

## *Dear Investors,*

I hope this letter finds you and your families in good health.

We announced our financial results for quarter ended Jun 22 and this letter gives us an opportunity to reach out to you to share our perspective on the quarter gone by. The detailed investor presentation can be found [here](#).

### **Economy at a glance**

Much of the quarter was dominated by concerning global cues. However, India continued to perform well in the quarter with the economy showing robust potential on the back of positive domestic activity indicators.

Strong domestic performance –

- GST collections increased by 8.6% QoQ and gross tax revenue increasing by 29% QoQ
- IIP was at a 12-month high and YoY improvement in freight traffic
- GNPA of SCBs were at a six year low at the beginning of the quarter
- Strong fund flows from domestic institutional investors with net purchase up by \$17 billion in the quarter
- Value of PE and VC investments up by 14% YoY with real estate and infrastructure being preferred sectors

Concerns over weak global cues continue -

- Capital markets closed lower at the end of the quarter
- Sell-off by FIIs continues with net sales of \$20 billion in the quarter.
- Widening current account deficit to 1.5% of GDP depreciated the rupee to a record low against the dollar
- Inflation continued to remain elevated
- RBI repo rate hike by 90 bps in quarter; currently stands at 4.90%

It is heartening to note that Covid -19 cases have started plateauing and the impact of Covid seems to have reduced compared to earlier years. Newer health concerns are being flagged by the WHO and we shall keep monitoring these developments and remain vigilant.

## Edelweiss – quarter ended Jun 22

### Key Highlights

- Steady performance across businesses facilitated by robust, independent platforms
- Credit businesses – profitable with significant improvement in asset quality
- Launch of Industry-first innovative products and synergistic partnerships
- Customer franchise continues to expand
- Strong balance sheet with well-capitalized businesses
- On track on our key priorities for the year

Our businesses are seeing steady performance facilitated by robust and independent platforms with the **Ex-Insurance PAT growing 68% YoY to INR 103 Cr** for the quarter. We stepped up investment in our Life Insurance business from ~51% to ~66% which has impacted our post MI consolidated PAT.

Our **credit businesses have performed well** this quarter with healthy profitability of INR 35 Cr, we are confident that this trend will continue. We have also seen a significant improvement in asset quality with GNPA at 2.5% and NNPA at 1.8%, an YoY improvement from 3.8% and 3.3% respectively.

We launched **innovative industry-first products** in our insurance businesses and forged **synergistic partnerships** to expand our ecosystem approach in general insurance and asset light focus in retail credit. Our General Insurance business launched **Switch 2.0**, an industry-first telematics driven usage-based product. The end-to-end digital app-based journey not only improves customer experience for the user, the usage-based nature of the product also encourages improved driving patterns. Our partnerships in credit further expand our CLM tie-ups, we entered in a partnership with IDFC First Bank for co-lending to the MSME sector, this quarter. We are also seeing ongoing CLM disbursements with Standard Chartered Bank and Central Bank of India. These partnerships are key to the build out of our asset-light retail credit model.

Our customer franchise continues to expand. Our **customer reach is currently at 5.5 million**, a ~30% YoY growth. This also has aided a ~20% YoY growth of our **customer assets to ~INR 3.6 trillion**. Our customer reach has doubled over the last two years and is a testimony to the trust reposed by our customers in us.

We continue to maintain **strong and well-capitalized balance sheet**. Capital adequacy levels continue to be robust and above 30% for both our Credit businesses and ARC with comfortable liquidity of INR 5,250 Cr. Deleveraging has been a key focus and as a result, our debt has declined by ~INR 6,500 crores over the last two years resulting in a consolidated D/E of 2.1x today from 3.3x in Jun 20. All this has resulted in a strong balance sheet which is foundational for sustained future growth.

## Update on key priorities for FY23



**Listing EWM and value unlock for shareholders**



**Steady reduction of wholesale loan assets**



**Create and enhance value through scale-up of the Asset Management and Insurance**

**Listing Edelweiss Wealth Management (EWM) and value unlock for shareholders:** NCLT order for demerger has been received and made effective. We expect completion of the demerger by Jan 23 and listing of Edelweiss Securities Limited (ESL) by Mar 23.

**Reduction in Wholesale loan assets:** ECLF wholesale loan assets are currently at INR 8,580 Cr, down by 21% YoY. We saw progress with inflows of ~INR 1,200 Cr in the current quarter. Wholesale credit assets are expected to further decline to INR 5,700 Cr by Jun 23 and to INR 3,000 Cr by Jun 24. We are on track to reduce the assets as per our stated plan aided by positive consumer sentiment and improved affordability ratio in the real estate space.

**Create and enhance value through scale-up of the Asset Management and Insurance businesses:** We have scaled our Mutual Fund and Alternatives Asset Management franchise over the last decade. The Asset Management businesses has seen its **customer assets grow by 6x over the past 5 years with a CAGR of 45%**. In our Mutual Fund business, we saw a 43% YoY growth of AUM, 45% YoY growth of retail folios and 40% YoY of equity AUM. In our Alternatives business we saw, 21% YoY growth in AUM and a 76% YoY growth in fee paying AUM which translated into a 1.63x YoY growth in PAT. Today, both these businesses are at an inflection point, with further onset of operating leverage we would see higher contribution to overall profitability from the Asset Management businesses. Our insurance businesses are still in their investment phase and are seeing healthy growth in their topline with gross premium for Life Insurance growing at 12% YoY and for General Insurance growing at 86% YoY. General Insurance business also saw a 77% YoY increase in the policies issued for the quarter.

Like all our businesses, we spent time laying down strong foundations for these businesses and moving towards a strong growth trajectory. We continue to invest and support our businesses in their value creation journey. Our single-minded focus on understanding customer needs, offering the right solutions and delighting our customers remains key to our growth. Hence the focus has been on innovative client offering for a superlative customer experience in all our businesses on the back of product innovation and by leveraging technology for efficient delivery.

We continue to be optimistic on the India story, which we anticipate being demand driven and investments led. The increasing demand for services as seen in the PMI numbers, at a 11-year high (May 2022) also lend credence to this aspect. At Edelweiss our renewed retail focus holds us in good stead as we move forward in building our retail businesses. The increased share of our government's capital spending, domestic demand and our potential as a resilient and cost-effective investment destination, makes India better poised to manage any impending recessionary trend.

I take this opportunity to reaffirm our appreciation to you, our stakeholders, for your support and belief in us. We look forward to your continued support and would appreciate your thoughts, inputs, and feedback. Please do reach out to our Investor Relations team at [ir@edelweissfin.com](mailto:ir@edelweissfin.com) for any inputs or questions that you may have.

Thank you!



Rashesh Shah  
Chairperson & MD – Edelweiss Group

**Registered Office: Edelweiss Financial Services Limited**

CIN: L99999MH1995PLC094641, Regd. Office: Edelweiss House, Off. CST Road, Kalina, Mumbai - 400 098  
Tel: +91-22-4009 4400 Fax: +91-22-4086 3610 Email: [efsl.shareholders@edelweissfin.com](mailto:efsl.shareholders@edelweissfin.com)