

Edelweiss reports ex Insurance PAT of INR 61 Cr, growth of ~48% in customer base

Growing Customer Assets ♦ Well-Capitalised Businesses ♦ Strong Balance Sheet & Liquidity

Q1FY22 Highlights:

- **EFSL Ex-Insurance PAT of INR 61 Cr; EFSL Consolidated PAT of INR 18 Cr**
- **Revenue (consolidated) ~ INR 1,650 Cr**
- **Robust Growth in Customer Franchise**
 - Customer base continues to grow despite challenging times, grew ~48% YoY to 2.2 million
 - This has been driven by a 35% YoY growth in customer assets **to INR 3,02,300 Cr** – demonstrating the continued trust reposed in us by our customers

Update on Key Priorities:

- **EWM value unlocking**
 - Demerger of Edelweiss Wealth Management on track with listing expected by Sept-Dec'22
- **Scaled down wholesale credit assets**
 - Reduced wholesale assets by ~32% in the last 2 years to ~INR 10,900 Cr in ECL Finance, Expected to reduce to ~INR 6,000 Cr by March'23
 - Successful Workouts of over INR 2,000 Cr in last 15 months
- **Continued Scale up in Asset Management & Insurance Businesses, enabled by digitalisation**
 - 111% YoY growth in Mutual Funds AuM to ~INR 62,000 Cr; 28% YoY growth in Alternatives AUM to ~INR 30,000 Cr
 - Life Insurance Gross Premium grew 31% YoY to INR 214 Cr; General Insurance Gross Premium grew 58% YoY to INR 63 Cr
 - Digitalisation initiatives gaining momentum – India's first completely paperless onboarding platform for AIF, 100% paperless acquisition in General Insurance and the first cloud native insurer in India to implement entire SAP suite on AWS
- **Strong Balance Sheet, Robust Liquidity and Well Capitalised businesses**
 - **Strong Net worth** at INR 8,512 Cr
 - **Borrowings declined** by 15% over Q1FY21 levels to INR 25,912 Cr; **D/E reduced to 2.2x** from 3.2x in Q1FY21
 - **Adequate Liquidity** of INR 5,500 Cr at 21% of Borrowings
 - **Conservative provisioning**, consistently providing higher than IRAC norms
 - Well Capitalised businesses, with capital adequacy of 25%+ across entities

Update on Strategic Development:

- **Stake Sale in Insurance Broking Business**
 - Entered into an agreement for divestment of 70% stake in the Insurance Broking business to Arthur J. Gallagher, who will own 100% stake in Edelweiss Gallagher Insurance Brokers Ltd after requisite regulatory approvals
 - Provides flexibility to reallocate capital and sharpen focus on our fast-growing insurance businesses

Business Highlights - All businesses continued to be resilient throughout the pandemic**• Credit**

- Focus on **asset-light retail credit** model, selective disbursements in SME & Housing Finance
- Improved Retail credit **collection efficiency** despite the impact of second wave of Covid. 92% of total retail collection efficiency in June '21, led by strong customer engagement
- Signed **co-lending agreement** with leading public sector bank for SME loans and with a leading private sector bank for housing loans
- Launched an **inhouse Digital Lending platform** for end-to-end home loans
- Continued efforts to reduce Wholesale book

• Asset Management**Mutual Fund:**

- Net equity inflows of ~INR 1,800 Cr and net total MF inflows more than ~INR 5,000 Cr in Q1FY22
- **Active investor base has nearly doubled** – increase in folios by ~95% and Distributor network by ~94%
- **Equity market share steadily rising**; Crossed ~INR 1,000 Cr of gross equity monthly sales for the first time in June'21

Alternatives:

- **Dominance in Alternatives** continues with robust annuity income
- **Ranked no. 3 in Asia** by Prequin for AUM raised in last 5 years
- Deployment momentum continues to be strong with INR 800 Cr invested in Q1FY22

• Asset Reconstruction

- Focus continues to be on **deleveraging and building retail capabilities**
- Robust recoveries of ~INR 740 Cr in Q1FY22 from 74 borrowers; of this, ~22% was Retail ARC recoveries
- Acquired assets worth ~INR 2,100 Cr with deployment at INR 380 Cr

• Insurance**Life Insurance:**

- Active client base has increased by ~10% YoY
- Individual APE CAGR of 25% since FY17 against industry growth at 8%
- Dominant share of Traditional Par and Non-Par at ~82%

General Insurance:

- Amongst fastest growing players with a 67% YoY growth in GDPI in Q1 FY22 while the industry grew at 14%
- Expanded partnerships with OEMs & new-age internet players - Mahindra Broking & Cleartrip
- Launched industry's first fully automated partner onboarding solution

• Wealth Management (EWM)

- **Growth of 32% in AuA** and **19% in clients** YoY
- Successfully launched two new strategies - EDGE and Crossover III, with committed AUM of INR 1,600 Cr

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

After a few difficult months, we finally seem to be nearing the end of the second wave. With vaccination in full swing now, we have hopefully emerged from the shadows of wave 2 and are seeing a swift economic recovery. We continue to focus on safety and health through prioritizing vaccinations for our employees and their families.

The financial services industry is in a dichotomy – while lending businesses are in a temporary flux due to the lockdown, capital markets-linked businesses have done exceedingly well. Despite the challenges of the pandemic, most of our businesses did well in the last quarter. Our Customer Assets have grown by 35%, with nearly a million customers onboarded in the last year alone. We have seen a significant scale up in our Asset management and Insurance Business which are poised for strong growth. Our Mutual Fund AUM has grown by 111%, while the Alternatives AUM has risen by 28% YoY. Our insurance businesses are outperforming industry growth, with premium growth of 31% for Life Insurance, and 58% for General Insurance. Recoveries in ARC continue to be strong despite a challenging environment. Our Credit businesses were impacted in the early part of the quarter but have recovered well and despite localized lockdowns, our collections were 90%+ towards the end of the quarter. We continued the transition to a capital light retail credit model with a focus on Housing and SME businesses and have significantly scaled down our wholesale lending book and plan to downsize it further by ~50% by FY23.

We entered into an agreement with Gallagher for the sale of our residual 70% stake in Insurance Broking business, providing us the flexibility to reallocate capital and invest in scaling up our fast-growing insurance franchisee.

Over the next 18 months, we will continue focus on three priority areas – demerger of the EWM business for value unlocking through listing by Q3FY23; Reduce our wholesale credit book and continue scaling up our asset management and insurance businesses. Robust equity, comfortable liquidity and agile operating platforms will give us a solid foundation as we look towards economic revival and growth in the years ahead.”

Business Highlights:

Edelweiss Group is diversified across several businesses

1. NBFC (ECL Finance Ltd. & Edelweiss Retail Finance Ltd.)

Business performance and updates – Q1FY22

Particulars	ECLF and ERFL Financials in INR Cr
Net Worth	3,829
Capital Adequacy	25.4%
AUM	9,608
Loan book	9,019
PAT	(8)

- Going forward growth will be in MSME book
 - Asset light model - Focus on partnerships with Banks: Signed co-lending agreement with Central Bank of India in May'21; Active discussions ongoing with 2 other banks
 - Digitally enabled and data led organization
- Collection efficiency at 91% in June'21 despite Covid second wave impact
- Workouts on-going in wholesale book for recoveries and resolution

2. Housing Finance (EHFL)

Business performance and updates – Q1FY22

Particulars	EHFL Financials in INR Cr
Net Worth	749
Capital Adequacy	25.5%
AUM	4,063
Loan book	3,425
PAT	(14)

- Focus on asset-light growth
 - Forged co-lending partnership with a leading private sector bank
- Maintained collection efficiency of 93% in June'21
- Launched in house Digital Lending Platform for improved customer experience and efficiency

3. Mutual Fund

Business performance and updates – Q1FY22

Particulars	Financials in INR Cr
Net Worth	167
Net Revenues	37
PBT	6
PAT	6
AUM	~62,000

- Among the fastest growing MF with ranking in the top 15 in Q1FY22
- Net equity inflows of ~INR 1,800 Cr and net total MF inflows more than ~INR 5,000 Cr in Q1FY22
- Equity market share steadily rising; Crossed ~INR 1,000 Cr of gross equity monthly sales for the first time in June'21
- Received strong response to our newly launched SDL PSU debt index fund

4. Alternative Asset Management

Business performance and updates – Q1FY22

Particulars	Financials in INR Cr
Net Worth	161
Net Revenues	58
PBT	8
PAT	8
AUM	~30,000

- Dominance in Alternatives continues with a robust annuity income
- Ranked no. 3 in Asia in terms of AUM raised in last 5 years by Preqin
- Deployment momentum continues strong with INR 800 Cr invested in Q1FY22
- Adopted Sustainable Finance Disclosure Regulations (SFDR) to promote ESG practices in our portfolio companies
- Huge potential upside from carry income as ~95% of AUM is performance linked

5. Asset Reconstruction

Business performance and updates – Q1FY22

Particulars	Financials in INR Cr
Net Worth	2,272
Net Revenues	91
PBT	67
PAT (pre MI)	50
AUM	~42,300

- Focus continues to be on deleveraging and building retail capabilities
- Gross recoveries of ~INR 740 Cr in Q1FY22 from 74 borrowers; Of this, ~22% was Retail ARC recoveries
- Acquired assets worth ~INR 2,100 Cr with EARC's deployment at INR 380 Cr
- Fee income remains robust
- Comfortable liquidity position of ~INR 410 Cr as on June' 21 with well-matched ALM across all durations

6. Life Insurance

Business performance and updates – Q1FY22

- Gross Premium grew 31% YoY to INR 214 Cr
- Active client base has increased by ~10% YoY
- Dominant share of Traditional Par and Non-Par at ~82%
- Individual APE CAGR of 25% since FY17 against industry growth at 8%
- Embedded Value as on June'21 at INR 1,195 Cr

7. General Insurance

Business performance and updates – Q1FY22

- Gross Premium grew 58% YoY to INR 63 Cr
- Fastest growing player with a 67% YoY growth in GDPI in Q1 FY22 while the industry grew at 14%
- Strong performance in motor line with YoY GDPI growth at 63% compared to industry at 8%
- Partnered with Mahindra Broking & Cleartrip in Q1FY22
- Launched industry's first fully automated partner onboarding solution
- Adoption of video-based remote survey app (BOLT) for motor claims stands at 47% in Q1FY22

8. Wealth Management

Business performance and updates – Q1FY22

Particulars	Financials in INR Cr
Net Worth	1,618
Net Revenues	293
PBT	81
PAT	55
AUA	~1,68,000

- **Growth of 32% in AuA** and 19% in clients YoY
- Highest ever quarterly raise of INR 1,500 Cr in AIF strategies
- Launched EDGE and Crossover III with committed AUM~1,600 Cr as on 30th June 21

EdelGive Foundation:

EdelGive Foundation, set up in 2008, is the philanthropic arm of the Edelweiss Group. Over the last 12 years of its existence, EdelGive has evolved into a grant-making organisation, with the mission to build and expand philanthropy in India by funding and supporting the growth of high-caliber small to mid-sized NGOs. With the belief that an inclusive society is built on the foundation of educated children, empowered women, and resilient communities, EdelGive supports organisations working towards these goals, through targeted, community-driven, and high impact interventions. EdelGive has so far supported over **158 NGOs** and influenced over **INR 460 Cr** towards commitments to them.

About Edelweiss Financial Services

The Edelweiss Group is one of India's leading diversified financial services companies, providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. Edelweiss's products and services span multiple asset classes and consumer segments across domestic and global geographies. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all client segments. Its businesses include Asset Management, NBFC, Housing Finance, Asset Reconstruction, Wealth Management, Life Insurance and General Insurance. Together with strong network of Sub-Brokers and Authorized Persons, Edelweiss group has presence across all major cities in India.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Reuters: EDEL.NS and EDEL.BO and Bloomberg: EDEL IS and EDEL IB. Edelweiss stock is actively covered by sell side research analysts of Citi Research, Maybank Kim Eng Securities, Haitong International, and Emkay Global Financial Services. To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

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