



“Edelweiss Financial Services Limited  
Q4FY21 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Q4FY21 Earnings Conference Call of Edelweiss Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "\*" then "0" on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ramya Rajagopalan, Senior EVP, Corporate Development. Thank you and over to you, ma'am.

**Ramya Rajagopalan:** Thank you very much, Margreth. Good afternoon, everyone. And a very warm welcome to our results call. We hope you and your families have been safe and well. Today, I have with us from the call Mr. Rashesh Shah – Chairman and CEO of Edelweiss Group; Mr. Himanshu Kaji – Executive Director and Group COO; Mr. Deepak Mittal – MD & CEO, ECL Finance.

We hope you have had a chance to review the investor presentation, as well as the addendum on ECL Finance Limited that we have filed with the exchanges last Friday. During the discussion, we will be making references to it. Please do take a moment to review the Safe Harbor statements in our presentations. We will be making some statements today that may be forward-looking in nature, and hence may involve certain risks and uncertainties.

With that, I will now hand over to Mr. Rashesh Shah, to begin the proceedings of the call. Thank you. And over to you, Rashesh.

**Rashesh Shah:** Thank you, Ramya. And good afternoon and a warm welcome to all of you. As earlier Ramya said, I hope you and your families are all safe and keeping healthy. Ensuring health and safety of our employees and their families has been the most important thing, and customers and taking care of them has been a priority through not only the last year, but especially the last few months.

The last few months have been a tough time for all of us with the second wave hitting us as just when we were confidently emerging from the first one. And I think we again, as a country, were at a crossroad. I think the second wave felt a lot more personal. I am sure everybody on this call will feel that. I think wave one was not as personal as wave two was. And each one of us experienced somebody who had fallen sick or some loss that we experienced through colleagues, friends, extended family, etc.

But at the same time, I think what has been heartening is to see the collective efforts by a lot of individual citizens, ordinary people, the social structure of this country came together. And I am sure that each and every one of you on the call have some personal stories to share of some great effort made by people around them, offering infrastructure, offering help, oxygen concentrators, medical supplies, beds, donations. By rallying quickly, I think we all showed that we do care for each other. I think even for us the kind of effort our employees, our friends, everybody made has been one of the highlights for this quarter.

I think the word for this quarter and for this year, for us has been the resilience, the resilience that we have been able to show. And since this is not only our Q4 call, but also an annual call, I basically want to talk about three things. And of course, after that, we will be happy to answer any questions along with my colleagues. I am sure you have had a chance to go through the results and the investor presentation, so I will not bore you by repeating the numbers in terms of profits and book value and top-line revenue and fee income, all that is there in the presentation.

The three things I want to discuss today are first, our overall performance for FY21, both on the numbers front and also on our execution of our strategy and the game plan that we had articulated at the start of the year. The second thing I want to talk about is how we have calibrated our businesses and positioned them for growth. As you know, we are a diversified financial services with many businesses in financial services, all at different stages of growth. And one of the highlight of this year has been that we have been able to position all our businesses to exploit the growth that is there ahead of them. And third, lastly, outlook for FY22, both for India, financial services and for Edelweiss also.

So, friends, on first, FY21 has been an important year for us. Of course, all years are important. But this is also the year we completed our 25 years. So, it feels like we are still very young, but we completed 25 years this year. And as we now start the next innings for the next 25 years, at the end of FY21, very happy to see that we are entering FY22 with a strong & fortress balance sheet, our equity basis becomes stronger, obviously liquidity has got easier. And most importantly, the businesses we have built, the operating platforms we have built and the talent we have is very, very heartening.

So, as I said earlier that this year for us the key word has been resilience. As you know, in the last two years we have pivoted from one company with multiple divisions, with a lot of shared services, a lot of co-owned activities, originally part of our diversified approach we built a lot of businesses. But we now have made all the businesses independent. So, from an integrated diversified financial services company, we are now a diversified financial services with independent businesses underneath them. A lot of our businesses are now ready for their own independent growth. And we believe that the foundation has been laid, they now truly have their own balance sheet, their own governance structures, their own boards, a lot of them have their own investors and partners. And this now we feel in a way the children have grown up to become independent adults and create value for all stakeholders.

The first one of this in FY21, an important step was the Edelweiss Wealth Management spin off by selling a majority stake to PAG. We have now set in motion the spin-off process. The Stage-2 on this is demerger from the holding company and then the listing of the Edelweiss Wealth Management and the distribution of shares, as we have highlighted. We have a Slide 14 on that. And we are very proud of this business and we will all be very proud individual owners of this business, post demerger and the listing of this business. But this is the first step we have taken to unlocking value. Our approach has been to build value and then unlock value. And I will speak about that a little bit more.

But besides Edelweiss Wealth Management, this has been a good year on many other counts. First, there has been a lot of queries and questions about ECL Finance and the wholesale book. As you would have seen, we have given an addendum showcasing the fundamentals of ECL Finance. I think the last two years have been difficult for ECL Finance, mainly because of the wholesale credit book and the headwinds on liquidity and the challenges that were faced. However, in spite of these headwinds, we have executed as per the plan. And in this year, we have executed the plan of first reducing the wholesale book. We have aligned the team, the wholesale team is still there, but now they are more an asset management team and we are using them to build private funds in our Asset Management business, what we call the private created alternative Asset Management business. So, the team's experience is huge. But instead of doing this business in NBFC, which has a lot of NPA as well as ALM issues that cropped up in the last two years, we have now ensured that there are other ways of exploiting this opportunity.

On ECL Finance, we have ensured the book has come down, as you would have seen the book is down a lot in the last two years. And we will halve this book again in the next two years. What we have also done is put a robust process overseen by our board of refreshing the cash flows for every wholesale loan on a quarterly basis, and then ensure that our numbers are adjusted for the NPV of that. So, in a way calling it constantly marked-to-market the book. We have been doing it for last three quarters and this has been one of the approaches we have followed, because I think on retail a broad parameter based approach works, but on wholesale, which is a very idiosyncratic and every loan is very individual, it is very, very important that each and every loan is revisited every quarter to estimate the future cash flows of that. And in our ECL Finance presentation, we have given some colour to that. So, will halve the book in the next two years.

We are also confident now that with this process we have adopted, the book is appropriately marked. We had to take some impairment, as you would have seen we have taken, but now we have marked the book and we will continue to do that as per the cash flows. But now we have done the stress testing, we have done all the estimates and you can appreciate that the last two years have been as much of a stress test for a wholesale credit book as it has been anywhere else with COVID, with post IL&FS liquidity crunch, the problem of last mile funding. And I have got my colleague, Deepak, who has been leading this effort. He and his team have done fabulous work in ensuring that ECL Finance is always steady. It always had enough liquidity. The wholesale book was under control and we have got that. And our idea is, ECL Finance still has a lot of capital and liquidity and we want to use that as we build our MSME business in that, which has always been in ECL Finance but a much smaller part of the business.

However, I am sure if there are any questions on ECL Finance, we will handle that. Our Asset Management and the Insurance business have had the best year ever in FY21. Both our Asset Management business, the Mutual Fund and alternative. The Mutual Fund AUM has grown by 89% this year. And the alternatives, the private credit funds that we run, they have grown their AUM by 38% this year on a YoY basis. Our Life Insurance and General Insurance business saw a premium growth of 25% for Life Insurance, and 49% for General Insurance, you can see that in Slide 36 and 38 respectively. And even for Wealth Management and ARC business, this is a

good year in spite of the pandemic. If you see our customer assets in Wealth Management had a very robust growth.

So, we started the year by being extremely cautious on liquidity and maintain more than ample liquidity in our business. So, liquidity pressures have eased off, we want to remain careful until COVID is behind us. And of course, for this year, our biggest priority was the well-being of our people. We have 8,500 people, we have ensured that when a lot of them got infected, we took care of them. We have also vaccinated more than 5,000 our employees and their family members. And our primary commitment, I think remains to make sure our employees are well. I think business will always do well if your employees are well. So, that's the first part. I think FY21 in essence, a good year. The diversified model has come of age. The word resilience has been underscored. And all our businesses have shown good execution in this year, and especially the asset management and insurance business have posted the best growth numbers in this year.

On item number two, where I wanted to speak about how the businesses are poised for growth, one of the first things we have done is we have simplified our organization structure. As we said, we had some complexity, the common entities were used by multiple businesses, all of that. In the last couple of years, we have integrated businesses to entities, we have actually completely ring fenced and made the businesses independent. They now control their balance sheets, they control their capital structure, they have their own governance structures. We all serve on the boards of those. A lot of these businesses are 100% owned by us, as you would have seen on Slide 7, so they are Edelweiss businesses. But by ensuring that they are fairly ring fenced and independent, we have created a structure which allows them to grow and compete in their marketplace, more aligned with the needs of the individual sector, rather than one Edelweiss. Because we have wholesale businesses, retail businesses, credit businesses, insurance businesses, we have allowed all our businesses to be truly independent and aligned to their industry structures. So, they have the best of Edelweiss but now they have a lot of independence in terms of how they go about executing their strategies.

Our approach has been that we want to invest and grow businesses. Our experience has been it takes about 10 to 15 years for a business to grow and become mature, to grow organically. As for example, we have done in our Wealth Management business, this business in 20 years has now been valued at Rs. 4,400 crores. We would not have even invested in that more than a couple of 100 crores in that business till date. But after creating value, after growing value, our commitment is to unlock the value for our shareholders. But unlocking comes after creating value. So, first, create value, build value, and then unlock it. And unlocking it can come in various forms. We can IPO the business, we can distribute the shares, we can demerge the businesses. But our idea is that as the business becomes independent and starts creating value, we get our shareholders to participate directly in that value creation. As you know, more than 40% of our equity is held by insiders, the founders and the management team and all. So we want to make sure that we take care of all the shareholders in unlocking this value as we go along.

So, now all our businesses have the right structure, right resources. As you would have seen, all our businesses are very well capitalized. Our housing finance company and ARC has a lot of capital adequacy, our insurance businesses, the solvency ratios are high. So, all businesses are fairly well capitalized. But the total number of customers in Edelweiss in 2018 was about 0.5 million, we now have 2.5 million customers. So, totally, in the last two years, we have added 2 million customers across our businesses. In our Life Insurance business, General Insurance business, Mutual Fund business, Retail Credit business, the truly retailization of our strategy is also underway. And our biggest growth vector for last two years, of course, we have managed liquidity and managed the balance sheet and impairments and all of that we have taken, we have restructured our business, we have done all of that. But the most important achievement for the last two years are the 2 million customers that we have added. And in this year, we expect to add maybe another 1.5 million customers across all our retail businesses.

Also, in this year, our asset-light credit model for housing finance and SME has now commenced. We invested a lot in technology and have partnered with banks. And the initial signs for this tech-led asset-light Retail Credit model is very encouraging. We are truly excited by this, maybe this was the logical outcome of the last two years that we all saw. And both these Retail Credit businesses have adequate capital, adequate liquidity, a lot of distribution, they have a lot of branches all over India to be able to scale up this strategy. So, the next two years this is going to be an important thing to watch. And I hope that we execute as per our aspirations on this. Even in our ARC business, we have been buying more retail loans. And this is another growth area for ARC, which also has a lot of equity and liquidity. So, I think the retailization of our strategy, the businesses are poised for that. And that was an important, I think, restructuring exercise that we have undertaken.

On point number three, which is outlook for FY22. FY22 is going to be a key bridge year from the last 25 years to the next 25 years. I think we have laid the foundation for that. And as I said, we want to add about 1.5 million retail customers and continue to invest and grow in our asset management and insurance businesses. Both those businesses are on the cusp of explosive growth, they are not young businesses. Our Life Insurance business is almost eight years old, our General Insurance business is in its fourth year, both our Asset Management businesses are about 10 years old. But now, as I said, the real growth for a lot of business comes between 10 to 20 years. And I think at this time, we want to continue to invest in that. We do expect this year, because the first quarter has been slow because of COVID too, and we are still conservative, holding liquidity, profits will continue to be muted. So, we want to make sure that our expectation from businesses for profit growth this year are still muted, but continue to invest in the businesses.

This year we continue to carry excess liquidity and a lot of you have asked questions on that. When the crisis started post IL&FS in 2019 and 2020, we borrowed a lot of money at a group level. And that is why there is a drag in terms of BMU and corporate earnings because we borrowed some expensive liquidity that we are holding, a lot of this was at a high cost. But in view of the environment at that time, we borrowed a lot of this money for two years and three

years. A lot of these loans will get paid back by FY22 and FY23. So, the drag of excess liquidity continues but it was something we had to do because we are not a large corporate house with any fallback. So, at that time, our board decided that let's hold a couple of thousand crores of excess liquidity even if that is expensive. So, we borrowed this, what we call fairly expensive, flexible liquidity at the top, which has allowed us to go about our business and make sure that in spite of the NBFC headwinds, all our businesses had adequate room to grow, and one not hindered by that.

I think this year, our Retail Credit business growth will still be slower, because we are still laying the foundation of this asset-light retail credit model in partnership with banks. There will be teething problems, but we think we need to build a platform before eventual growth. And last, the benefits of releasing liquidity and capital in the wholesale book, this is a question a lot of people have asked us. I think from FY23 to FY26, we will see a lot of liquidity and capital from the wholesale book coming back. As you know, we still have Rs. 3,000 crores of equity which is embedded in the wholesale book. And as we do the workouts and reduce the wholesale book, a lot of this equity and liquidity will come back to us, which we can use either for the shareholders' benefit or to invest into businesses. So, given COVID two wave underway, which is underway, maybe a third wave will also happen, we all have to be prepared for that. And the general cautiousness that I think will continue in the first half. This will not be a year for us to rapidly scale up but to continue to invest, because this is not a great year for a business scale up but a great year to keep on investing in the business.

On the environment overall for this year, we do think that, as I said, wave two was not as impactful on the economy and damaging to the economy as wave one. But from a personal impact point of view, wave two has affected a lot more people. I think it will take time for people to find the confidence. And the key turning point for that will be the universal vaccination. Going by recent trends and what the government has announced, we think we should get that done by October to December FY21. So, it's still three to six months of cautious outlook for all of us. Of course, the stock market will do well, because there is a lot of liquidity, that is long-term optimism. And I think if I also see the point after universal vaccination, I think India looks like on a cusp of a new growth era for the next few years. But for the next five or six months, there will be many waves and constant balancing, rebalancing between lockdown to protect health and opening up to resume economic activity. And we should be comfortable with that. We overall remain committed to our asset-light Retail Credit model, grow our Asset Management businesses, and keep investing in our Insurance businesses.

So, I have tried to give you the overall strategy, the overall execution update, because I am assuming you have gone through the numbers. But I also found it very useful that it is very helpful to address specific questions on business and financial statements as more an interactive process. So, I do look forward to your questions, your queries, either specific or overall, as we go forward. But once again, thanks to all of you for being on this call and over to you, we will now await your questions and feedback. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.

**Jeetu Panjabi:** I just wanted to understand a couple of aspects. One, this whole demerger process. Can you give us a sense on the timeline? And what do you think the outcome is going to look like in terms of is it a 12 month horizon or is it longer, and where are we on the regulatory process? And two, the influence and the role that the revised team would have in the new company, the PAG company as well? And how that's going to evolve over time?

And the second question was, the thoughts on the asset management, both on the construction side and the other, the regular management side? How do you think this is going to play out? Is there any thinking of doling out a minority stake to some international asset manager and how do we see that overall business playing out over the next three years?

**Rashesh Shah:** Jeetu, thanks for this. I think the first one on Edelweiss Wealth Management demerger, I think it was a three stage process for us. The first phase was getting the PAG deal done and what I call the start of the spin off process, that has been done. We are now going to NCLT for a demerger, because in order to get the listing done, we can easily distribute the shares to the shareholders, but then it becomes dividend in form of shares and all. But our idea is to go through the demerger process, so we are now filing for NCLT demerger. So, the Wealth Management business will be demerged from Edelweiss as a listed company. And as part of the demerger, it will then get listed also. Usually listing takes about four to five months after the demerger is over and the demerger should take about 8 to 10 months depending on NCLT process and all. So, I think now the two steps are demerger and then the listing of the business. We expect to get this done in the next 12 to 15 months, maybe give a couple of months here and there.

It is also a good time because that allows the PAG partnership to get embedded well. There are a lot of initiatives in that business going on. We are all actively involved because you should remember that the Edelweiss shareholders will still have more than 40% holding in this company when the demerger happens. And all of us, all the shareholders who are there will be individual shareholders of that business. But we do think the time has come for that business to scale up on its own. And after it is listed, it will have currency for M&A, for acquisitions, it will have currency to be able to reward their employees and wealth managers. And I think it's been a great business that we have built inside Edelweiss. But this is the template we want to follow, make sure that we invest time, effort in building a business and then spin it off in an appropriate way, which allows the shareholders of Edelweiss to also participate in that. So, that's the timeline on that. We are very excited about this business. This business has done very well in the last two quarters, the first two quarters of FY21 obviously were slow. And with the PAG partnership, we are very, very excited on the growth prospects of this, as you can understand. And maybe in one of the future calls, we will invite them also, as in this call we have got ECL Finance team, we will get the Edelweiss Wealth Management team also, to come and give an update to the analyst on that.



On the Asset Management business, I think we are now at the cusp of really growth, and this year has been witness to that. As I said, our Mutual Fund business AUM grew by more than 80%, our alternative Asset Management AUM grew by 38% YoY. We are now the largest alternative asset manager in India. We have more than \$4 billion of alternative assets under management. And as you know, Jeetu, the Asset Management business effectively has three large buckets now, I think one is the passive, other is the active and the third is the alternative. A large part has been in active bucket over the years, but we see a lot of growth in passive. So, you would have seen in our Mutual Fund business we have been investing a lot in passive strategies, we think that is an idea whose time has come, especially passive debt opportunities like Bharat Bond and all, because with all the changes that have happened in the NBFC and the bond market in the last few years, we think debt ETFs and passive debt is an idea whose time has come for a lot of Indian investors.

And on the other side, alternatives, which are illiquid but give you a much higher yield. And we have a lot of international investors, we have close to Rs. 30,000 crores of AUM on that. But good news on that is, we are now seeing a lot of Indian investors, insurance companies and others who are high net worth investors, who are also looking forward to 12% to 18% yield strategies on a 5 to 10 year basis. We have an infrastructure fund where we raised almost Rs. 4,000 crores only from Indian HNI investors. So, we have a barbell approach, with alternatives on one side. Alternatives have a fee of about between 1.5% to 2% and a carry which is another 1% to 2% you get. So, alternative is high yield, high fees, illiquid for investors, usually the money is illiquid for five to eight years for most investors. Passive debt is another strategy in the Mutual Fund.

So, I think our approach has been that we are seeing, all over the world a lot of money is moving away from active. In active, your fees are about 100 to 150 basis points; in passive, your fees on about 8 to 10 basis points and in alternatives they are about between 250 to 300 basis points. So, a lot of investors are saying, okay, we will move from active, some to passive and some to alternatives to get the high yield. And I think we are very well positioned on both of that. And even on ARC we have now in the last four years been building a Retail ARC business. In fact, this year, a lot of the portfolios we acquired in ARC are on the retail side, which is home loans and SME loans and all, because the growth of Retail Credit with banks and NBFCs obviously also make sure that there will be some NPAs and there will be a need for those portfolios to be managed by an ARC. So, I think that is also a big opportunity. We have almost 180 people team in that business and we want to capitalize on that.

**Moderator:** Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

**Vivek Ramakrishnan:** Congratulations on completing 25 years to you and your team. My question is around the wholesale book only. I just wanted to know, the ECL Finance presentation was extremely useful. Could you let us know in terms of near completion date, because we are expecting a lot of inflows from projects, near completion status of various projects, since some that are going to

be delivered very shortly, which will release a lot of cash flows for you. So, that was my question. Thanks.

**Rashesh Shah:**

So, I think we have Deepak here who can also answer that. But broadly, a third of the portfolio is OC and almost OC kind of projects, which is what we call completion where they are already in sales mode. And OC is almost there, or OC is already received. I think another 45% odd is in the middle stage, which is about a year to two years away from OC and about the balance will be, I think, three to four years. So, we do think these are three stages of the portfolio. Deepak, you have anything to add?

**Deepak Mittal:**

Yes. So, Rashesh, our projects broadly speaking, they are 30:40:30, 30% is what is closer to either in the last stages or OC complete inventory, 40% is what should get completed in the next 24 months, and the remaining 30% is like about after two years. Vivek, just one more point, I think there is still a structured finance portfolio which is also there, most of it will come for repayment within the next 12 to 18 months, so those cash flows will also be part of the wholesale cash flows. As well as some of the cases, especially in the last six months, we are seeing developers who are ready to completely take over, especially the mid-sized projects, we are seeing a good traction out there. Where developers are ready to take over either some of the projects on hold or some land parcels, which also brings cash flow even though the projects are at ECL Finance level. Because as you would realize, a lot of liquidity is available today to good quality developers at a fairly reasonable rate, so they are also happy to participate in.

**Rashesh Shah:**

So, I think Vivek, in this the important part for us is obviously the cash flow coming back. But as liquidity has eased off, we have shown in ECL Finance what are the annual cash flows expected from this portfolio. As liquidity has eased off, more than just getting back the money, we want to make sure that we don't have any more impairment. In fact, we get more than what we have provided for, and idea is to start getting flow backs and all that. So, we are monitoring it, optimizing it as much as we can to just ensure that over the next, I think the portfolio will become half over the next two years. And in the four years, almost all of it will come back. But we think now the cash flow estimates that we are doing on a quarterly basis, we are making sure that our NPV is higher than the carrying cost. So, we constantly have committed to our board and others that we will do a quarterly estimate of the refresh of the cash flow, do an NPV of that, and just ensure that we are always marked well. Because we want to make sure that we do get back the money, but we also don't incur any more losses on that.

**Moderator:**

Thank you. The next question is from the line of Anitha from HSBC Asset Management. Please go ahead.

**Anitha:**

I just wanted to understand one thing on the wholesale book. In quarter three, you had given about Rs. 8,500 crores to be the outstanding corporate credit and now you are showing Rs. 11,400 crores as the wholesale book. So, what is the split between the corporate book and the other wholesale credit, I just wanted to understand that.

**Rashesh Shah:** Yes. Anitha, I think after the last quarter we got some queries. See, Rs. 8,500 crores is the loan book, that's a credit book. But we are also holding the SRs, when we sold the portfolio we got some security receipts. So, what we have done in this time is added both of them for clarity purposes. So, Rs. 8,500 crores is the loan book and the balance are the security receipts, which are related to the earlier loan book which have been sold. But from economic point of view, they are both the wholesale credit exposure. That's why we have I think replaced the credit book to wholesale book. Wholesale book is equal to credit book plus SR book on the wholesale loans.

**Anitha:** Okay, thank you. That's helpful. And secondly, just wanted to understand, in your liquidity and cash flow plan, quarter three versus now you are expecting like more contractual inflows in April to September quarter is what I see from your presentation. So, I mean, what is giving you the visibility or what are the positive drivers that you are expecting that you will get more cash inflow versus what you presented in one quarter back, just trying to understand that?

**Rashesh Shah:** As Deepak said, there are new developers coming. We have done almost Rs. 1,500 crores of recoveries in the last six months. And as liquidity environment, as well as real-estate environment has also improved, a lot of the projects we had were viable, economically viable projects but were stuck because of last mile funding, now we are seeing the new developers, a lot of the new agreements have been signed, there is a clear cash flow plan, there is M&A happening. So, even we had an exposure to a power plant, which has been taken over by a new buyer and the cash flows are getting expedited as part of that. So, I think there has been a general improvement on that. And hence, I think, our estimate, as I said, we refresh our estimates every quarter. And then obviously what we give out here, we also maintain stress tests on that and we maintain our liquidity as per the stress test needs, not as per the normal need. So, I think, even if there is any slowdown on that we have a lot of excess liquidity. In fact, now liquidity has stopped being a problem because there has been ample liquidity. But we want to be just careful, because I think after wave two experience, although it didn't impact the liquidity environment as much, we don't know what will happen. So, until COVID is over, we want to make sure that we only be careful and look at stress situations on cash flow. But we do think the wholesale book, cash flows will be better than what we are all expecting, given the activity on the ground that we are seeing.

**Anitha:** Just one more last question, if I may. On the co-origination model, can you give some colour as to what kind of traction you are seeing and what is the general sense and how do you see the growth here?

**Deepak Mittal:** As all of us are aware, I think retail securitization market has been a very large market in India, historically, even we have securitized portfolios to a lot of banks, both on mortgages and on SME side. What changed in that was the old co-origination and now what is called the co-lending model. I think the previous guidelines which had come up had some teething issues because both from a customer and as well as from the two institutions participating, there were a lot of operational issues which needed to be tackled upfront because these loans were being booked at the same time in both entities. So, it was almost like a tripartite agreement between the customer

and the co-lending institution. The new CLM guidelines which came out does away with some of the teething issues or in fact most of the teething issues, and makes it easier for non-banks to originate and send it to banks. After that, we have seen a flurry of activities between banks and you would have also seen some disclosures in the public domain. We ourselves have had a sign up on the retail business side with one public sector bank. I think we should, in this quarter do one more sign up on the mortgages space.

We personally believe that this is going to mark a very strategic shift in the direction of lending business as a partnership between banks and NBFCs. And we are ready for it, we were one of the early movers in this space, even under the old model we had started disbursing. But I think with this new guideline, I think operationally things will become much, much easier, partly because of COVID wave two it has not taken off because the disbursement activity given the personal safety issues, had come down. But I do expect quarter two of this year to start marking the start of this business and it will gain strength every quarter. We do expect this will become a very large business for NBFC Bank partnership and it will make a strategic shift. I think the key thing will be then NBFCs will become much, much more focused on particular asset classes which they are very, very good at originating, whether it is cost of origination, managing underwriting costs collections. We ourselves have taken a lot of steps in the last two years to not only digitize but also digitalize the process, build alternative credit scoring models. And I think a lot of them will come to fold. While the liability side would be supported by banks, NBFCs would largely be responsible for the quality of the loans they originate. It also does risk mitigation for the banks as 20% would be on the NBFC book. We do see this will become a very large part of the marketplace.

**Rashesh Shah:**

In fact, Anitha, I would just add that we are seeing the cost of this actually is a lot cheaper, though it is off your balance sheet, then borrowing money on your balance sheet and doing on lending. So, I think asset-light is actually going to be cheaper for NBFCs then borrowing their own balance sheet with equity needs and all of that. So, I think as Deepak said, we are very excited by this. We have to see how it evolves. But RBI and the bank seem to be very, very supportive of this.

**Moderator:**

Thank you. The next question is from the line of Pravin Agrawal from PB Investments. Please go ahead.

**Pravin Agrawal:**

I just wanted to ask that there was a news item regarding a minority shareholder grievance in the ARC business. Can you throw some light on it, what happened to that?

**Rashesh Shah:**

Yes. I think it has actually been an event, an episode that has been going on for four years, we have a minority shareholder in that business. Because if you remember, when we started ARC business, we were only allowed to own 49%, so the remaining 51% was given to a lot of individual investors and shareholders at that time. Then over the years, as CDPQ came in, we were also allowed to increase our stake. And now we can go up to 100%, so we have been very

keen to buy out any investor at a reasonable price. Now, as you know, in ARC there is no exit, it's unlikely that we will ever see an IPO or the listing of the ARC business in the near future.

As a result of that, obviously, individual shareholders would like to exit that business. And when they want to exit the business, they obviously want the price. And a lot of this has been going on for about four years ago is when this investor started making allegations. We got an opinion from Justice Srikrishna to do a complete inspection of all our activities and paperwork and all the deals we have done. We have strong governance. We should remember that 20% of the equity of ARC is owned by CDPQ, which is a large global firm, another 5% is owned by one Swedish pension fund. So, there is a strong governance oversight on our ARC. But this individual who is an ex-ASG, has decided to make allegations. We have gone through, we have appointed lawyers, the board of ARC has done an independent inspection of everything, and we remain very confident that everything we have done is as per the guidelines and as per the rules which are there.

Like one of the allegation is that CDPQ when they invested, they invested Rs. 500 crores for 20% of the company. If you remember, about five years ago when CDPQ invested, they invested Rs. 500 crores for 20% of the company which is a valuation of Rs. 2,500 crores. At that time the book value of the company was around Rs. 400 odd crores. So, it was a nice 5x price to book value that we got as a pre money for this business. And his allegation is that Rs. 500 crores is not enough, CDPQ should have invested Rs. 800 crores, though that Rs. 500 crores was much higher than any formula price, any FEMA floor price, anything. So, when you have this kind of allegation, it can create a newspaper sensationalism, which is there, but there is no underlying real merit in that sense. So, we are very happy. I must say the ARC is inspected by RBI every year, the same individual had made complaint to RBI also two years ago. RBI had also asked for information. So, the drama goes on.

The idea is what appears to us is to create nuisance so that a minority shareholder can be bought out. And we have seen enough cases in India, of minority shareholders in unlisted private companies now creating these kind of allegations and all so that they can get bought out. Our idea is, we are happy to always provide exit to investors if there is a possibility, because even if we can't buy, we can get some other investors. ARC is a good business, of course, as in the last two years as the book growth has come down, as we have not acquired as many new assets, the earnings have come down. But even today, the ARC business has Rs. 2,200 crores of equity. So, there is a lot of equity in that business, there is a lot of potential in that business and we want to exploit that. But we own 60% of that business, CDPQ owns 20%, another 5% is with Swedish pension fund, that is 85%. And the remaining 15% is with two or three individual shareholders, out of which this is one of the shareholder, no other shareholders have ever complained.

Just as an aside, this particular shareholder, his son in law is on the board of the company for the last eight years. The son in law has been party to all the decisions. He has never objected to board, there are Board Minutes and all where he has approved the CDPQ investment, he has approved all the other loans we have taken, everything else. So, this is more an effort to create

the nuisance and you know how it is, these people feel I can make allegations and can do harm to you. But we should always remember that allegations are allegations and underlying facts are underlying facts. And we stand by the facts.

**Moderator:** Thank you. The next question is from the line of Aditya Jain from Citigroup. Please go ahead.

**Aditya Jain:** On the Wealth Management transaction, if you could just explain the impact on the P&L, which are the line items it has flown through? I can see a Rs. 1,400 crores gain on derecognition, is there any impact in any other line item also, in investment gain or somewhere else? And secondly, where has that been used in impairment, how would you say that it has been allocated? And then lastly, related to it, had some of it been used to repay the holdco debt? And what is the outstanding holdco debt now?

**Rashesh Shah:** So, yes, I think, overall, we can give you the exact number of holdco debt, as we have never borrowed too much at the holdco level. So, the holdco debt should now be, by my estimate, maybe about Rs. 1,000 - Rs. 1,500 odd crores. Himanshu can give you the number on that. On this Edelweiss Wealth Management transaction, it's been a complex transaction, which is still undergoing, there is a demerger, as I said, underway and all that. So, the way to look at this quarter, and in the annual report there will be a lot of details, it's a lot more complex than to just explain. I think the simpler way to explain is what is the net extraordinary gain for this quarter, because we have a lot of other markups and markdowns also that we have taken, because as I said, we have an SR book and all of that also. So, as a result of that, I think the net extraordinary gain for this quarter has been Rs. 500 odd crores. That has been all Wealth Management plus impairment.

We have also taken this opportunity to take some restructuring cost which will all ensue, because of the demerger there will be a lot of restructuring cost that will also happen. Along with that, we have also done the long-term incentive plan for our key employees. We have done a deferred bonus pool out of this capital gains that we got. Because as you know, last year was a difficult year so we could not really pay bonuses and all last year. So, this year we took the opportunity of rectifying some of that, creating long-term incentive plans for employee out of the capital gains that we were getting in this transaction. So, I think the way to look at it is the net P&L impact of extraordinary gain that you can remove is about Rs. 500 crores after a whole series of pluses and minuses that have gone through. A lot of that, if you want, offline somebody can take you through that, and a lot of that will be in the annual report as you go along.

**Aditya Jain:** Sir, thank you. Just a clarification on the ECL plus ERFL. The credit cost is negative, so what has driven this reversal of provision?

**Deepak Mittal:** Yes. So, if you look at our total numbers for the year, every quarter there could be a little bit, as Rashesh talked about, at every quarter we refresh the cash flows and we update the cash flows for every wholesale asset. So, every quarter there is normally a swing of Rs. 50 crores odd, and that normally results in either an impairment or a credit provisioning or a release of the sale. So,

given the wholesale nature of the book, I think every quarter you could expect a Rs. 50 crores-Rs. 60 crores, either a positive or a negative number as we refresh the model. So, those come on a quarterly basis. But I think overall, as I said, our book now, we are fairly confident that it is conservatively marked. So, we do not expect any significant impairments coming forward on this book. I think from next year onwards, we do expect that some of the impairments may start getting released from whatever early traction we are seeing on the resolutions. From next year onwards we should actually start seeing positive slippages on this book rather than negative slippages. Q4 was also one such quarter where we did have some positive slippages on the ECL for us.

**Rashesh Shah:**

I would also add, Aditya, that this is all because of IndAS. And IndAS on retail works very similar to India GAAP, because then you do everything at a portfolio level. But IndAS on wholesale books will always be very idiosyncratic and because everything will be marked to market now, unlike earlier where you had an NPA and then you continue to provide. So, until the NPA remained an NPA, you just kept on providing. Now you might mark down a loan one quarter, then there is an improvement and so you might mark it up a little bit or it might release some impairment that is already provided. So, IndAS on wholesale book will have this kind of variations, as Deepak was explaining. As I said, the idea is to treat this as a portfolio which is marked to market every quarter and the this can go up and down a little bit. We will always remain conservative in that, but you can expect I think the book is now fairly well marked, I think we are very conservatively marked as far as we can estimate. And that gives us confidence. But small variations is what we should expect. But all those will balance out in the next two years or so.

**Moderator:**

Thank you. The next question is from the line of Prashant Shridhar from SBI Mutual Funds. Please go ahead.

**Prashant Shridhar:**

Just a feather doubt on the Wealth Management business. Do we expect a name change? And will the board composition change?

**Rashesh Shah:**

So, the board composition has already changed. We are all on the board, I mean, I and Venkat, and Vidya from Edelweiss are on the board, Nitin Jain who is the MD is on the board. There are people from PAG already on the board. So, there is a new board. We have committed the name for the next three years as part of the deal itself. So, it is currently still run as an Edelweiss business with all the internal linkages and the synergies and everything else. So, the board has changed because the PAG nominees are also on the board and we have a very clear game plan and agenda which has been agreed between PAG and us. It's actually working very well, because PAG brings in a lot of expertise in scaling of businesses and bringing the extra governance focus and all, and they have put some very high-quality people on the board. So, it's been a good addition. As you know, in our insurance business we run a JV, even in insurance broking business we have a JV with Arthur Gallagher. So, we are used to running that, so we are very comfortable with this.

**Prashant Shridhar:** Sure, that's very helpful. Just on the lending book, so just putting all of it together, ECL plus retail plus housing, how much would be the restructuring plus the DCCO extension, ECLGS disbursements, etc.?

**Deepak Mittal:** So, I think when the last refresh we had done, on the wholesale book I think the number was closer to 5%. And for the retail book, it was closer to 3% to 4%, between ECLGS and restructuring.

**Prashant Shridhar:** Okay. And what would be the Stage 2? So, I am assuming some part of this restructuring could have been classified under Stage-2 for higher provisioning.

**Deepak Mittal:** So, restructuring would be either Stage 2, or in some cases also Stage 3. ECLGS, as you would know, it has government guarantees so there is more staging impact on that.

**Prashant Shridhar:** Sure. But the restructuring, it is in either stage two or three?

**Deepak Mittal:** Yes.

**Moderator:** Thank you. Next question is from the line of Vishal Tekriwal from Real Value Securities. Please go ahead.

**Vishal Tekriwal:** Thanks for a detailed update on ECL Finance. I just wanted to ask, you have taken a lot of impairments and write-offs in last year, though balance sheet and equity base is still strong. Wanted to know, is the worst over? And what should we be expecting in future, if you can throw light on it? Thank you.

**Deepak Mittal:** Yes. I think on ECL Finance, as I said, I think wholesale businesses always have this kind of volatility. I must also tell you, ECL Finance, we have been doing this business for 12 - 13 years, so we did make profits in the early years, last two years we have taken impairment in that. But I do think now we have marked the book to what is the appropriate value of the underlying cash flows. Plus, the underlying environment has improved. Last year there were a lot of problems of getting last mile funding and projects were getting stuck. And even the sales were much lower in real-estate. I think a lot of that has improved. So, I think the real estate-cycle is definitely on an uptick. A lot of good developers want to step into good projects which are economically viable, but which are stuck. So, we are seeing good sign on that also. So, I think we have taken whatever markdowns had to be taken, we have restructured whatever loans to be restructured, we have a very active internal workout group, and we are doing active work outs, all the special accounts have a strong focus. And we either bring in new developer, we organize last mile funding, we change a lot of parameters of the project to make sure that the project gets completed and our loans are repaid. And when the loans are repaid, our equity also becomes free, because we have almost Rs. 3,000 crores of equity. So, though it's a Rs. 11,000 crores book, there is Rs. 3,000 crores equity out of the Rs. 11,000 crores.



The other thing you would have seen in the ECL Finance presentation, we are more about close to Rs. 6,000 crores of long-term borrowings. So, given that we have a lot of equity and long-term borrowing, which is now used for this book, even the liquidity challenge on this book has been behind us. Because earlier we were fighting both, we were fighting the impairment battle and we were fighting the liquidity battle, and they both started feeding on each other almost like a vicious circle. I think both of that has come to an end. So, I think the worst is over. But yes, I think we still need to do the workouts and release the capital. So, over the next four years, as we get the money, the borrowing against that book will get repaid, but we will also release our equity. And for us, that is very exciting because Rs. 3,000 crores of equity which is embedded in the wholesale book is what we also want to come back to us and we can use it for other growth areas also.

**Rashesh Shah:**

So, we are fairly confident that ECL Finance is now on a good trajectory. Also, this equity we will have, and ECL Finance is a good MSME business which has been overshadowed by the wholesale book. But even this, I think, MSME book has a lot of scalability as Deepak explained. So, I think ECL Finance as a platform is a strong platform. We started this company in 2005. Over 15 years it has gone through its ups and downs. But I think over the years, ECL Finance still has a lot of equity, a lot of liquidity and a lot of potential in the MSME asset-light Retail Credit model that we vow to espouse and the next few years will be testimony of that.

I think I just wanted to add, I was just reminded by somebody that Jeetu had asked a question on the Asset Management and whether we will look at partnerships and all. I forgot to answer that. As you know, both our Asset Management businesses, alternatives as well as Mutual Funds, are 100% owned by Edelweiss. Our General Insurance business is also 100% owned by Edelweiss. And now that we have adequate capital and liquidity and all, we are not actively looking at partners to put capital. In the earlier years when we did ARC and Life Insurance, one of an ask from our partners was to bring in capital also. Now, I think given that we are releasing capital from our wholesale credit book and we have adequate capital and liquidity available, we will not be looking for any partnership for capital reasons. But of course, if there is a strategic partner who either offers a great value or we think that business will have a much better future with a partner, we will always be happy to realign our capital and all. And we have had some great partnerships in our Insurance Broking business, in our Life Insurance business, in our ARC business, in our Credit business. So, we are always open to partners, we are always open to recalibrate our portfolio and holding structure as long as it is good for the business and unlocks value for us.

**Moderator:**

Thank you. The next question is from the line of Rajeev Pathak from GeeCee Holdings. Please go ahead.

**Rajeev Pathak:**

A couple of things. It's a good thing that you have brought down the group level borrowings by approximately like Rs. 3,700 crores a quarter. But on the other side, you have also increased the liquidity that you are carrying. So, is it that you are carrying this excess just to fortify yourself

against the possible wave two impact and then you will start paring down that liquidity again and bring down your gross borrowings?

**Rashesh Shah:** Yes, actually, partly that. Partly, when the crisis started we borrowed some long-term money at the holdco level to make sure that as a parent we had enough liquidity to provide to all our underlying businesses. Fortunately, including ECL Finance, nobody needed the money, nobody had that crisis where they had to depend on the parent for the money. But because we are not a corporate house, where we have a corporate parent, at that time when the crisis started in 2018-2019, borrowed some two-year, three year, four year money, slightly as I said expensive money, but it was an insurance that we bought. A lot of that we are carrying, because we have lock-in periods on that. A lot of these loans will start getting paid from 2022 onwards, a lot of this were for two years and three years and four years. So, between 2022 and 2023 a lot of these expensive loans will get repaid and that will also reduce our drag, our cost, and also allow us to optimize liquidity a lot more. And secondly, as you said, COVID is not over, and until COVID is over our board has guided us to be more careful on liquidity, even if it means a little bit more liquidity drag for a couple of quarters. If we have taken it for last eight quarters, I think another two quarters is not going to kill us, but it will only make us stronger.

**Rajeev Pathak:** Okay. And Rashesh, if you can just reconfirm the holdco level debt. And the other point is, you did mention a timeline of around 12 to 15 months for the Wealth Management process to get over and do final listing. Is that the right timeline from now?

**Rashesh Shah:** Yes. I will get Himanshu to answer both of that. Himanshu, do you want to answer these both questions, holdco debt and EWM listing?

**Himanshu Kaji:** So, I think the holdco debt as on March 31, external debt is around Rs. 850 odd crores. And sorry, what was the second question?

**Rajeev Pathak:** And the timeline for the listing of the wealth is 12 months to 15 months from now, is that the right thing that we heard previously in the call?

**Himanshu Kaji:** Yes, I think that is what it is.

**Moderator:** Thank you. Next question is from the line of Pranit Banwat from ICICI Bank. Please go ahead.

**Pranit Banwat:** Congratulations on your Silver Jubilee. My question is regarding ARC transactions. So, your housing finance arm has done some around Rs. 75 crores of ARC transactions in the FY21 year. So, first question is, what are the nature of those assets? And second is, EFSL has assumed both risk as well as rewards for the transaction, so I guess the focus is now on independence of each entity. What is your view about that, about the thought process behind that?

**Rashesh Shah:** I will let Deepak answer the first one. On the second one, the thought process is, we are still the owner of those businesses, and we want to make sure that all our credit businesses have the

support of the parent. And as I said even earlier, even to provide liquidity support, and we have a very strong balance sheet at the holdco level. Edelweiss Financial Services has a strong balance sheet, so we have to give comfort to all the banks and everybody. We have given a backstop on that. Because ultimately, this is our business, ECL Finance is an Edelweiss entity. And I said, all our businesses are independent at an operational level, but it doesn't mean that the parent support is not there. And that is what we have adequately provided, whether it's on liquidity or on this. On the first one, on the housing finance sale to ARC, Deepak, do you have any clarity?

**Deepak Mittal:**

Yes. So, as we have been building our retail businesses, one of the other things which we have been experimenting with is some kind of a champion challenger model, even on the collections side. And especially given the lockdown where there were some amount of administrative hassles around collection, especially on the mortgages side, we found that by experimenting through our own ARC we were getting in some pockets, we were getting very good results. As Rashesh also spoke about it that our ARC is also building a fairly strong retail platform. We were not only looking at our own ARC, but we were looking at other ARCs also and finally, we closed the deal with our ARC. The idea is that over a period of time we want to get the best outcomes out of our retail portfolios, including the NPA or Stage 3 portfolios. And while we do a large part of collection on our own and recovery on our own within the retail businesses, but from a benchmarking point of view, we don't want to see if some of the other ARC's can do as good or a better job. That also keeps us honest in terms of our own recovery capability and allows us to benchmark.

**Moderator:**

Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

**Nischint Chawathe:**

Just two questions essentially, one was on the asset management side, both for mutual fund and alternatives. Could you kind of share some scale after which these businesses start making meaningful profits? I am sure there is operating leverage benefit that you start getting beyond a point?

**Rashesh Shah:**

If you see on the Mutual Fund side, we are still investing in growing the AUM and all, and I think our Mutual Fund assets are now Rs. 55,000 crores. I think it's already profitable, the business makes Rs. 4 crores or Rs. 5 crores of profit after tax, because we are investing a lot of money in building products and platforms and all that. I think the Mutual Fund should start being significantly profitable, and when I say significant profitability is Rs. 50 crores to Rs. 100 crores post 2024-2025 onwards is our current plan and we will continue to invest in that. On the alternatives side, as you know Nishant, we run a lot of the credit funds. And in credit funds, unlike private equity funds, you earn fees only on deployment. So, out of the Rs. 30,000 crores of AUM, about Rs. 13,000 crores, almost 40% odd of our money is not yet deployed. So, we have a lot of undeployed money. So, as we deploy that, the profitability will go up. And the second in this is, there is a lot of carry that you get on the funds when you exit. A lot of our AUM has been built from 2017- 2018 onwards.

So, if you see out of this Rs. 30,000 crores, close to Rs. 23,000 crores-Rs. 24,000 crores AUM is only of the last three years vintage, the carry on this will start coming out after 2024 onwards. So, I would say 2024 onwards is where the Asset Management business will be at the stage at which the Wealth Management business is now. The Asset Management business is about two to three years behind the Wealth Management business in terms of its profitability scale up. Our current total AUM is Rs. 30,000 crores in alternatives and Rs. 55,000 crores in Mutual Fund. I think Mutual Fund's significant profitability will be once we cross Rs. 80,000 crores to Rs. 100,000 crores. And in alternatives, at Rs. 30,000 crores also you can be reasonably profitable, but your vintage of the funds has to get older. So, I think a lot of our money is only last three years, and once it becomes about six to seven years is when the alternative assets really give you the profits and the returns of that.

**Nischint Chawathe:** Thank you. Just on the wealth side. If you could give some breakup of, I mean, I think you had net revenues of approximately Rs. 1,050 odd crores, if you could share some breakup of it in terms of how much of it is kind of capital market advisory linked or how much of it comes from broking and how much of it comes from normal client fees, if you could share breakup of that, that would be useful.

**Rashesh Shah:** Sure. I can give you broad colour, I don't have the exact numbers, as I said, we will be happy to connect you with the Wealth Management team and show that. About 18% to 20% of this is your interest margin business, which is your margin funding and IPO funding and all that. And I think we have been, for the last five to six months, averaging about Rs. 100 crores of top-line per month. The way it works is, Rs. 100 crores top-line, about 65% cost income ratio is the way this business is broadly stabilized. And as I said treat this as approximate numbers. And the exact numbers we will be happy to get the management team connected to you. Out of Rs. 100 crores of average top-line, as I said, about Rs. 18 crores or Rs. 20 crores comes from the interest margin business. I mean, we see Wealth Management as what we call an A, B, C, D business. A is for advisory. I think our advisory fees are also about 18% to 20%. B is the broking business, broking is about 45-ish, 40% - 45% comes out of broking business. C is the capital part, which is what I said the interest spread you get. And D is the distribution part where you sell funds, and you sell insurance and other parts. So, I would say, broadly, you should assume it's 40:20:20, but exact numbers they will be able to give you, because it also changes from quarter to quarter. But this is broadly how it is. Our long-term target is that broking should be about 30% of the business, advisory should be another 30%, and both distribution and capital should be to 20% - 20%.

**Nischint Chawathe:** Sure. And if I look at the transaction that you have done, you are looking at a pre-money valuation of approximately Rs. 4,000 crores and a trading profit of around Rs. 250 crores odd. So, I mean, can we say that the investors have got a very good deal?

**Rashesh Shah:** That is always the case. But I think we struck this deal in the middle of COVID wave. So, if you remember, we had announced the deal in August last year. And obviously, the business improved a lot more, the first half was slow so the annual profit at that time we were expecting was about Rs. 180 crores to Rs. 200 crores was standard at that time. So, we had estimated about FY22

multiple for the business at that time. Obviously, the business did very well. We had an option to try and see whether we can optimize and all that. But we both decided we should stand by the commitment we have made. So, we signed the deal in August last year. It took us about five - six months to get all the approvals and all, because we had to get all the international approvals and everything. And I think our idea was not to be greedy, but to just make sure that the business has a strong footing because PAG has also invested Rs. 400 crores into the business over and above this. So, there is a Rs. 400 crores of additional capital in the business. And obviously, from August to December the world changed a lot. But given that this was not just a transaction to realize value, but it was to unlock value, go through the demerger process, distribute the shares to our shareholders, it has a much larger strategic importance to us than maybe improvement in valuation by 20% or so, which is what we could have argued for. But it's okay, I think in your history you will always do transactions which will either look good for investors or for you and everything evens out in the long run.

**Moderator:** Thank you. Next question from the line of Dinesh Khanna from AKC Investments. Please go ahead.

**Dinesh Khanna:** I had a couple of questions on the Wealth Management business. I think you have answered that, but from an investor point of view I just want to understand that the demerger process, you explained that it's via NCLT when listing happens. So, as a shareholder, what are the timelines by which people can expect shares of Wealth Management business being credited to them? That was the first part.

Secondly, I think the similar question is the kind of numbers this business is showing, I think Rs. 250 odd crores of profit and the growth. Do you think by the time that listing of this business happens, this business can command a valuation of, let's say, Rs. 9,000 crores to Rs. 10,000 crore in itself? Just wanted your sense on the same.

**Rashesh Shah:** See, I am always careful about making any forward looking statement on valuation and all. I think a lot of people on this call, including you understand valuation in market is a lot more than we do. Of course, there are comparable other wealth management outfits out there. I think, fortunately this business has no comparable, there is IIFL, there is ISec, all of them are there, Angel Broking, all are slightly different model to each other. But I think as I said, first half, we were cruising along at about Rs. 100 crores for the first half, but in the second half it's been more like Rs. 140 crores and all. So, if I take the second half plus there is additional Rs. 400 crores of equity that has been infused on this, which will also earn money and all, I think there should be good growth in this. And our idea is that, as and when it gets listed, it should be comparable to the peers who are out there. So, the idea is to have a strong business, even if it gets listed at a particular price, it's the post listing that is very important. But we do expect that, I think the Wealth Management businesses as a whole will always trade at between 20 to 30 P/E going forward because it's more like an FMCG business. And I think this business the time has come up in India for these businesses to be standalone and scale up. I think earlier they were still very subscale. I remember about five years ago, this business used to make a profit of only about Rs.

70 crores - Rs. 80 crores for us. But now I think the business has got investments, it has grown, it's become very robust standalone, it's got multiple business lines underneath that. So, I do expect that Wealth Management business should trade a 25-30 P/E as we go forward, and we hope that ours will be best in class in that. But our current approach is that for the next year or so we solidify the business and keep on growing it. Now it's got Rs. 400 crores of additional equity, the retained earnings of last year is also there because they have got more than Rs. 250 crores of retained earnings also. So, the capital base, by the time we list this company, the equity base of this entity should be closer to Rs. 2,000 odd crores to Rs. 2,200 crores. And according to me, a good business is when they make about 20% - 25% ROE on this kind of advisory business. So, I think that is what I would call it a good business.

**Dinesh Khanna:** And sir, the timelines, I think post the NCLT only people can expect?

**Rashesh Shah:** Yes, it is now in NCLT process for demerger. After the demerger, the investors will get the shares. And post demerger is the listing process, which is because demerger gives you a listing but usually we have seen in the past the listing takes anywhere between a month to three months after the demerger.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I now hand the conference over to Ms. Ramya Rajagopalan for closing comments.

**Ramya Rajagopalan:** Thank you, Margreth. On behalf of Edelweiss Group, I would like to thank all of you for giving us your time and for asking us insightful questions. Because of lack of time, we will have to close this particular session now. I would request all of you who have additional questions or who did not get a chance to ask questions in the queue to get in touch with our Investor Relations team. And we would be very happy to help you out with any additional information needs that you may have. Once again, thank you for your time and stay safe and well until our next. Thank you very much. Thank you Rashesh, Himanshu and Deepak for your time.

**Moderator:** Thank you. On behalf of Edelweiss Financial Services, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.