

## Edelweiss Financial Services Limited Q1FY21 Results Highlights

*Sale of 51% stake in Edelweiss Wealth Management to unlock value for shareholders  
 Maintaining a strong balance sheet, despite headwinds*

### Q1FY21 Key Highlights:

- **P&L (consolidated):** Total Income INR 1,920 Cr and PAT INR (245 Cr)
- **Group Net Worth:** INR 8,320 Cr<sup>1</sup>
- **Customer Assets:** INR 2,23,000 Cr (*INR 2,07,700 Cr in Q4FY20*)
- **Well capitalized** businesses with **strong capital adequacy** levels both at consolidated level and key operating entity levels:
  - Consolidated capital adequacy: 21.1%
  - ECL Finance Ltd.: 21.3%
  - Edelweiss Retail Finance Ltd.: 29.0%
  - Edelweiss Housing Finance Ltd.: 23.2%
  - Edelweiss Asset Reconstruction Company Ltd.: 32.6%
- **Debt Equity Ratio** (*Ex Treasury Assets*) reduced to 3.2x (*3.5x in Q4FY20*). Borrowings reduced to INR 30,394 Cr<sup>2</sup> – a reduction of 40% over Q2FY19 levels
- **Liquidity:** INR 5,700 Cr (*as on August 12, 2020*)
- **Corporate credit exposure continues to decline.** Corporate credit assets now stand at INR 8,549 Cr. (*INR 10,130 Cr in Q4FY20*) – a reduction of 59% over Q2FY19 levels
- **Dominant presence in capital-light businesses** with a **robust fee income base of ~INR 2,000 Cr p.a.** on the back of strong franchise and steadily growing customer asset base
  - Wealth Management – 2nd Largest Non-Bank Wealth Manager
  - Asset Management – Largest and most comprehensive player in private credit strategies
  - Largest ARC in India

### Sale of 51% stake in Wealth Management Business

Edelweiss has **entered into an agreement with PAG**, one of the world's largest Asia-focused investment groups, which will **acquire 51% stake in Edelweiss Wealth Management** at a post-money valuation of INR 4,400 Cr. This will be **PAG's first majority equity investment in India.**

- Transaction is expected **to close in the next 4-6 months** subject to regulatory approvals
- EWM will be **demerged and listed** thereafter in due course

This is **largest equity raise by Edelweiss group** till date and a visible **endorsement of value** that has been created in the Wealth Management business.

<sup>1</sup>Including investments of CDPO, Kora Management and Sanaka Capital in equity convertible instruments

<sup>2</sup>Borrowings are excluding CBLO & CCDs & excludes accrued interest

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

*"Our approach at Edelweiss above all has been to do two things well: Creating value in our businesses and unlocking value for our shareholders."*

*In FY21, we are taking a series of steps that will enable our companies to emerge fully future-ready to participate in the post Covid economic recovery, and for our shareholders to realise the value created in our companies.*

*We will do this by helping each of our businesses become leaner and fitter with the help of technology and processes. Customer focused technology initiatives will enable them to do businesses in a way that delights their customers and create lasting value.*

*Our well-capitalised businesses have great partners with impeccable credentials who will provide them with expertise, reach and scale. When growth resumes, our businesses will be very well placed to participate in the India growth story again.*

*Additionally, over the last 24 months, we have successfully managed our liquidity, leverage and asset quality and will comfortably do so through FY21.*

*Unlocking value is our other priority for FY21. EWM is India's second largest non-bank wealth manager with a great team and sound capital base. The time is right for them to operate and grow independently. The PAG transaction will give them a great partner, which will provide them the impetus to expand scope even further. We have started putting in place a path that will see EWM demerged and listed in due course. We are also guided by the Board to seek investment partners in Edelweiss Asset Management (EAM) and GI businesses, and EAM will also be demerged and listed thereafter.*

*The capital surplus that we will generate will help us continue the virtuous cycle of creating and unlocking value that we have followed consistently over the past 25 years."*

### **Business Highlights Q1FY21:**

Edelweiss Group's structure is organized under six business segments – Corporate Credit, Retail Credit, Wealth Management, Asset Management, Life Insurance and General Insurance with legal entities aligned to these six business segments.

#### **1. Corporate Credit (ECL Finance Ltd.)**

##### **Business performance Q1FY21:**

<b>Particulars</b>	<b>Financials in INR Cr</b>
Net Worth	3,363
Loan Book	10,953
Capital Adequacy	21.3%
PAT	(156)
NIM %	2.3%
NNPA %	2.1%

##### **Business updates and near-term priorities:**

- Focused on resource raising to generate liquidity
  - Raised INR 1,800 Cr across PCG and TLTRO schemes in H1FY21 till date and another INR 400 Cr is in pipeline
  - Raised ~INR 400 Cr from banks and other sources in H1FY21 till date
  - Received sanctions of INR 200 Cr from banks
- Targeting 30% reduction in costs

#### **2. Retail Credit (EHFL & ERFL)**

##### **Business performance Q1FY21:**

**Financials in INR Cr**

Particulars	EHFL	ERFL
Net Worth	769	474
Loan Book	4,490	1,312
Capital Adequacy	23.2%	29.0%
PAT	-	11
NIM %	3.3%	5.6%
NNPA %	1.4%	2.0%

**Business updates and near-term priorities:**

- Improvement seen in collections – July collections at ~INR 300 Cr
- Raised INR 265 Cr across PCG and TLTRO schemes, banks & other sources in H1FY21 till date and another INR 350 Cr is in pipeline
- Laying down framework for transforming to digital lending model
- Branch network optimization – consolidating the geographical footprint

**3. Wealth Management (ESL & Others)**

**Business performance Q1FY21:**

Particulars	Financials in INR Cr
Net Worth	1,260
Net Revenues	215
PBT	72
PAT	59
AUA	1,27,300

**Business updates and near-term priorities:**

- Business continues to be steady despite market volatility
- Enhanced client engagement driven by tech-first approach
- Mobilised net new money of INR 1,250 Cr during the quarter
- Strong pipeline in Investment Banking across ECM, DCM and M&A
- Focus on cost rationalisation – 10% reduction in both employee cost and operating expenses

**4. Asset Management (EAML, EAAA, EARC and Others)**

**Business performance Q1FY21:**

Particulars	EAML	Financials in INR Cr
		EAAA, EARC & Others
Net Worth	159	2,090
Net Revenues	25	102
PBT	2	57
PAT (pre MI)	2	43
AUM	29,400	66,300

**Business updates and near-term priorities:**

**Mutual Fund**

- Bharat Bond ETF Series II oversubscribed 3.7 times and mobilised ~INR 11,000 Cr in with ~40,000 applications
- Aim to grow equity AUM to reach INR 10,000 Cr in next 12-18 months
- Continue to launch innovative passive funds for clients

#### **Asset Management:**

- Infra Fund – final close at INR 3,300 Cr
- Received commitments of ~INR 6,000 Cr (US\$790 mn) in ESOF III till date
- Actively looking at deployment opportunities – current dry powder at ~ INR 10,000 Cr
- Strong recoveries of INR 470 Cr in ARC in pandemic hit quarter

### **5. Life Insurance (ETLI)**

#### **Business updates and near-term priorities:**

- 2<sup>nd</sup> highest growth in industry – 21% YoY growth in individual APE
- Strong channel mix with 75% contribution of controlled channels (agency and direct to client)
- Product mix is dominated by Traditional Par and Non-Par; ULIP is 25% only
- Won 3 awards at 9<sup>th</sup> ACEF Global Customer Engagement Awards 2020 for Organ Donation campaign
- Look to partner with more banks for distribution tie-ups
- Embedded value as on June 30, 2020: INR 1,302 Cr

### **6. General Insurance (EGIC)**

#### **Business updates and near-term priorities:**

- Fastest growing insurer among private players
- Health continues to be a large focus area – contribution of health higher than the Industry and peers
- Share of profitable Motor OD premium one of the highest in industry in Q1FY21
- Focused on diversifying distribution mix with emphasis on digital partnerships
- Continue to build depth in product portfolio for Motor OD, Health and modular sachet products focusing on digital products
- Continue the buildout of digital Motor and Health Platforms
- Engaging with investors to raise equity capital for accelerating growth

#### **About Edelweiss Group**

The Edelweiss Group is one of India's leading diversified financial services companies, 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.

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 the large retail segment, through its businesses such as Life Insurance, Housing Finance, Mutual Fund and Retail Financial Markets. Together with 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, Reuters: EDEL.NS and EDEL.BO and Bloomberg: EDEL IS and EDEL IB. Edelweiss stock is covered by sell side

research analysts of Morgan Stanley, Citi Research, SBI Cap Securities, ICICI Securities, Maybank Kim Eng Securities, Haitong International, Credit Suisse Securities and Emkay Global Financial Services. To learn more about the Edelweiss Group, please visit [www.edelweissfin.com](http://www.edelweissfin.com).

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