Dear Shareholders,

I hope you and your families are safe and well in these difficult times.

We have just announced our Q1FY22 financial results and starting this quarter, we intend to share a letter along with our earnings presentation to provide our perspective on the quarter gone by. The detailed investor presentation can be found here.

The Covid second wave in recent months was overwhelming and most of us have been in some way connected with a personal tragedy. While the impact on the economy was contained with localized lockdowns, the impact in terms of loss of lives was much worse than the first wave. With vaccination in full swing, we have hopefully emerged from the shadows of Wave 2 and are seeing a swift economic recovery.

India – What do we see?

India witnessed three downcycles - long-term, medium-term, and short-term playing out at the same time. The long-term downtrend started in 2012-13 and was on account of deterioration in asset quality, overcapacity, taper-tantrum. The medium-term down trend was led by financial crisis and impacted banks, NBFCs and corporates and then there has been this short-term downtrend on account of Covid-19. I think all three have played out and all three downtrends are reversing at the same time.

Resilience has been a hallmark of the Indian economy. Last year, has been a testimony to this inherent strength of our economy. India Inc. took the challenge head on and we have seen businesses de-leverage significantly, bring in operational efficiencies and accelerate adoption of digital technology to build readiness for future growth opportunities.

Economic activity is now nearly back to pre-Covid levels. With easing of lockdown restrictions across the country, business activity is catching speed. There might still be short-term disruptions, but in the long-term, we remain highly optimistic on the trajectory of the Indian economy.

Q1FY22 Performance

Key Highlights:

The financial services industry is facing a dichotomy - while lending businesses are in a temporary flux due to the lockdown, capital markets-linked businesses have done exceedingly well. Some key highlights of our performance for the quarter:

- EFSL Ex-Insurance PAT of INR 61 Cr and EFSL Consolidated PAT of INR 18 Cr for the quarter
- Customer base continued to scale up well and now stands at ~2.2 million registering a ~48% growth from last year. This is truly a testament to the trust placed by our customers in us
  - This also helped drive a 35% year on year growth in customer assets
  - We expect to add another ~1-1.5 million customers in FY22
- Adequate liquidity, well capitalization and low leverage, is something we are deeply committed towards as we build a strong balance sheet which will be foundational for future growth

  - Well-capitalized balance sheets with high capital adequacy levels for ECL Finance & ERFL at 25.4%, Housing Finance at 25.5% and ARC at 36%
  - Robust Liquidity at each of our operating companies
  - Continued to de-leverage with Consolidated D/E now at 2.2x from 3.7x in Q1FY20
  - Calibrated book growth as we continue to assess the differential impact of the second wave
- Entered into an agreement for residual stake sale of 70% in Insurance Broking business to Arthur J Gallagher & Co which will enable Edelweiss Group to reallocate capital and sharpen focus on our fast-growing insurance businesses

Despite the second wave, most of our businesses showed strong and steady performance this quarter. A few highlights below:

Mutual Fund:
- Strong net total inflows of more than ~INR 5,000 Cr and net equity inflows of ~INR 1,800 Cr in Q1FY22
- Amongst the fastest growing MF with ranking in the top 15
- Registered robust year on year growth of 111% in AUM which now stands at ~INR 62,000 Cr

Alternatives Asset Management:
- Strong AUM growth of 28% year on year, AUM now stands at ~INR 30,000 Cr
- Ranked No. 3 in terms of AUM raised in last 5 years by Preqin
- Continued traction seen in deployment with INR 800 Cr deployed in Q1FY22

ARC:
- Strong recoveries at ~INR 740 Cr for the quarter despite the challenging environment
  - ~25% of these were from our Retail ARC portfolio, which will be a significant growth driver going forward

Insurance:
- Gross Premium year on year growth of 31% in Life insurance and 58% in General Insurance business

Credit:
- Collections were impacted in the early part of the quarter as there were localized lockdowns but recovered towards the end with our strong focus on customer engagement
  - Total retail collection efficiency was at 92% in June'21
- Working towards building a digital led asset light credit book
  - Entered into co-lending agreements with two banks during the quarter
  - Developed an inhouse Digital Lending Platform for end-to-end loan sanction process

Wealth Management:
- Robust customer assets growth of 32% year on year to ~INR 168,000 Cr

Key Priorities:
We are focused on three priorities for the next 18 months:
- Demerger and listing of Edelweiss Wealth Management (EWM)
- Reduction in wholesale credit assets

- Scaling up our asset management and insurance businesses

Demerger and listing of Edelweiss Wealth Management (EWM): EWM demerger is progressing well and is on track. We expect EWM listing to happen between Sep-Dec'22. This will be the first time Edelweiss will be unlocking value created in one of its operating companies. As a market-leader in wealth management, EWM is a strong play on India's growing wealth trajectory and its increasing financialization.

Reduction in Wholesale credit assets: Our workout plans are under way in wholesale credit assets, which is expected to further decline to ~INR 6,000 Cr by Mar'23 from current levels of ~INR 10,900 Cr. In the past two years, we have reduced the assets by ~32%. and have done workouts of over INR 2,000 Cr in the last 15 months. This is over and above the regular repayment of other wholesale assets. We remain on track to reduce the assets as per our stated plan.

At the same time, we have taken accelerated impairments just to be conservative in a time of covid uncertainty and the overall portfolio remains well collateralized. We have also put a robust process for estimating cash flows of every wholesale loan on a quarterly basis and have been following this approach for 3 quarters now. Wholesale assets is appropriately marked now with a good visibility on future cash flows.

Scaling up Asset Management and Insurance businesses: Businesses like asset management and insurance are really the true vanguards of the power of compounding. While it takes time and effort to establish the base, the real growth in these businesses comes after the 10-year mark, in most cases. We have spent almost 10 years building our Mutual Fund, Alternatives Asset Management and Life Insurance franchise and we feel confident that these businesses are now poised for strong growth and we will continue investing in these businesses.

As we navigate through FY22, it is important to keep our bifocal vision with continued focus on the short-term priorities while building strong foundation for future growth in businesses. With the uncertainty around the pandemic, there could be some disruptions but beyond that is the promise of an invigorating growth journey which is what we believe in and will continue to invest for.

I am very proud and thankful for the support of all our stakeholders for standing tall with us even during these trying times. We look forward to your continued inputs and would appreciate your thoughts, inputs, and feedback. Please do reach out to our Investor Relations team at ir@edelweissfin.com for any inputs or questions that you may have.

Thank you!

Rashesh Shah

Rashesh Shah
Chairman – Edelweiss Group