

US \$ version



# Edelweiss Financial Services Limited

*Q1FY21 Quarterly Update*



**Edelweiss**  
Ideas create, values protect

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## Q1FY21 Highlights



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# Edelweiss at a Glance – Q1FY21



## Net Worth

\$1,102 Mn

## Liquidity

\$755 Mn

As on 12<sup>th</sup> Aug'20

## Customer Assets

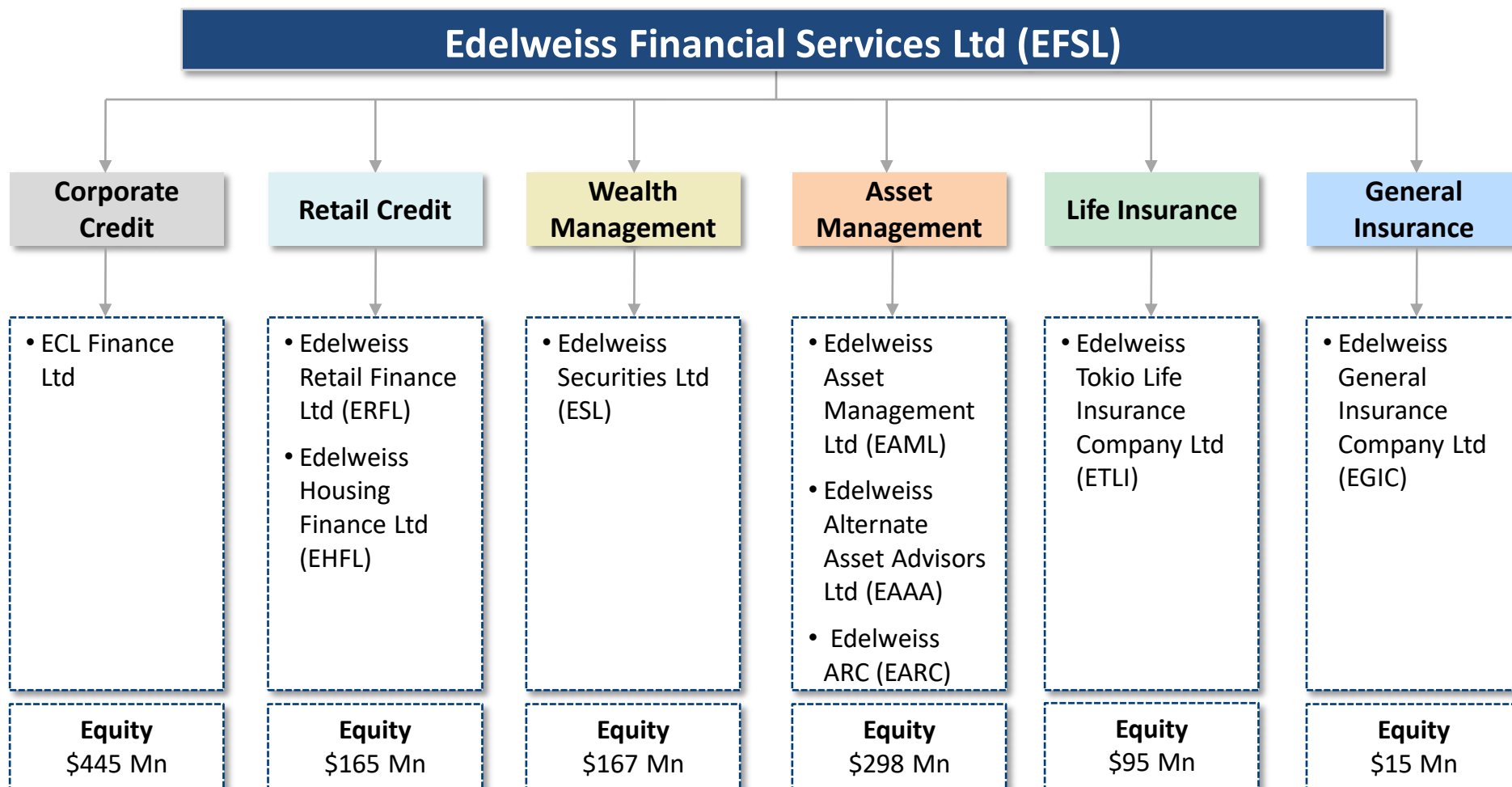
\$29,526 Mn

## Book Value

\$0.87

Face Value \$0.01

# Our Six Businesses are Well – Capitalized..



25- year track record of seeding and growing businesses that benefit from the India growth story

## ..And Present In High Growth Segments



Edelweiss Wealth Management is the 2nd largest non bank wealth manager with AuA of ~\$17 Bn

Edelweiss Asset Management is the largest and most comprehensive player in Indian private credit strategies with AUM of ~\$13 Bn

Among the fastest growing and digitally enabled Life & General Insurance players in the industry

Generates ~\$265 Mn of fee income every year on the back of strong & steadily growing customer assets

**Consistently dominant presence in capital - light businesses**

# Edelweiss Approach



- Our mission is to build successful and dominant businesses that create long-term value for shareholders
  - EFSL contributes capital, brand, risk management and governance for sustainable growth
- Our partners are global entities with impeccable credentials who contribute domain expertise and capital
- Inflection point in growth journey : Our businesses are now moving from interdependence to independence
- For the next phase of growth, we will ensure that we have the best management team and sufficient resources for each of our six verticals
  - Continue to scale these businesses with more partnerships as required
- Aim to unlock value in these businesses for shareholders
  - Format of unlocking can take the most appropriate form that helps business growth

**Primacy to creating and unlocking value for shareholders**

# Sale of 51% Stake in Edelweiss Wealth Management



- We have entered into a stake sale agreement in Wealth Management arm with PAG, largest Asia-focused alternative investment managers
  - They will acquire 51% stake in Edelweiss Wealth Management (EWM) at a post-money valuation of \$583 Mn
  - EWM business consists of Wealth Management and Capital Markets
- This is our largest equity raise in Edelweiss group till date
- Transaction is expected to close in the next 4-6 months subject to regulatory approvals
- All business relationships and synergies with the Edelweiss Group will continue as earlier
- Proceeds generated from the stake sale will be used to de-leverage balance sheet and for equity investments in our other growth businesses
- Our intention is to demerge EWM in the next 12-18 months and list it in due course as a separate entity

**This transaction is a visible endorsement of the value created in our Wealth Management arm**



# Summary Background of PAG



## About PAG

- One of the world's largest Asia-focused private investment firms
- AUM of ~\$40 Bn with 200+ investment professionals
- 11 offices in Asia and around the world

## PAG Private Equity

- Dedicated team of 50+ investment and operational professionals
- Focused on large sized buyout/control deals and structured equity investments across Asia Pacific
- Manages \$16 Bn across three different funds raised over the last eight years

## PAG and India Investments

- PAG's private equity business in India is led by Nikhil Srivastava, Managing Director. Nikhil's previous experience includes KKR and Goldman Sachs
- Key India investments across the PAG Group:
  - Minority investment in SME lender - U Gro Capital
  - Debt investment in Shapoorji Pallonji Real Estate



**This is PAG's first majority equity investment in India**

## Group Near – Term Priorities



➡ **Progress the unlocking of value from our businesses and become capital surplus**

➡ **Grow each business with the best management teams and right partners**

➡ **Strengthen balance sheet further**

➡ **Accelerate tech-aided cost rationalization across businesses**

# Priorities By Business For FY21



## Corporate Credit

- Focus on asset quality monitoring and collection efficiency
- Expedite sell-down and release equity

## Retail Credit

- Strengthen capital-light business models in partnership with banks
- Help clients navigate the post Covid scenario, with active portfolio monitoring

## Wealth Management

- Move towards demerger and subsequent listing for unlocking value
- Maintain a clear leadership position in Wealth Management

## Asset Management

- Strengthen equity passives offering in mutual funds similar to debt offering
- Step up deployment in alternatives

## Life Insurance

- Continue to strengthen distribution partnerships
- Scale up the business further

## General Insurance

- Step up product innovation and channel diversification
- Onboard a strategic partner

# Q1FY21 Financial Snapshot



Consolidated (\$ Mn)	Q1FY21
Gross Revenue	239
Interest Cost	133
<b>Net Revenue</b>	<b>107</b>
Expenses	120
Impairment	19
<b>PBT</b>	<b>(32)</b>
<b>PAT Pre MI</b>	<b>(35)</b>
<b>PAT Post MI</b>	<b>(32)</b>

# Distribution of Earnings Across Entities



\$ Mn	Q1FY21
ECL Finance	(21)
ERFL & EHFL	1
Edelweiss Wealth Management	8
Edelweiss Asset Management	6
Edelweiss Tokio Life Insurance	(9)
Edelweiss General Insurance	(2)
BMU & Corporate	(18)
<b>Total Consolidated Pre MI PAT</b>	<b>(35)</b>







## Business Update



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# Corporate Credit : ECL Finance Limited

## Q1FY21 Key Metrics

 <b>Equity (\$ Mn)</b>	445
 <b>CAPAD</b>	21.3%
 <b>Net D/E</b>	4.1x
 <b>Liquidity (\$ Mn)</b>	~351

## Business Update & Near Term Priorities

- Focused on resource raising to generate liquidity
  - Raised \$238 Mn across PCG and TLTRO schemes in H1FY21 till date and another \$53 Mn is in pipeline
  - Additionally, raised ~\$53 Mn from banks and other sources in H1FY21 till date
  - Received sanctions of \$26 Mn from banks
- Decline in revenue is on account of de-growing credit book
- Targeting 30% reduction in costs



# Business Performance Snapshot : ECL Finance Ltd

\$ Mn	Q1FY21
EOP Loan Book	1,450
EOP Equity	445
Net Revenue	13
Operating Expenses	17
Credit Costs	16
Profit After Tax	(21)
Net Interest Margin	2.3%
NNPA	2.1%
Total provision cover	202%
CAPAD	21.3%








# Retail Credit: Edelweiss Retail Finance Ltd and Edelweiss Housing Finance Ltd

ERFL/EHFL



## Q1FY21 Key Metrics

	ERFL	EHFL
 <b>Equity (\$ Mn)</b>	63	102
 <b>CAPAD</b>	29.0%	23.2%
 <b>Net D/E</b>	2.5x	4.5x
 <b>Liquidity (\$ Mn)</b>	~7	~66
 <b>No of clients</b>	~90,000	

## Business Update & Near Term Priorities

- Improving collections - July collections were at ~\$40 Mn
- Raised \$35 Mn across PCG and TLTRO schemes, banks & other sources in H1FY21 till date and another \$46 Mn is in pipeline
- Laying down framework for transforming to digital lending model
- Branch network optimization - consolidating our geographical footprint

# Business Performance Snapshot : ERFL and EHFL







Q1FY21 (\$ Mn)	ERFL	EHFL
EOP Loan Book	174	594
EOP Equity	63	102
Net Revenue	3	5
Operating Expenses	1	4
Credit Costs	(0.3)	1
Profit After Tax	1	-

Net Interest Margin	5.6%	3.3%
---------------------	------	------

NNPA	2.0%	1.4%
Total provision cover	120%	69%
CAPAD	29.0%	23.2%



## Q1FY21 Key Metrics

 <b>AUA (\$ Mn)</b>	16,855
 <b>Net New Money (\$ Mn)</b>	166
 <b>#UHNI Clients</b>	~2,400
 <b>#Affluent Clients</b>	~6.1 Lacs

## Business Update & Near Term Priorities

- Business continues to be steady despite market volatility
- Enhanced client engagement driven by tech-first approach
- Strong pipeline in Investment Banking across ECM, DCM and M&A
- Focus on cost rationalisation - 10% reduction in both employee cost and operating expenses

# Business Performance Snapshot : Edelweiss Wealth Management





EWM



Q1FY21 (\$ Mn)	ESL & Others
AuA	16,855
EOP Equity	167
Gross Revenues	35
Net Revenues	28
Operating costs	19
Profit before tax	10
Profit after tax	8



## Q1FY21 Key Metrics

	EAML	EAAA,EARC and others
 <b>Equity (\$ Mn)</b>	21	277
 <b>AuM (\$ Mn)</b>	3,893	8,778
 <b>Net New Money (\$ Mn)</b>	332	-
 <b>#Retail Folios/ Clients</b>	~3.5 Lacs	~600

## Business Update & Near Term Priorities

- **Mutual Fund :**
  - Bharat Bond ETF Series II oversubscribed 3.7 times and mobilised ~\$1.5 Bn with ~40,000 applications
  - Aim to grow equity AUM to reach \$1.3 Bn in next 12-18 months
  - Continue to launch innovative passive funds for clients
- **Asset Management:**
  - Infra Fund - Final close at \$437 Mn
  - Received commitments of ~\$790 Mn in ESOF III till date
  - Actively looking at deployment opportunities - current dry powder at ~ \$1,324 Mn
  - Strong recoveries of \$62 Mn in ARC in pandemic hit quarter

# Business Performance Snapshot : Edelweiss Asset Management

EAM









Q1FY21 (\$ Mn)	EAML	EAAA, EARC & others
AUM	3,893	8,778
EOP Equity	21.1	277
Gross Revenues	3.3	34
Net Revenues	3.3	14
Operating costs	3.0	7
Profit before tax	0.3	8
Profit after tax	0.3	6

# Life Insurance : Edelweiss Tokio Life Insurance Company Ltd

ETLI



## Q1FY21 Key Metrics

	<b>Equity (\$ Mn)</b>	95
	<b>Individual APE (\$ Mn)</b>	8
	<b>AUM (\$ Mn)</b>	~397
	<b>VNB Margin</b>	38%
	<b>Solvency Ratio</b>	239%
	<b>13<sup>th</sup> Month Persistency</b>	72%

## Business Update & Near Term Priorities

- 2nd highest growth in industry: 21% YoY growth in individual APE
- Strong channel mix: 75% of channel is controlled channels like agency and direct to client
- Product mix is dominated by Traditional Par and Non-Par; ULIP is 25% only
- Won 3 awards at 9th ACEF Global Customer Engagement Award 2020 for Organ Donation campaign
- Look to partner with more banks for distribution tie-ups
- Embedded value as on 30<sup>th</sup> June'20 at \$172 Mn

# Business Performance Snapshot : Edelweiss Tokio Life Insurance Company Ltd

ETLI



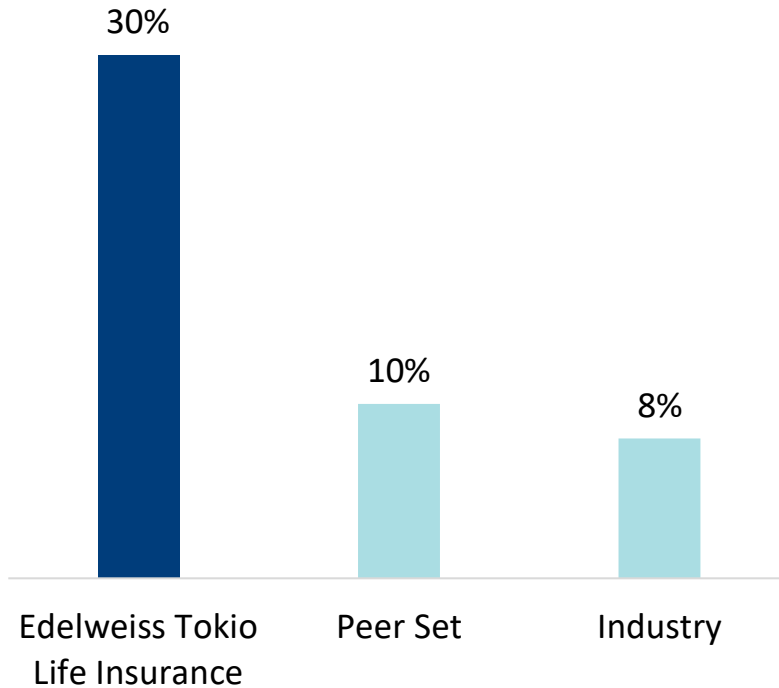
\$ Mn	Q1FY21
Net Premium Income	20
Investment Income & Other Income	26
<b>Total Business</b>	<b>46</b>
Profit After Tax	(9)
Minority	(4)
<b>Edelweiss' Share in PAT</b>	<b>(5)</b>



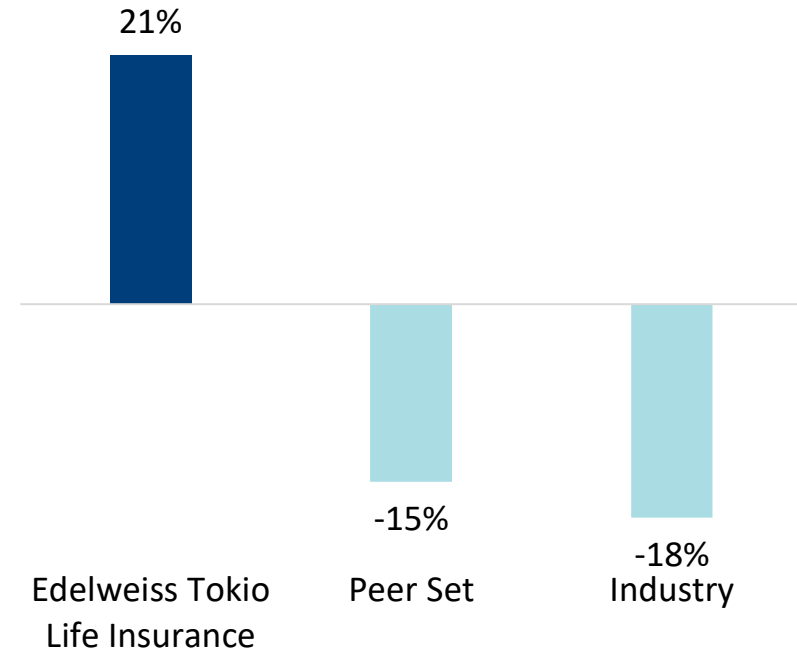
# Among The Fastest Growing In The Industry



Individual APE CAGR Since FY16 vs Industry








Individual APE Growth : Outlier During Lockdown in Q1FY21





## Q1FY21 Key Metrics

 <b>Equity (\$ Mn)</b>	15
 <b>GWP (\$ Mn)</b>	5
 <b>Solvency Ratio</b>	196%
 <b>#Policies Issued in Q1FY21</b>	26,397
 <b>#Active Customers</b>	109,089

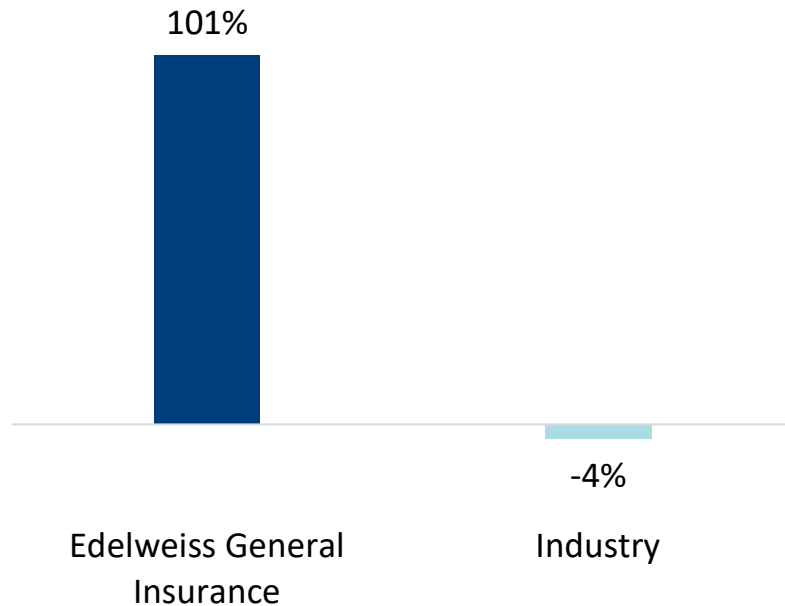
## Business Update & Near Term Priorities

- Fastest growing insurer among private players
- Health continues to be a large focus area for us - Contribution of health higher than the Industry and our Peers ( 40% vs 27% vs 15% )
- Share of profitable Motor OD premium one of the highest in industry in Q1FY21
- We serviced ~45.5% of claims through the BOLT app even during lockdown and garage closures
- Focused on diversifying distribution mix with emphasis on digital partnerships
- Continue to build depth in our product portfolio for Motor OD, Health and modular sachet products focusing on digital products
- Continue the buildout of our digital Motor and Health Platforms

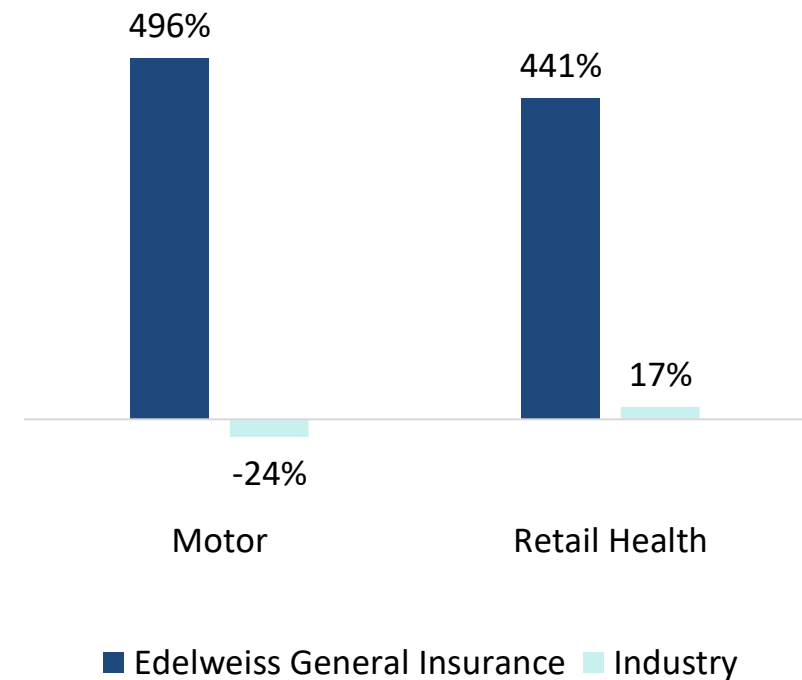
# Digital Model Enabled Seamless Execution During Lockdown



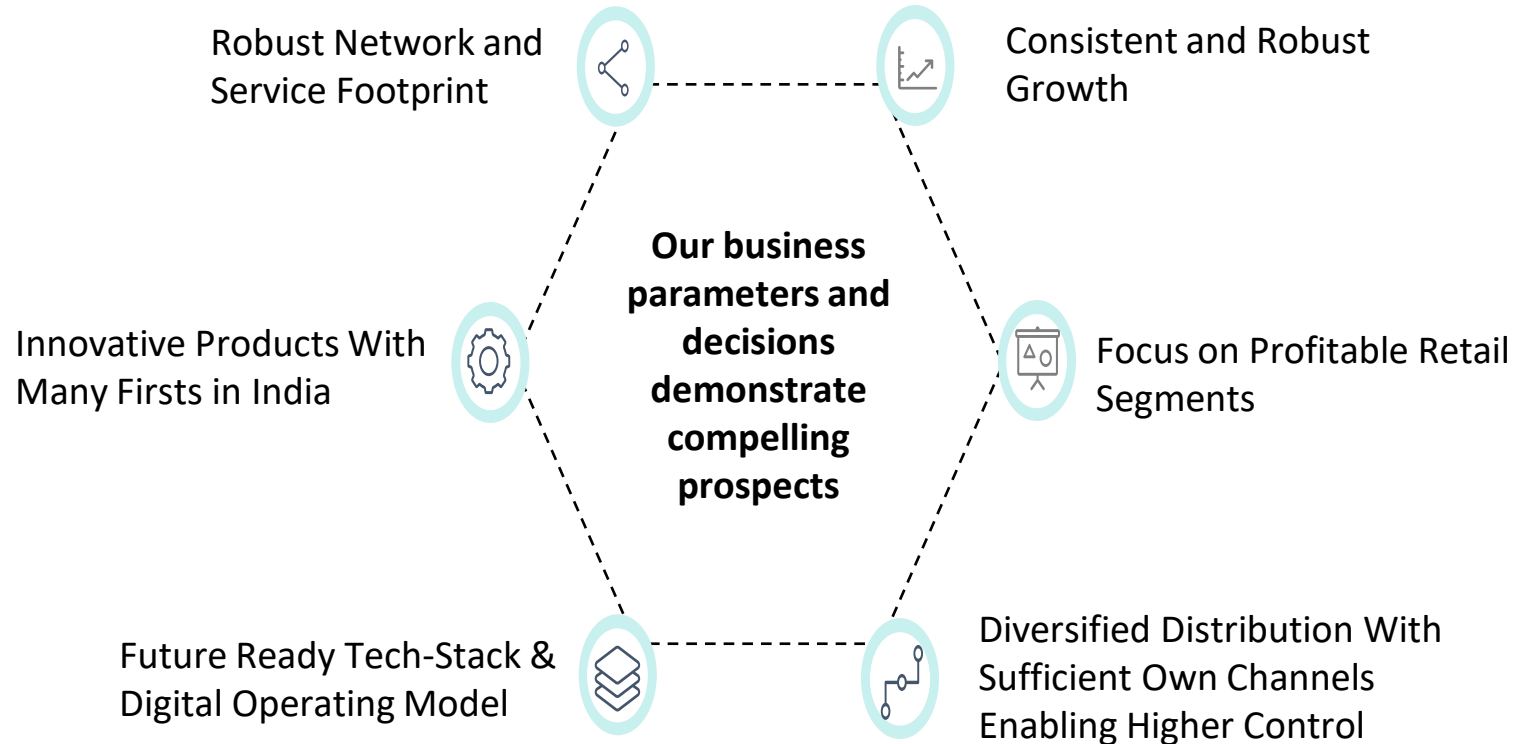
**Robust growth in GWP continued while Industry faced headwinds in Q1FY21**



**Strong performance in Retail Lines compared to the Industry in Q1FY21**



# Well Positioned for Strong Growth in the Future



**We are currently engaging with investors to raise equity capital for accelerating our journey towards growth**



## Balance Sheet Highlights

**Liquidity. Capital Adequacy. Portfolio Mix**



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# 1. Update on Resources Raising



1

- Raised ~\$265 Mn under TLTRO and PCG in H1FY21 till date
- \$99 Mn is in pipeline

2

- Raised ~\$225 Mn mainly from bank borrowings in H1FY21 till date
- \$26 Mn is in pipeline

3

- Corporate asset sell-down transaction generated liquidity to the tune of ~\$62 Mn
- Further sell-downs over the next 2 - 3 quarters will generate additional liquidity

**Steady improvement in liquidity from banking system**

# 1. Liquidity & Cash Flow Plan



Particulars (\$ Mn)	Jul-Dec' 20	Jan-Jun' 21
<b>Opening Available Liquidity (A)</b>	<b>622</b>	<b>688</b>
<b>Inflows</b>		
Contractual Inflows	530	556
Covid-related impact	(252)	(40)
Fresh Borrowings	596	265
Asset Sell downs	172	146
<b>Total Inflows (B)</b>	<b>1,046</b>	<b>927</b>
<b>Outflows</b>		
Repayments	794	609
Disbursements	185	252
<b>Total Outflows (C)</b>	<b>980</b>	<b>861</b>
<b>Closing Available Liquidity (A+B-C)</b>	<b>688</b>	<b>755</b>

## 2. Capital Adequacy Strong Both At Group & Key Operating Entities Level



Q1FY21

CAPAD

Net D/E

ECL Finance Ltd

21.3%

4.1x

Edelweiss Retail Finance Ltd

29.0%

2.5x

Edelweiss Housing Finance Ltd

23.2%

4.5x

Edelweiss Asset Reconstruction Company Ltd

32.6%

1.8x

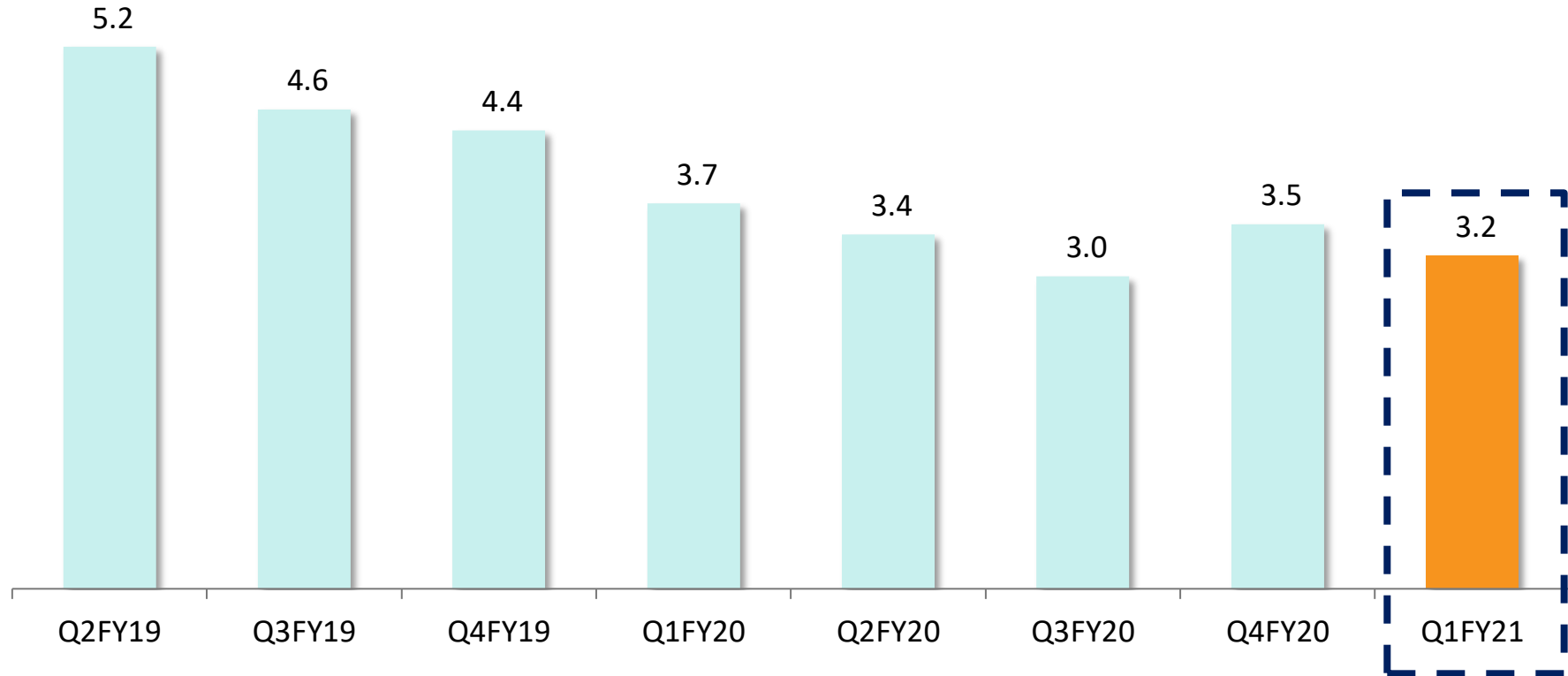
**EFSL (Consolidated) has capital adequacy ratio of 21.1%**



## 2. Debt Equity Ratio Continues To Decline



D/E (Excluding Treasury Assets)

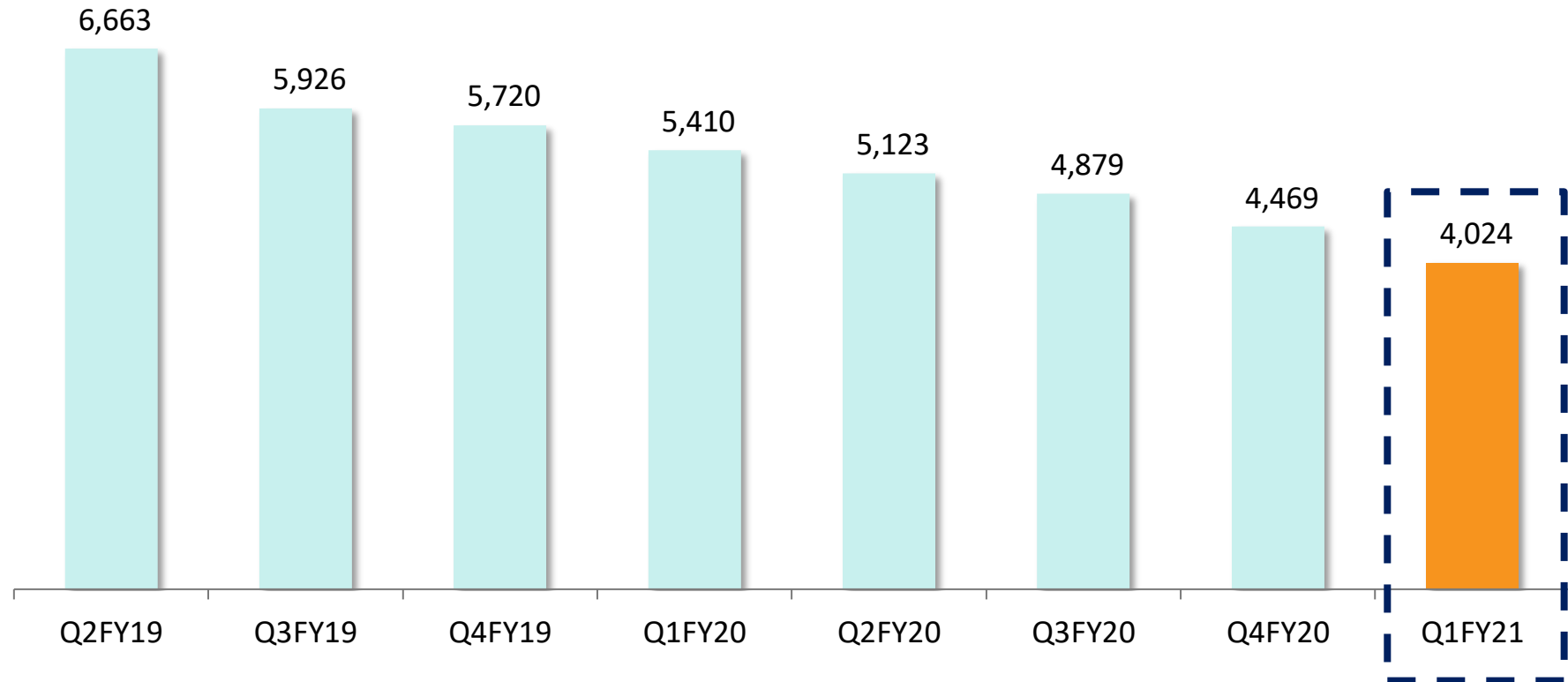


**Debt Equity Ratio set to decline further through FY21**

## 2. Significantly De-Levered Our Balance Sheet



Borrowings (\$ Mn)

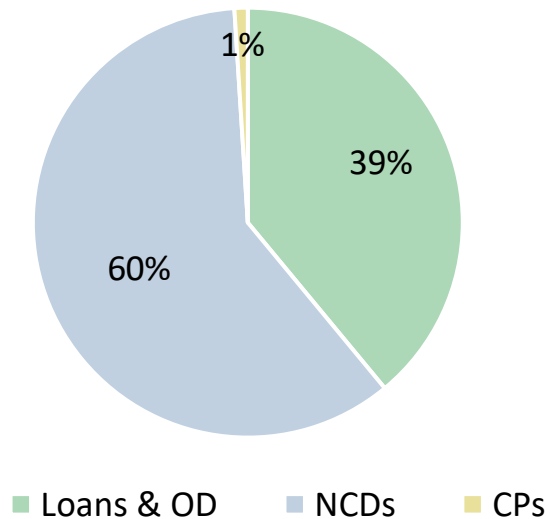


Borrowings has reduced by 40% over Q2FY19 levels

## 2. Borrowing Profile Is Well Diversified

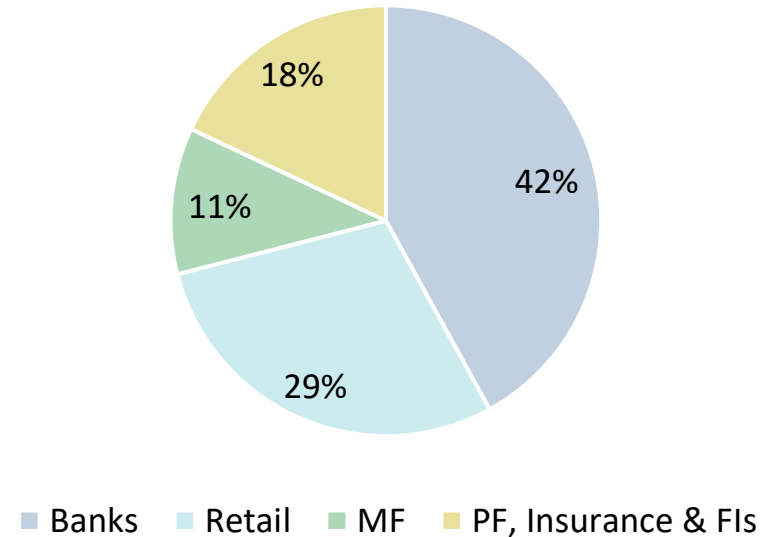


**Borrowing Profile by Instruments**



**\$4,024 Mn**

**Borrowing Profile by Source**



**\$4,024 Mn**

## 2. Assets in each Tenor Range Adequately Cover Liabilities

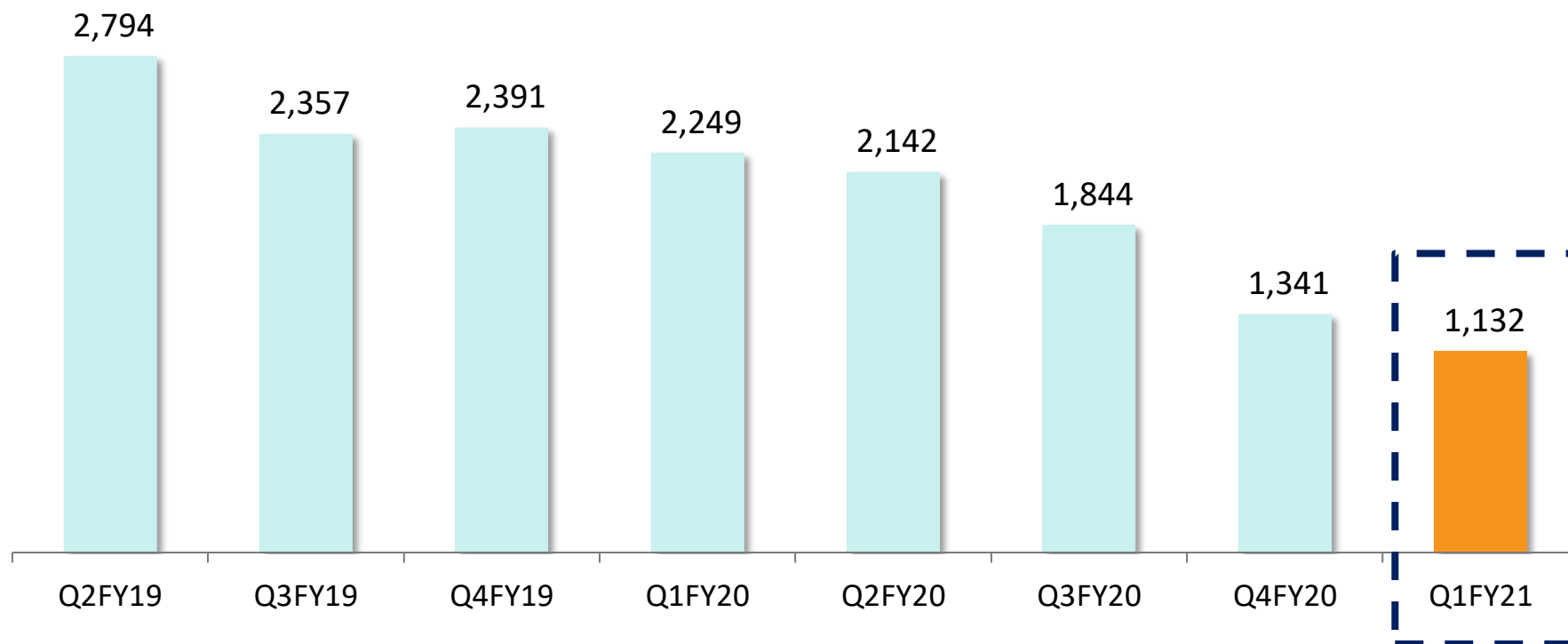


(\$ Mn)	Assets	Liabilities	Gap
Upto 1 year	1,748	1,509	238
1-3 years	1,893	1,854	40
3 years+	2,118	1,470	649

Total gap represents our equity base

### 3. Corporate Credit Exposure Continues To Decline

Total Corporate Credit Assets (\$ Mn)



Corporate credit book will decline by another \$265 - 400 Mn by end FY21

### 3. Retail Credit Assets Are 55% Of Total



Q1FY21 (\$ Mn)	Total book	%
<b>Retail Credit</b>	<b>1,385</b>	<b>55%</b>
Retail Mortgage	862	34%
SME & Business Loans	319	13%
ESOP and Margin Financing	187	7%
Agri and Rural Finance	16	1%
<b>Corporate Credit</b>	<b>1,132</b>	<b>45%</b>
Structured Collateralised Credit	388	15%
Wholesale Mortgage	744	30%
<b>Total Credit Book</b>	<b>2,516</b>	<b>100%</b>

### 3. Asset Quality at a Glance



\$ Mn	Q1FY21
Credit Book	2,502
<i>Of which Stage 3</i>	117
ECL Provision	120
<i>Of which Stage 3</i>	27
NNPA	3.6%
Specific Provision Cover	23%
Total Provision Cover	103%



**Organisation. Governance. Sustainability**



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# Prudent Risk Management and Responsible Growth



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

# 12 Member Board Comprises Majority of Independent Directors



**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



**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. 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. 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



**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



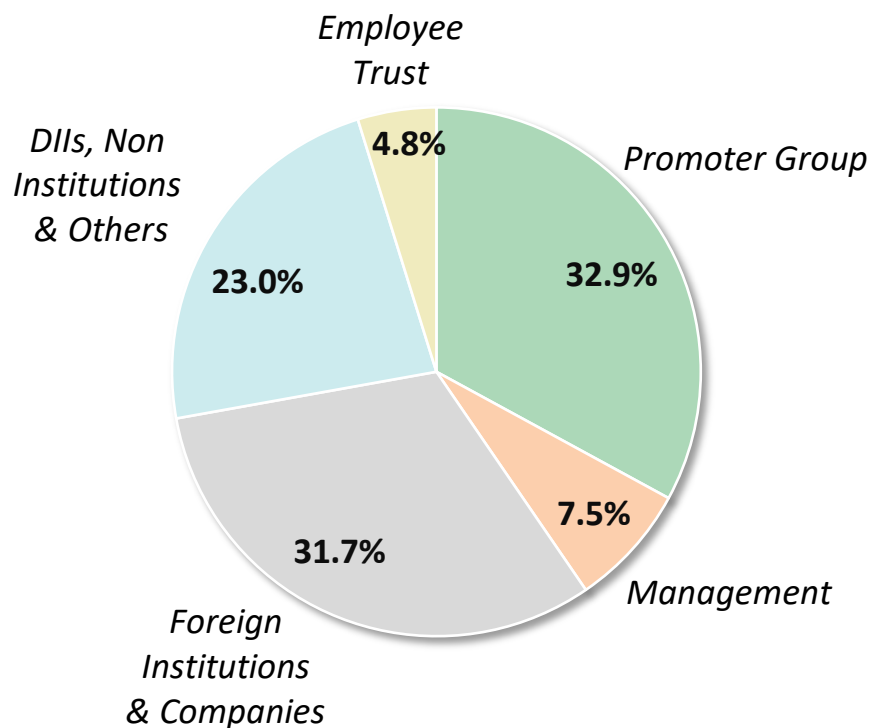
**Mr. Berjis Desai**  
*Independent Director*

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

# Significant Institutional Ownership



Shareholding Pattern as on 30<sup>th</sup> June, 2020



Key Shareholders above 1%		Percent
1	BIH SA	5.2%
2	Pabrai Investment Funds	4.3%
3	Wellington Management	3.7%
4	TIAA CREF funds	3.2%
5	LIC	2.2%
6	Baron Asset Management	1.9%
7	HDFC AMC	1.9%
8	Flowering Tree Investment Management	1.5%
9	Caisse de dépôt et placement du Québec (CDPQ)	1.5%
10	Vanguard Group	1.3%
11	Rakesh Jhunjunwala	1.2%
12	UBS	1.1%

~45% owned by Edelweiss management and employees

# Our Sustainability Efforts



**111** Districts  
across **14** States



**\$1.9 Mn \***  
committed



**42**  
NGO Partners



**50**  
Co-funded Grants



**71**  
Active Grants

## EdelGive Foundation's commitment to Achieving the SDGs *(Cumulative till date)*

### Quality Education

**\$17,212\***

**18.41 lakh** Children supported

**More than 65,000** Teaching professionals trained

**18,482** Schools

### No Poverty

**\$317,767\***

**1,240** acres of irrigated land

**10,612** Individuals trained

**216** Watershed Structures Repaired/Built

**8** FPO/FPC Strengthened

### Gender Equality

**\$63,553\***

**More than 1.63 lakh** women supported

**5,700+** Grassroot leaders developed

**6,857** males engaged

### Employee Engagement

*(Cumulative till date)*



- ~ **80%** Edelweiss Employees Engaged
- ~ **40,000** Man-hours of volunteering
- **71** skilled volunteering projects

# EdelGive Funding Partners & Networks

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



## Annexure



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# Wealth Management Pro Forma Financials



	\$ Mn
Edelweiss Wealth Management (EWM) PBT	9.5
Profit on sale of shares	(5.0)
Preference Share Dividends	1.9
Costs carved in from other entities	(1.5)
Pro-Forma Edelweiss Wealth Management PBT	4.9



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For more information, please visit [www.edelweissfin.com](http://www.edelweissfin.com)

**Currency conversion:** Conversion rate of 1 USD equal to 75.53 INR has been used. Due to rounding off, numbers presented in this presentation may not add up to the totals provided and/or correlate with the growth and contribution percentages provided. Data provided in the INR version of the Investor Presentation shall prevail in case of disparity





## NOTES:

- Slide 4 : Net worth is including MI and includes investment in equity convertible instrument by CDPQ of \$138 Mn, Kora Management of \$23 Mn and Sanaka Capital of \$15 Mn
- Slide 4 : Customer Assets are rounded off to nearest 100
- Slide 5 : Only key entities are mentioned for wealth & asset management
- Slide 5 : Business Equity numbers are after inter company eliminations within respective businesses
- Slide 13 : PAT numbers are after inter company eliminations within respective businesses
- Slide 15 & 16 : Equity includes CDPQ investment of \$138 Mn in CCD
- Slide 16 & 18 : NNPA is as per RBI prudential norms & calculated on credit assets excluding FVTPL accounts
- Slide 19 & 20 : AuA is inclusive of custody assets & rounded off to nearest 100
- Slide 20 : Equity includes Kora Management and Sanaka Capital investment of \$39 Mn in equity convertible instrument
- Slide 21 & 22 : AuM is rounded off to nearest 100
- Slide 23 & 25 : Source for growth calculation is life insurance council
- Slide 23: 13th Month Persistency (on Premium Basis) includes policies issued from Apr to June 2019; EV is calculated on market consistent basis
- Slide 26 & 27: 2nd fastest growing insurer in the industry after AICC; Source for industry data is GIC & market information
- Slide 31 : Numbers are based on management estimates and rounded off to nearest 100
- Slide 32 : CAPAD is calculated for standalone entities
- Slide 33,34& 35 : Borrowings are excluding CBLO & CCDs & excludes accrued interest
- Slide 36 : Numbers are based on management estimates & 3 years+ liabilities exclude Equity; Assets and Liabilities don't include insurance and client funds in broking
- Slide 39 : Credit Book excludes assets identified for sale in near future which have been carried at Fair Value through P&L
- Slide 42 : Anita George is now director of ECL Finance Ltd
- Slide 43 : Key institutional shareholders: Holding of known affiliates have been clubbed together for the purpose of this information