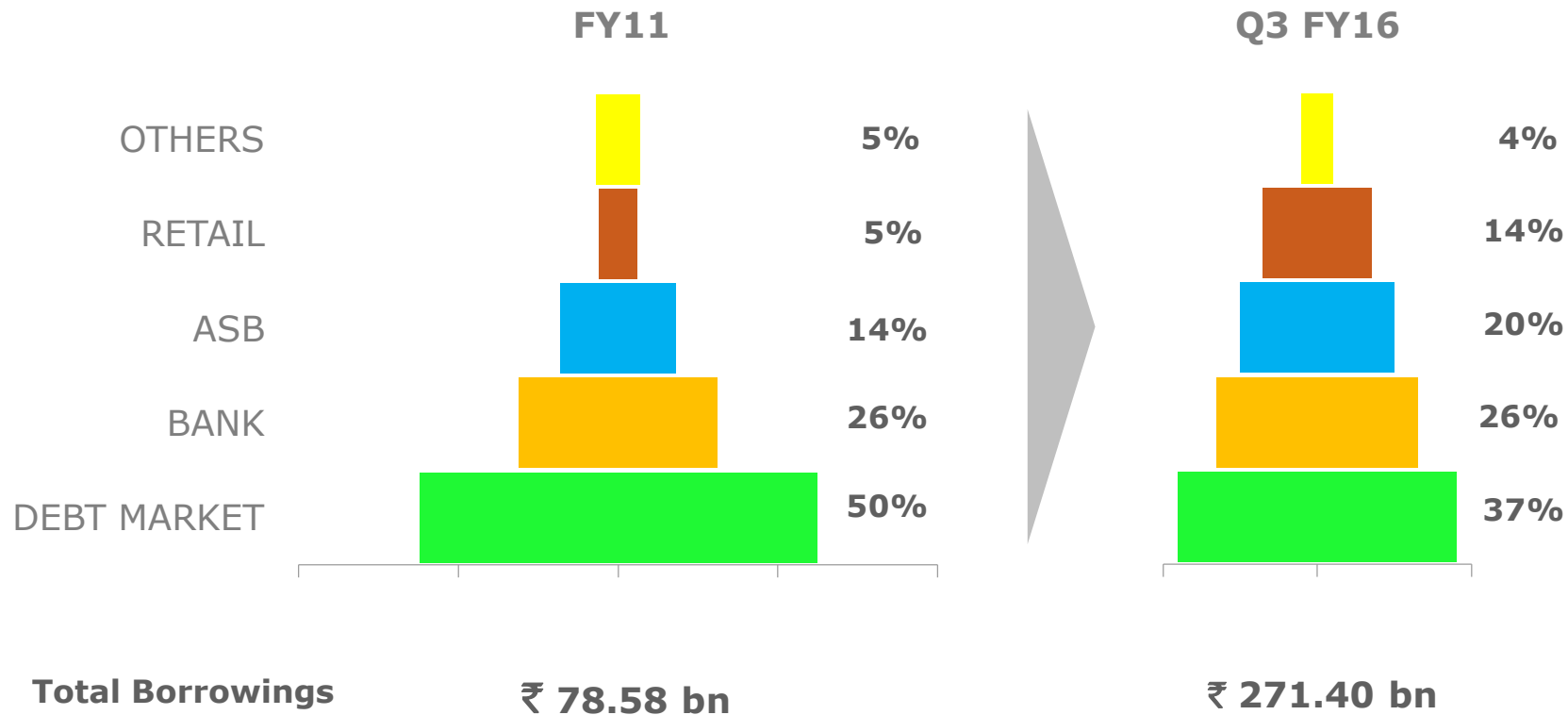
3.5

**Total Assets**

**839**

**12.7**

## DIVERSIFIED SOURCES OF BORROWINGS

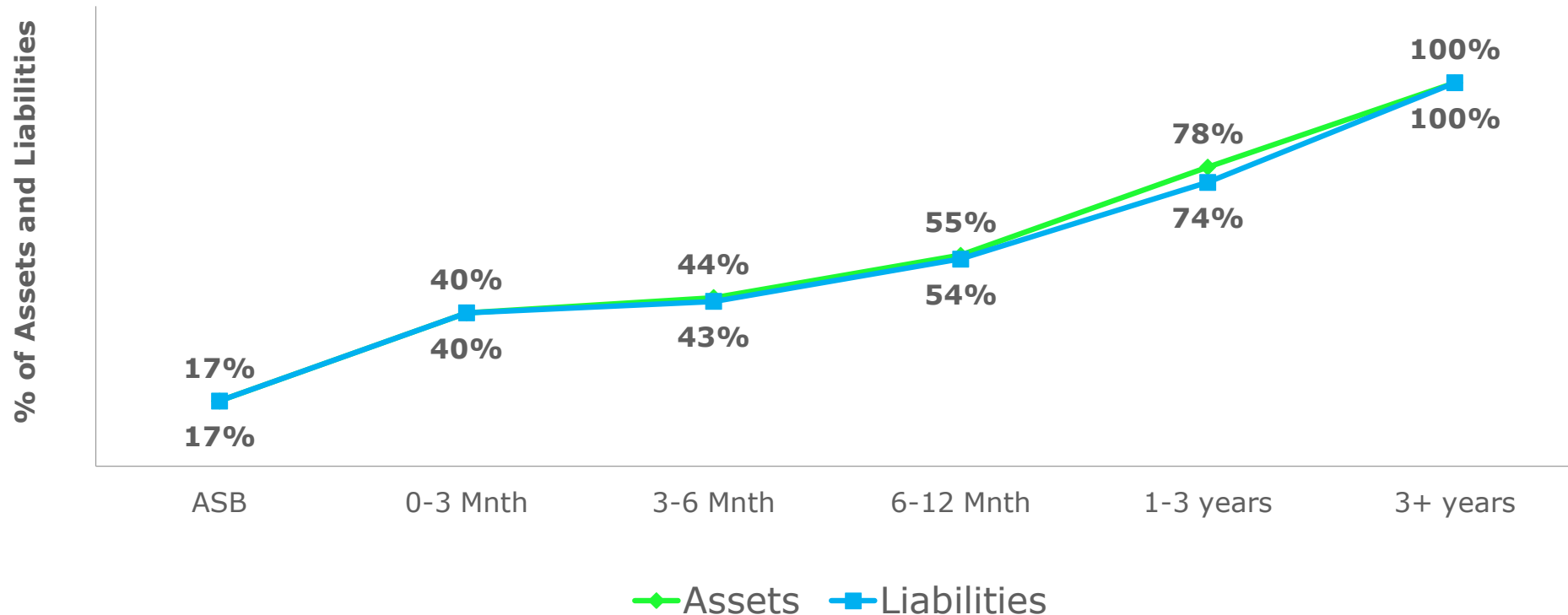


**STEADY DIVERSIFICATION OF SOURCES OF BORROWINGS LEADING TO LOWER DEPENDENCE ON DEBT MARKET BORROWINGS**

# COMFORTABLE ALM PROFILE



Dec'15 ₹ 308.42 bn<sup>1</sup>



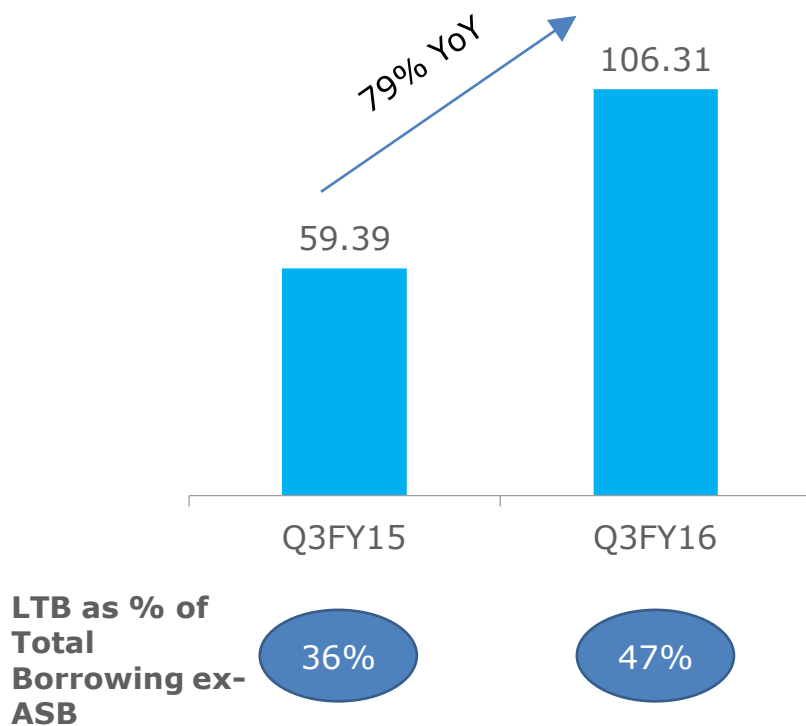
**POSITIVE ALM**  
**ALCO MANAGES AND MONITORS ALM, INTEREST RATE RISK AND LIQUIDITY**

<sup>1</sup>For footnotes, please refer the Safe Harbor slide at the end of this presentation

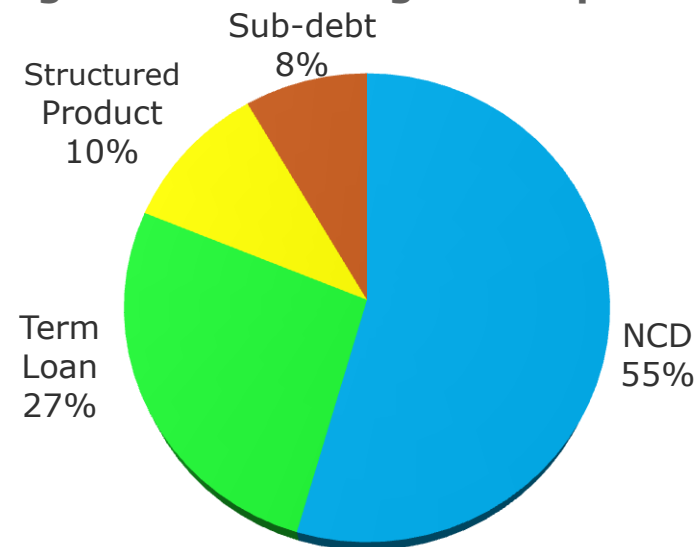
## SHARE OF LONG TERM FUNDS INCREASING



### Long Term Borrowing (₹ in billion)



### Long Term Borrowing Breakup



Average Tenure (years)

3.07

# COMFORTABLE CAPITAL ADEQUACY RATIO



## Liability Structure, Dec'15 (₹ in billion)

**Tier I**

37.33

**Tier II**

9.68

**Total Capital**

47.01

**Risk Weighted  
Assets**

264.65

**Consolidated Capital Adequacy<sup>2</sup>**

**17.8%**



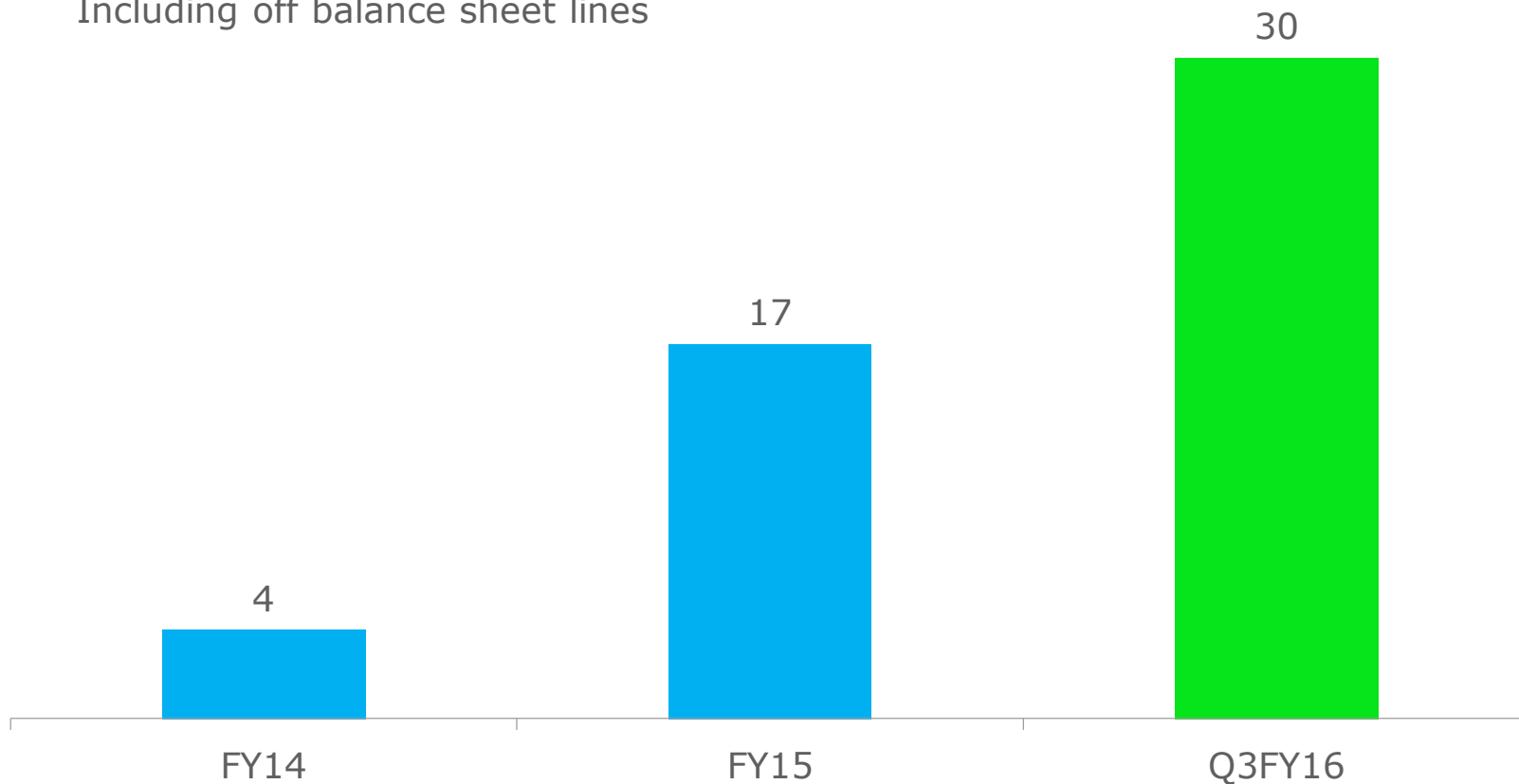
# LIQUIDITY CUSHION AT ₹ 30 BN IS 10% OF BALANCE SHEET



## Liquidity Cushion

Including off balance sheet lines

₹ in billion



# BUSINESS HIGHLIGHTS

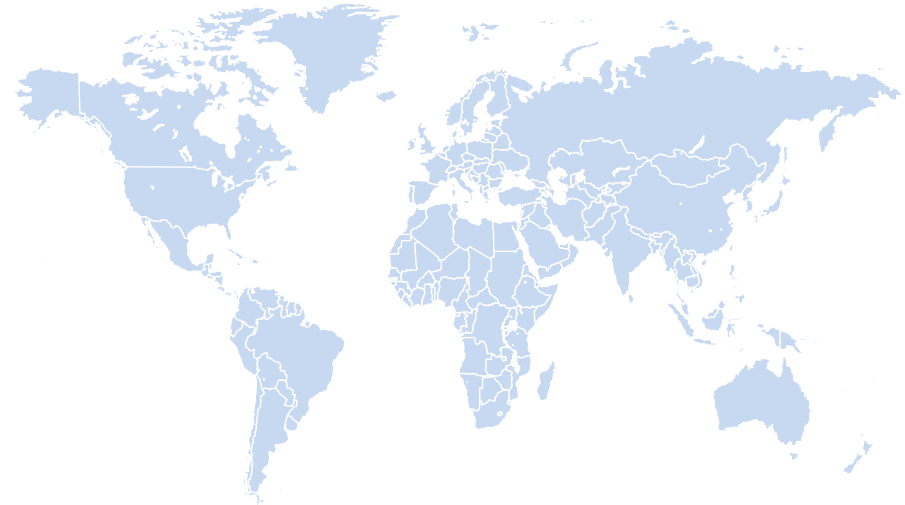
# GROWING BUSINESS PRESENCE



MUMBAI



INDIA



GLOBAL PRESENCE

- 1** Strong **clients/accounts** base of over **730,000** across businesses
- 2** Over **298,000 Depository Participant Accounts**
- 3** **6,156 employees across 233 offices** in **120 cities** including **eight international offices**
- 4** Touch points include over **4,700 Authorised Persons** and **Sub-brokers** across India



## CREDIT

Present across the spectrum of **Wholesale** and **Retail** credit :

- Mortgages
- Structured Collateralized Credit
- Loans against securities & others
- SME & Agri-Financing.
- Distressed Assets Credit

## INSURANCE

One of the **fastest growing** Life Insurance companies

## NON CREDIT BUSINESSES

**Strong product franchise** serving diverse client needs

- Investment Banking & Advisory
- Agri & Other Commodity services
- Financial Products Distribution & Others
- BMU & Liquidity Management
- Broking
- Asset & Wealth Mgmt.

**DIVERSIFIED BUSINESS MIX WITH THREE BUSINESSES**

# BUSINESS HIGHLIGHTS

## CREDIT BUSINESS

# CREDIT



At the end of (₹ in billion )	Q3FY16	Q2FY16	Q3FY15
<b>Total Credit Book</b>	<b>188.66</b>	<b>173.21</b>	<b>120.15</b>
Mortgages	72.49	67.48	49.37
Structured Collateralized Credit	63.74	60.35	46.65
Distressed Assets Credit	17.99	14.42	8.37
SME & Agri Finance	14.59	13.28	6.59
Loans against Securities, Rural Finance & others	19.85	17.68	9.17

## Update

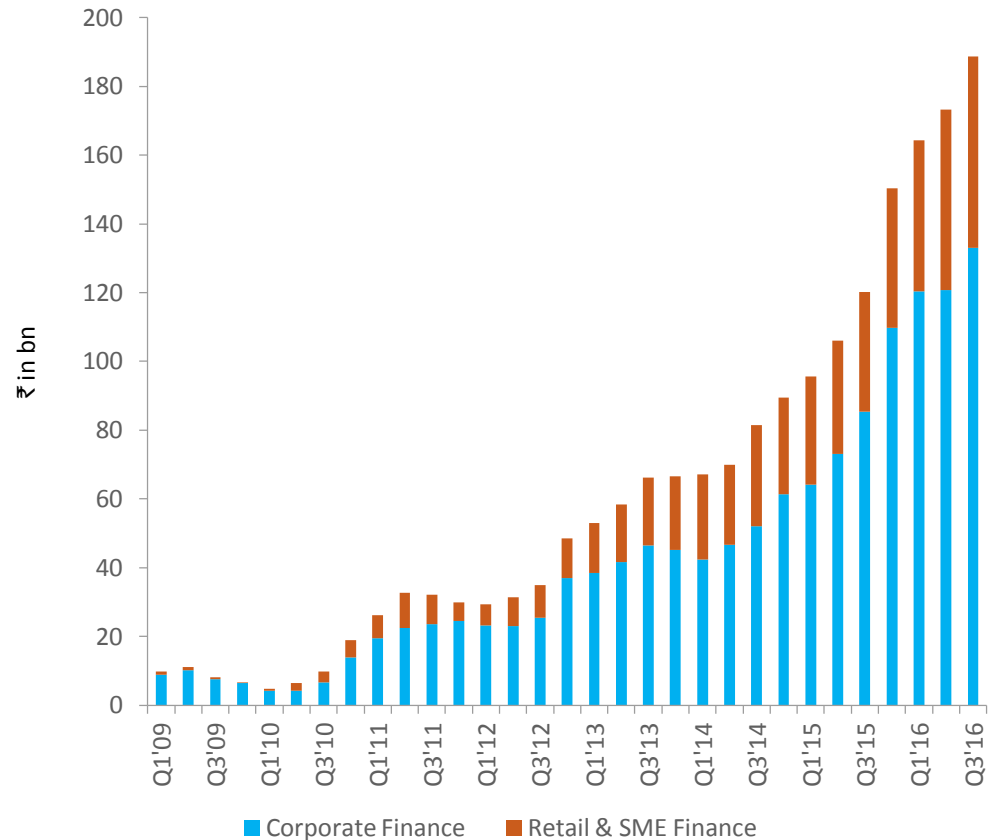
- \* Creating capabilities on collections in retail, resolutions in distressed assets and sell down in structured finance
- \* Risk management continues to be the focus area

**CREDIT BOOK SCALE UP WITHOUT DILUTING UNDERWRITING STANDARDS**

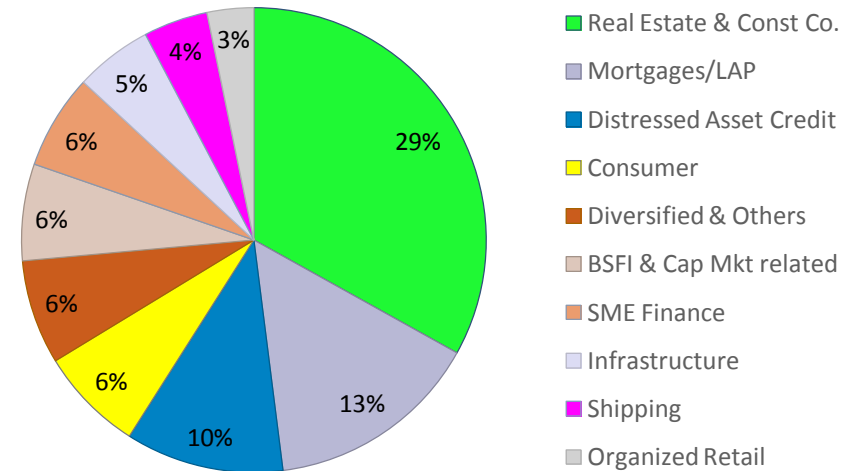
# CREDIT BOOK GROWTH AND EXPOSURES



**Credit Book Growth & Composition as on Dec 31, 2015**



**Top Ten Sector Exposures as on Dec 31, 2015**



**RETAIL LOANS AT 29% OF THE TOTAL BOOK**

**A WELL DIVERSIFIED CREDIT BOOK WITH ROBUST RISK MANAGEMENT APPROACH**



At the end of	Q3FY16	Q2FY16	Q3FY15
Average Interest Yield	16.2%	16.0%	16.1%
Average Cost of Borrowing	10.7%	10.8%	10.6%
Interest Spread	5.5%	5.2%	5.5%
Net Interest Margin	6.8%	6.6%	7.1%
Average collateral cover on Structured Collateralised book	2.1x	2.1x	2.6x
Retail Finance presence	46 cities & 1,850 villages	44 cities & 1,800 villages	29 cities & 750 villages
~Number of Retail Finance clients	154,000	78,000	37,200
Housing Finance & LAP portfolio LTV	~50%	~51%	~53%

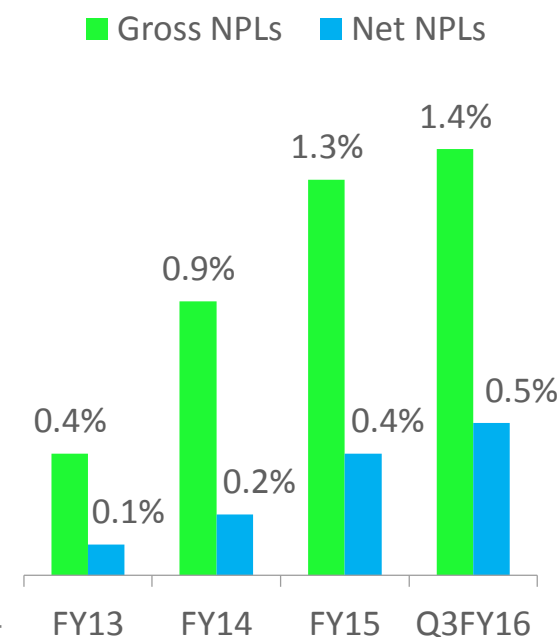
**RETAIL FINANCE SPREADING FOOTPRINT THROUGH  
SMALL-TICKET HOME LOANS, SME & RURAL FINANCE**



## CREDIT : GOOD ASSET QUALITY



At the end of (₹ in million)	Q3FY16	Q2FY16	Q3FY15
Total Credit Book	188,659	173,215	120,154
Gross NPLs	2,717	2,504	1,550
Gross NPL %	1.44%	1.45%	1.29%
Net NPLs %	0.50%	0.44%	0.19%
Total Provision Held <sup>3</sup>	2,334	2,333	1,637
Total Provision Cover <sup>3</sup>	86%	93%	106%



**RISK MANAGEMENT ENSURING ASSET QUALITY REMAINS UNDER CONTROL**

# **BUSINESS HIGHLIGHTS**

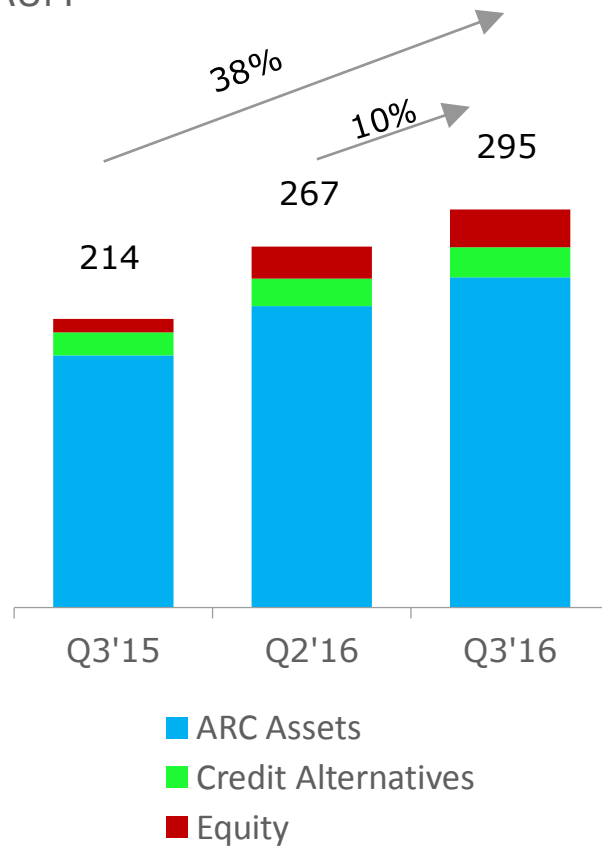
## **NON CREDIT BUSINESSES**

# NON CREDIT BUSINESSES SCALING UP RAPIDLY

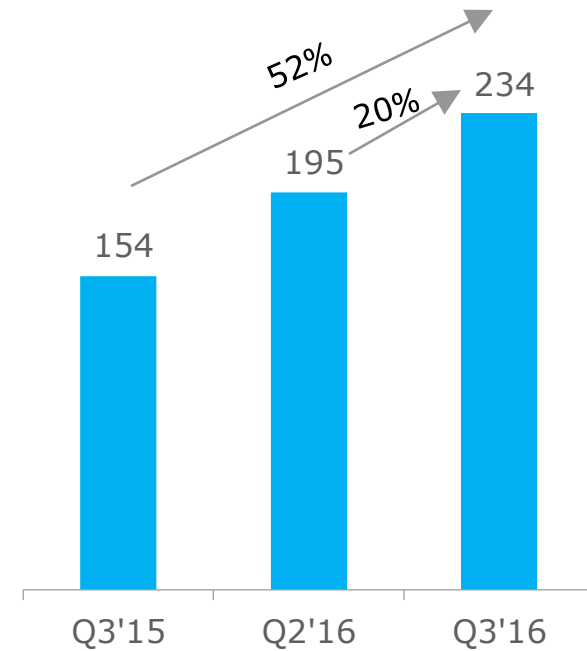


₹ in billion

AUM



Wealth AUA<sup>4</sup>





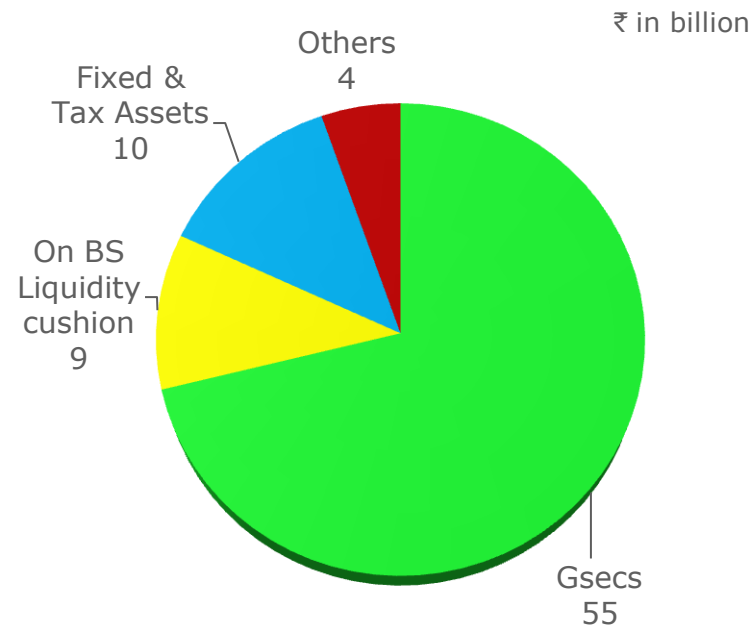
At the end of	9MFY16	9MFY15
Number of IB & DCM Deals	75	74
Research Coverage		
Institutional	214	206
Retail	38	52
Broking ADV (₹ in billion )	50	48
Retail Financial Markets clients	479,000	445,000
Depository Participant accounts	298,000	278,000
Agri Services		
Number of Warehouses	226	-
Warehousing Capacity (Lac MT)	9.3	-



## Key Objectives

- \* Liquidity management; Liquidity cushion raised to ₹ 30 bn
- \* Asset Liability Management
- \* Manage Treasury assets
- \* Corporate Fixed Assets and Investments

## BMU & Corporate Assets, December'15



# **BUSINESS HIGHLIGHTS**

## **LIFE INSURANCE BUSINESS**



**Life Insurance** business with JV partner Tokio Marine Holdings, Inc.

- Focus on performance including achieving growth in premium and expansion of distribution footprint
- Edelweiss Tokio funds have been rated top performers by Morningstar with all Individual ULIP funds are in top decile rated as on Dec'15
- Edelweiss Tokio offers range of individual products to meet six key needs of customers viz. education, wealth, accumulation, wealth enhancement, income replacement, impaired health and retirement funding. ETLI launched 'Dhanlabh' a guaranteed benefit product with an option to take maturity benefits in lump sum or instalments

At the end of	Q3FY16	Q2FY16	Q3FY15
No. of Personal Financial Advisors	13,800	12,400	9,300
No. of Branches	67 in 56 cities	59 in 49 cities	59 in 49 cities

**FIPB APPROVAL RECEIVED FOR INCREASING FOREIGN STAKE FROM 26% TO 49%**

# ENTERPRISE UPDATES



# AWARDS AND ACCOLADES



Edelweiss

**TOPS**

**BEST BROKERAGE IN INDIA  
FOR  
ROADSHOWS AND  
COMPANY VISITS**

ASIAMONEY BROKERS POLL 2015

Asiamoney annual Brokers Poll is the largest Asia-focused equity services provider poll, which invites senior-level institutional investors to provide their important assessment on sell side for the past 12 months.



**BEST BROKERAGE FOR ROADSHOWS & COMPANY VISITS 2015 (ASIAMONEY),  
MSME BANKING EXCELLENCE AWARD 2015 (CIMSME)**

## KEY HR METRICS



At the end of	9MFY16	H1FY16	9MFY15
Head Count	6,156	5,937	5,275

Senior Hiring	24%	23%	50%
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Senior Attrition	11%	9%	19%
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During		Q3FY16	Q2FY16	Q3FY15
Learning & Development	Training man days	5,065	5,528	5,639
	Employees covered	1,962	2,172	1,542

**BUILDING LEADERSHIP CAPABILITY THROUGH  
A FOUR-TIER LEADERSHIP STRUCTURE FOR FUTURE GROWTH**

# CORPORATE SOCIAL RESPONSIBILITY – EDELGIVE FOUNDATION



Philanthropic initiative to drive sustainable social change

Impacted over 3,00,000 lives

Financially supported over 72 organizations till date

Committed nearly ₹ 360 mn

Over 12,000 hours of pro-bono support from Edelweiss employees

Over 35% Edelweiss employees engaged in volunteering and financial contributions

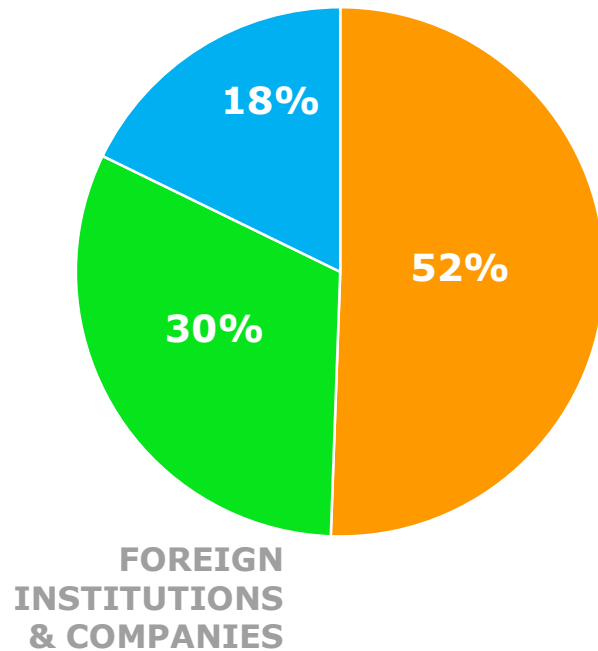
Focus on Education, Livelihoods and Women's Empowerment

Post the phenomenal success of **MC Mary Kom** at the London Olympics 2012, Edelweiss is now also supporting **P V Sindhu** (Badminton) and **Ayonika Paul** (Rifle Shooting) through Olympic Gold Quest

# SHAREHOLDING PATTERN



**NON INSTITUTIONS  
(INCL. CORPORATES  
AND INDIVIDUALS)**



**PROMOTERS,  
EMPLOYEES  
& EMPLOYEE  
TRUSTS**

## **TOP INSTITUTIONAL SHAREHOLDERS ABOVE 1%<sup>5</sup> AS ON DEC 31, 2015**

	Name	Percent
1	Carlyle	8.4%
2	Fidelity	5.7%
3	BIH SA	5.4%
4	SAIF Advisors	3.2%
5	Amansa Investments	1.5%
6	Abu Dhabi Inv Authority	1.1%
7	Birla Sun Life MF	1.1%

**SIGNIFICANT INSTITUTIONAL OWNERSHIP FROM ACROSS GEOGRAPHIES**



# MACRO-ENVIRONMENT



*Cautiously*

-ve

Global Risks

*Optimistic*

+ve

Domestic Strength



*Cautiously*

-ve

Global Risks

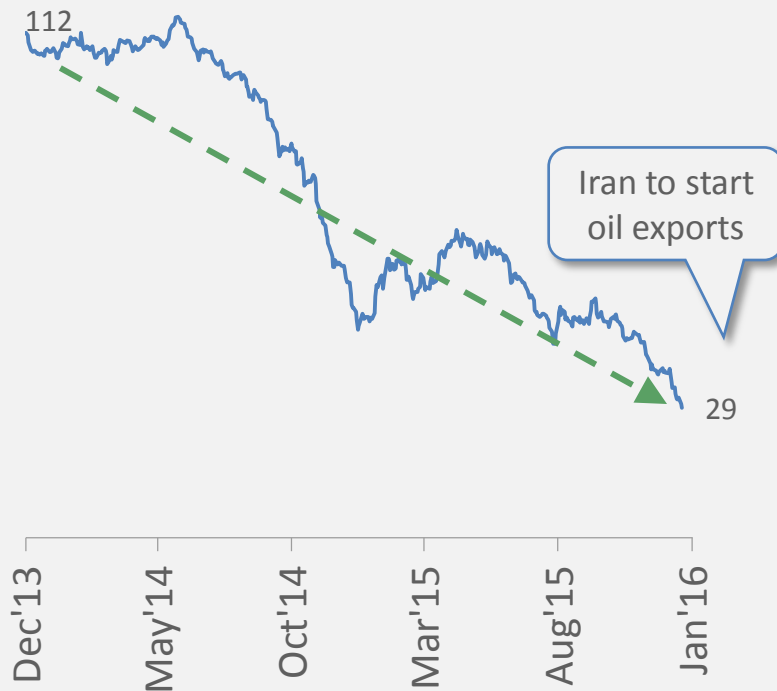
*Optimistic*

+ve

Domestic Strength



## Brent Crude (\$/Barrel)



## Forecasted to fall to **\$10-20** levels;

### Oil crash is taking toll on:

1. Oil exporting countries, and
2. Commodity corporates



China



Brazil



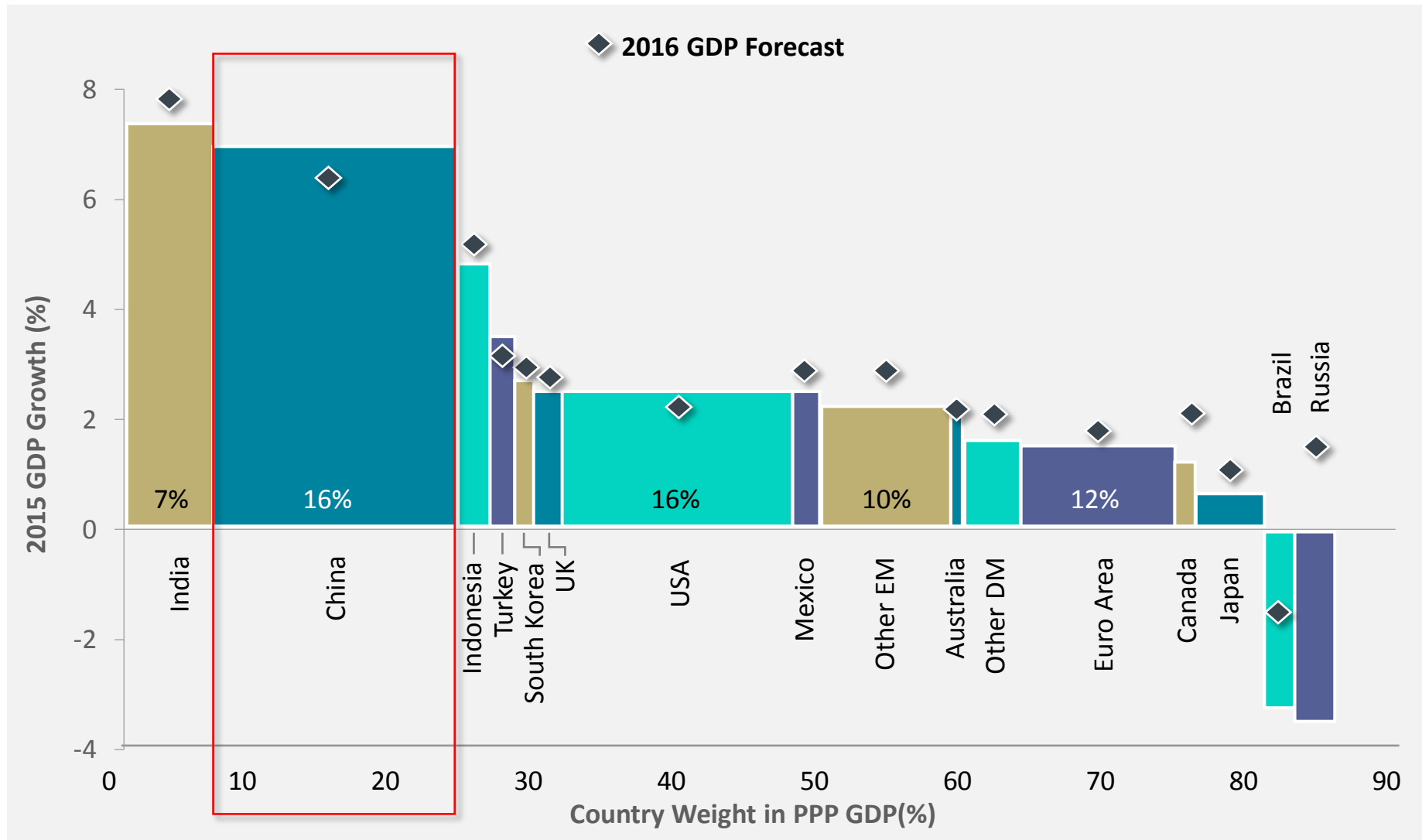
Russia



OPEC  
Countries



# CHINA ONCE ENGINE FOR GLOBAL GROWTH...

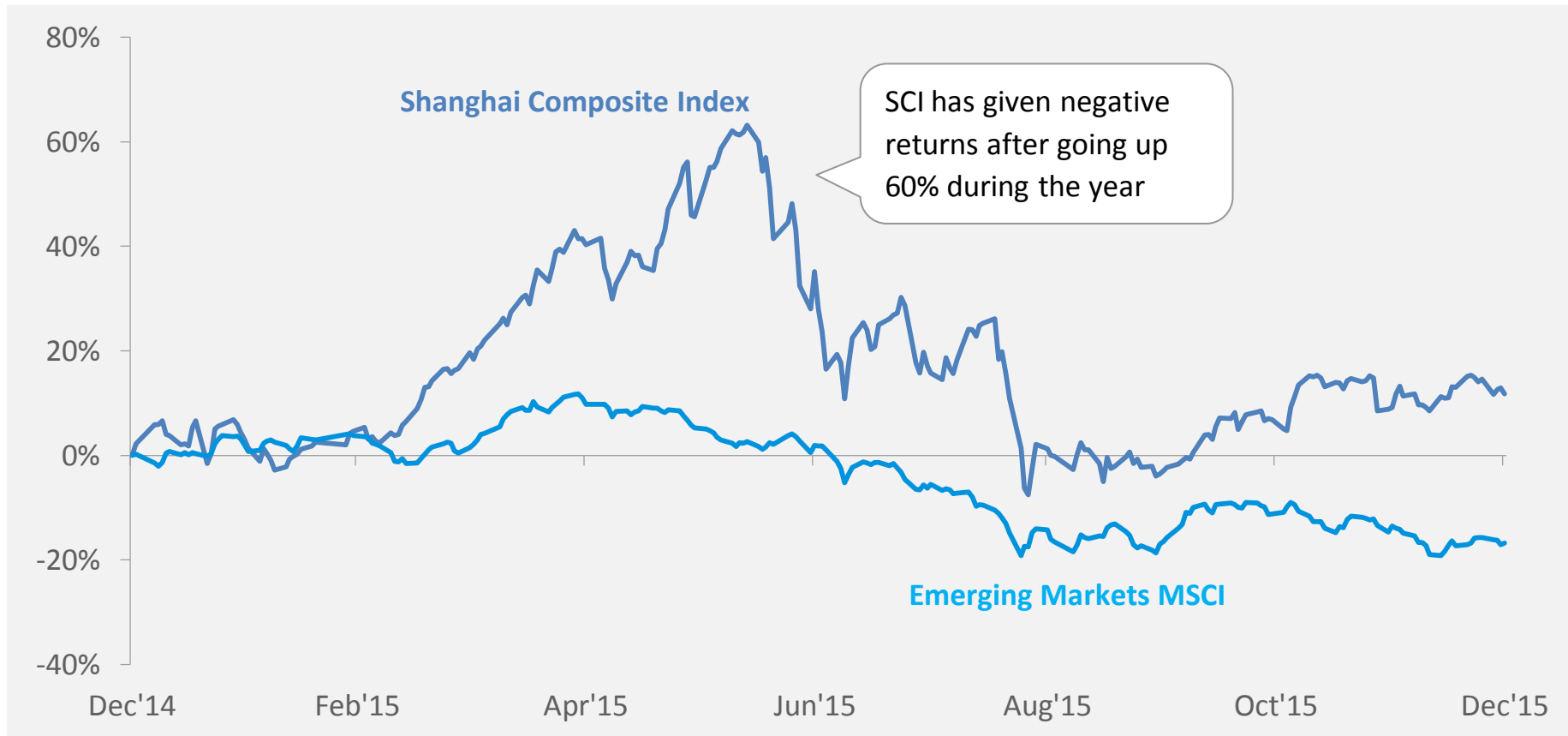


Source: Goldman Sachs Global Investment Research

...IS NOW RATTLING GLOBAL AND EM MARKETS



## Percentage Return since 31 Dec 2014

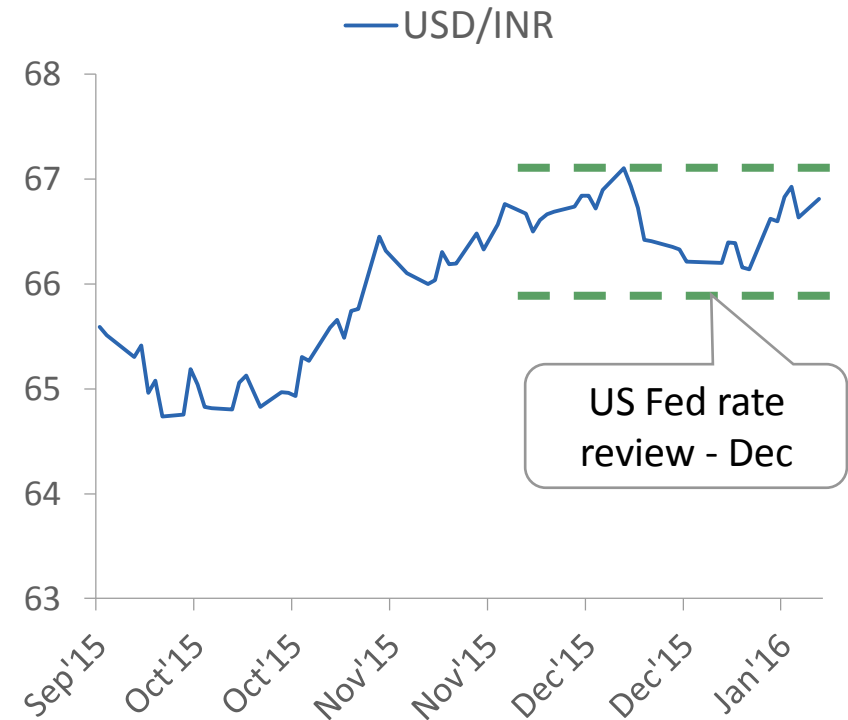


**China has tried several steps for soft landing....  
However, they have met with knee jerk reactions from markets**

# US Fed increased the rate after a decade of wait and watch



## However, absorbed well by markets



**So far liquidity has been adequate due to Japan and EU**  
**Reduction in liquidity can impact EM markets adversely**



**Anti-austerity** parties have won the elections  
held in 2015 in PIIGS countries



Greece  
Sep'15



Portugal  
Oct'15



Spain  
Dec'15

Will result in more political upheaval and stress  
on Euro economy



*Cautiously*

-ve

Global Risks

*Optimistic*

+ve

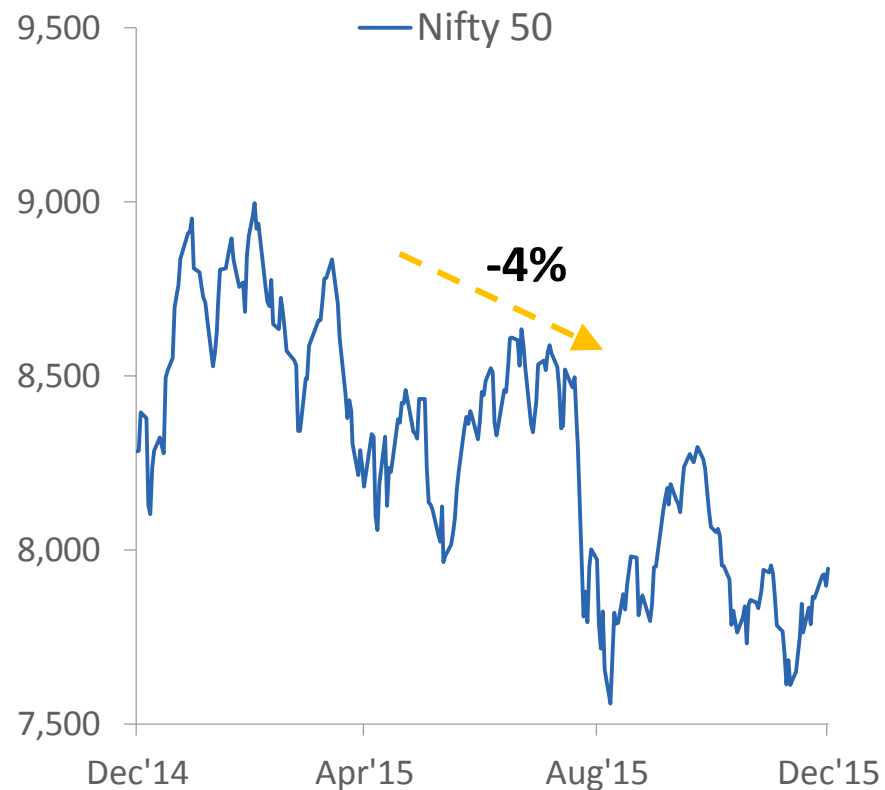
Domestic Strength



## **A host of positives for India:**

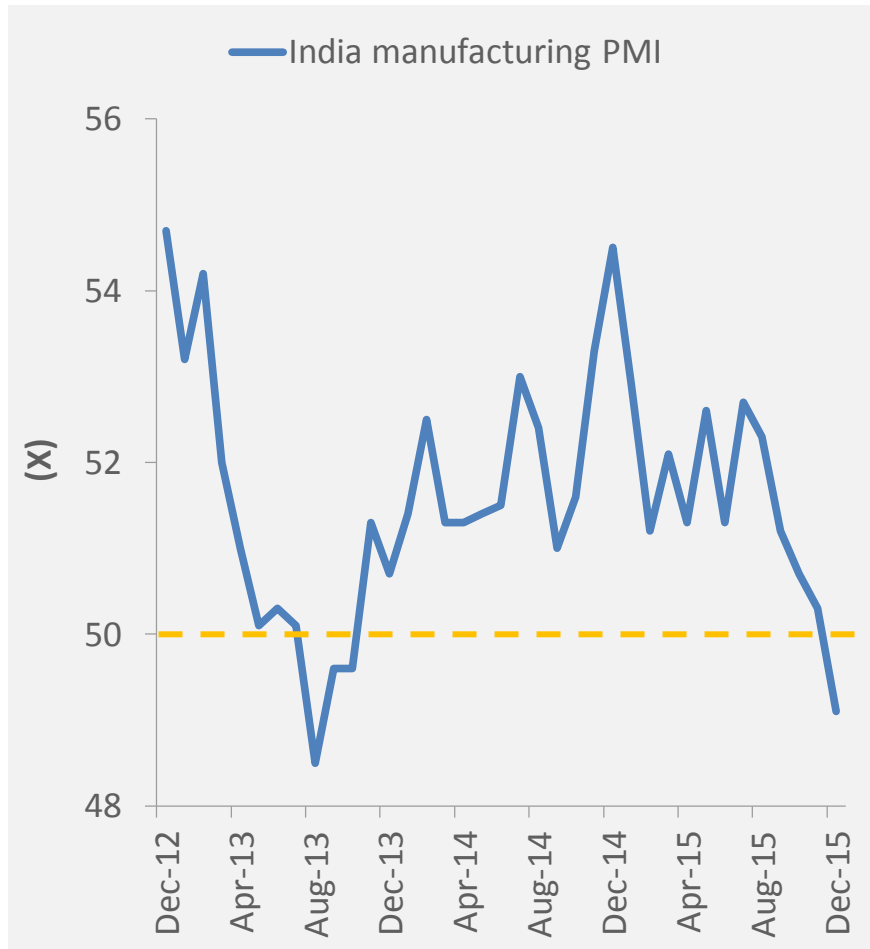
- ✓ Commodity price crash
- ✓ Contained inflation
- ✓ RBI rate cut of 125 bps
- ✓ Most sound CAD situation in a decade
- ✓ Reforms focused government

**“Despite above positives, Nifty gave negative return”**

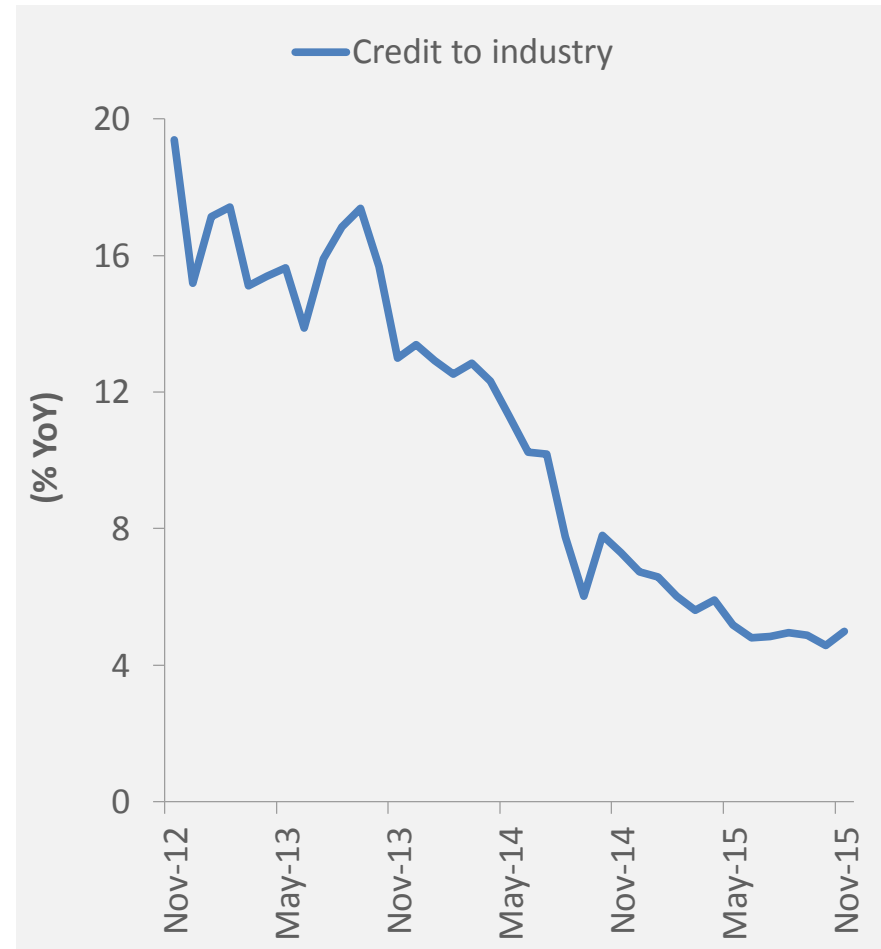




## Manufacturing PMI is now in contraction zone



## Industry credit growth remains flattish



CONTINUE TO BE CAUTIOUSLY POSITIVE ON INDIA, DUE TO...



## Negative GDP deflator auguring further rate cuts?



Inflation situation may create more clamour for rate cuts





## Reforms on anvil

### Real Estate Regulatory Bill

- Creation of a state level real estate regulator
- Developers to register all the projects with authority and will be graded by authority
- 70% of cost to be deposited in escrow account

### UDAY – Power Sector Reforms

- \* Will restructure 4.3 lakh cr of debt of DISCOMs
- \* Align customer tariff with cost of generating electricity
- \* Utilities will break even in next 2-3 years

### INDRADHANUSH – PSB reforms

- \* Capitalization of Public Sector Banks
- \* Improvement in governance – Bank Board Bureau
- \* Flexibility to banks for appointing staff at mid level

### Other bills

- \* Black money bill
- \* Bankruptcy code
- \* GST



1 Global stress can pull liquidity out of system

2 Currency volatility

3 RBI's view on interest rates

4 Government's ability to push reforms

# DETAILED FINANCIALS

# CONSOLIDATED RESULTS



₹ in million	FY16	FY16	FY15	FY16	FY15	FY15
	Q3	Q2	Q3	9M	9M	Annual
Fee and Commission Income	1,807	1,480	1,597	4,916	3,929	5,727
Fund based Income	10,940	10,260	7,573	30,761	21,761	31,001
Premium from Life Insurance Business	637	576	399	1,515	1,020	1,866
Other Operating Income	204	164	86	508	176	385
Other Income	23	6	12	75	83	140
<b>Total Revenue</b>	<b>13,611</b>	<b>12,486</b>	<b>9,667</b>	<b>37,775</b>	<b>26,969</b>	<b>39,119</b>
Employee Benefits Expense	2,162	2,134	1,699	6,410	4,847	7,086
Financial Costs	6,809	6,377	4,458	19,241	12,538	18,316
Depreciation & Amortization	225	207	195	632	519	716
Change in life ins. policy liability – actuarial	477	496	275	1,194	704	1,395
Other Expenses	2,444	1,882	1,654	6,039	4,521	6,326
<b>Total Expenses</b>	<b>12,117</b>	<b>11,096</b>	<b>8,281</b>	<b>33,516</b>	<b>23,129</b>	<b>33,839</b>
<b>Profit Before Tax</b>	<b>1,494</b>	<b>1,390</b>	<b>1,386</b>	<b>4,259</b>	<b>3,840</b>	<b>5,280</b>
Tax Expenses	488	482	574	1,443	1,461	2,017
<b>Profit After Tax</b>	<b>1,006</b>	<b>908</b>	<b>812</b>	<b>2,816</b>	<b>2,379</b>	<b>3,263</b>
Share of Minority Interests in Profits	(51)	(49)	(17)	(110)	(24)	(24)
<b>Profit After Tax and Minority Interest</b>	<b>1,057</b>	<b>957</b>	<b>829</b>	<b>2,926</b>	<b>2,403</b>	<b>3,287</b>
Diluted EPS <sup>6</sup> (in ₹) (FV ₹ 1)	1.22	1.11	1.00	3.41	2.91	3.88
Book Value per Share (in ₹) (FV ₹ 1)	43	42	38	43	38	40

# CONSOLIDATED RESULTS EX-INSURANCE



₹ in million	FY16	FY16	FY15	FY16	FY15	FY15
	Q3	Q2	Q3	9M	9M	Annual
Fee and Commission Income	1,807	1,480	1,597	4,916	3,929	5,727
Fund based Income	10,772	10,081	7,326	30,165	21,038	30,064
Other Operating Income	204	164	86	508	176	385
Other Income	23	-	3	60	55	104
<b>Total Revenue</b>	<b>12,806</b>	<b>11,725</b>	<b>9,012</b>	<b>35,649</b>	<b>25,198</b>	<b>36,280</b>
Employee Benefits Expense	1,835	1,844	1,430	5,509	4,108	6,105
Financial Costs	6,807	6,375	4,457	19,236	12,535	18,310
Depreciation & Amortization	204	189	175	578	457	635
Other Expenses	2,097	1,597	1,359	5,098	3,752	5,240
<b>Total Expenses</b>	<b>10,943</b>	<b>10,005</b>	<b>7,421</b>	<b>30,421</b>	<b>20,852</b>	<b>30,290</b>
<b>Profit Before Tax</b>	<b>1,863</b>	<b>1,720</b>	<b>1,591</b>	<b>5,228</b>	<b>4,346</b>	<b>5,990</b>
Tax Expenses	489	482	573	1,442	1,461	2,017
<b>Profit After Tax</b>	<b>1,374</b>	<b>1,238</b>	<b>1,018</b>	<b>3,786</b>	<b>2,885</b>	<b>3,973</b>
Share of Minority Interests in Profits	45	37	37	142	107	160
<b>Profit After Tax and Minority Interest</b>	<b>1,329</b>	<b>1,201</b>	<b>981</b>	<b>3,644</b>	<b>2,778</b>	<b>3,813</b>
Diluted EPS <sup>6</sup> (in ₹) (FV ₹ 1)	1.58	1.40	1.20	4.36	3.41	4.65



Edelweiss Tokio Life Insurance Company Limited Standalone (ETLI)				
₹ in million	Q3FY16	Q2FY16	Q3FY15	FY15
Gross Premium Income	662	599	416	1,931
Investment Income & Other Income	168	185	256	972
<b>Total Income</b>	<b>830</b>	<b>784</b>	<b>672</b>	<b>2,903</b>
Total Expenses	1,198	1,113	877	3,613
Profit Before Tax	(368)	(329)	(205)	(710)
<b>Profit After Tax</b>	<b>(368)</b>	<b>(329)</b>	<b>(205)</b>	<b>(710)</b>
Net Worth	4,709	5,040	5,892	5,691

# SUMMARY BALANCE SHEET



As on (₹ in million)	Dec 31 '15 ( Unaudited)	Sept 30 '15 ( Unaudited)	Dec 31 '14 (Unaudited)
<b>Equity and Liabilities</b>			
Shareholders' Funds	35,025	33,915	31,698
Minority Interest	3,553	3,654	3,711
Borrowings	271,404	256,883	196,692
<b>Total</b>	<b>309,982</b>	<b>294,452</b>	<b>232,101</b>

<b>Assets</b>			
Credit Book Assets	188,659	173,215	120,154
FDs and Cash & Bank Balances	27,348	24,241	25,527
Government Bonds	55,190	49,500	41,260
Other Assets	38,785	47,496	45,160
<b>Total</b>	<b>309,982</b>	<b>294,452</b>	<b>232,101</b>



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## NOTES:

- <sup>1</sup> Excludes Employee Welfare Trust shares
- <sup>2</sup> Capital Adequacy Ratio for EFSL consolidated Balance Sheet calculated as per RBI norms applicable to NBFCs
- <sup>3</sup> Including provision held on Standard Assets
- <sup>4</sup> Wealth AuMs/AuAs include Broking & Advisory assets
- <sup>5</sup> Holding of known affiliates have been clubbed together for the purpose of this information
- <sup>6</sup> Quarterly/9M EPS not annualised