Edelweiss Financial Services Limited

Q3 FY26 Earnings Conference Call

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Moderator: Ladies and gentlemen, good afternoon, and welcome to Third Quarter FY '26 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priyadeep Chopra, President, Edelweiss Financial Services Limited. Thank you, and over to you, ma'am.

Priyadeep Chopra: Thank you, Michelle, and a very warm welcome to the Earnings Call for the Quarter and 9 Months ended December 2025. Today, we have on the call with us Mr. Rashesh Shah, Chairman and MD of Edelweiss; and Ms. Ananya Suneja, Chief Financial Officer, Edelweiss Financial Services Limited.

We hope that you've all had a chance to review the investor presentation that we filed earlier today. During our discussions, we will be making references to it. This quarter, we've also filed 2 special presentations titled Understanding EFSL's P&L and a presentation on our growth journey. We hope you find them useful.

Please take a moment and review the Safe Harbor statements in our presentations. We will today be making statements that will be forward-looking in nature and hence may involve certain risks and uncertainties. With that, welcoming you all. I hand over the call to Rashesh to begin the proceedings. Thank you all for being here once again. Over to you, Rashesh.

Rashesh Shah: Thank you, Priya, and good afternoon to all of you. Once again, welcome to our earnings call for this quarter and for the 9 months. A lot of you have been part of our journey and the interactions that we have after results has been one of the high points for us where we enjoy your feedback, your questions, your inputs. So I do hope that today is the same, and thank you once again for being here.

To start the call, I think Indian economy, we know we are in that Goldilocks stage where economy is doing well, inflation is down. Even the union budget this time was very steady, the least disruptive issues were there. But it also, I think, highlighted one new thing, which is the start of the credit reforms and what I call a double barrel capital market.

Our capital market has been equity-led and I think equity plus bonds because I think we do now need our credit system to also scale up the way our equity systems have scaled up. Good fiscal discipline on the government and RBI is maintaining liquidity very healthy. And obviously, the US deal and the EU trade deal, all these are great boosters.

Of course, we have this very paradoxical situation that in spite of things being so good for the economy, the foreign investors have been on a spree of selling. And for some reason, whether it's the rupee or the earnings growth or the valuations, a lot of them have still been selling in India. I was in the US recently, and I still found that unfortunately, a lot of them are still viewing

India with a lot of skepticism, India opportunities a lot of skepticism. But at least fortunately on this, we are in a good place in India.

Our capital markets are fairly Atmanirbhar, the local investors, household savings via mutual fund, insurance, SIPs, all of that are actually now the real source of our capital for capital formation. So I think that's the good news for India. I do believe foreigners will be back. They keep on shifting their allocations.

But on a long-term basis, I do believe that once -- there are some catalysts, maybe the US trade deal was one catalyst, maybe a little bit of growth coming back is another catalyst, private capex, maybe the rupee, which is stabilizing will be another catalyst. So I do hope that in the next 3, 4 months, we'll start seeing foreigners coming back or at least not selling as aggressively as they've been selling.

So with that, let me give you an update on Edelweiss. I think before we go into the business growth and all some of the strategic updates. First, as you would have seen, we announced today that Carlyle is investing in our housing finance subsidiary, Nido. I think a lot of you know Carlyle is one of the world's largest and most diversified global investment firms. They will totally invest INR2,100 crores in this deal. They will do a INR600-odd crores secondary transaction, and they will invest INR1,500 crores into the company as a primary investment.

So the company already has approximately INR800 crores of equity. So with this additional INR1,500 crores, the total capital of the company will become INR2,300 crores. By buying secondary, Carlyle will get 45%, and then they will infuse another primary INR1,500 crores. So the eventual step will be closer to 74%.

The good other news is Aditya Puri, who is, I think, an icon, all of us respect him a lot. I've been a big fan. He is also an adviser to Carlyle and he is also in his personal capacity participating with an investment in this. So there'll be Carlyle, there'll be Edelweiss and there'll be Aditya Puri as an investor, 3 investors in this deal after closing.

Also in Carlyle, Sunil Kaul who is a partner at Carlyle, who's done a lot of great deals like SBI Cards and Yes Bank and PNB Housing, he has been leading the transaction. So for us, the partner has also been very important and the skill set and capability that they bring truly will allow us to scale up this platform, which has been on a steady growth path, but I think with the capital and the platform we have, I think it will be ready for take-off.

And it is a win-win-win. I think for Carlyle, they had a good stake in a good platform. For Edelweiss, this allows us to partially get some cash to deleverage our corporate debt, but also we have a stake in this, which we think will grow pretty well. And even for the management team, this will be -- who all have stock options in the business, this will be a way of creating value and also, I think, creating a really very high-value franchise in affordable housing.

The second update, friends, is on EAAA IPO update. We have filed DRHP last month. We are waiting to get feedback from SEBI in the regular process. And we do believe that this year, we will want to list EAAA. And again, the idea of listing EAAA has many objectives. One is we have given stock options to our employees and this IPO and listing of EAAA will allow also the stock options to showcase value.

Also, it will allow us some capital for Edelweiss to delever our corporate debt. As you know, EAAA is -- throws out positive operating cash flow. They are pretty strong. Their growth trajectory has been good. So they don't need capital, but this will allow us to delever our corporate debt, but as well as also get listed and create value for employees in their stock options.

The third is the WestBridge investment in Edelweiss Mutual Fund. The first round of transaction has been done in the last quarter. They bought 10%. They have another 5%, they will buy by June. So that is also a steady state going. As you would have seen in the results, the mutual fund profit has been on a fairly good growth trajectory. So even the mutual fund, which is always growing very well on AUM is now starting to go well on the profitability curve also.

And before I get into the quarterly updates of Edelweiss, as Priya said, we have filed a couple of documents along with this investor presentation. One is on how to understand Edelweiss profit and loss account consolidated. Quite a few of you have given us the feedback of that there is a lot of grapple involved. So we try to simplify it, how to understand our P&L and what are the drivers of that.

And the second is our growth journey. And the reason for that growth journey in charts is the last few years, a lot of our communication, a lot of our conversation has been dominated by NBFC and the wholesale book where we had issues and we have delevered that and reduced the wholesale book.

But that conversation actually did not allow us to really highlight in these 5 years how a lot of our other businesses EAAA, mutual fund, both the insurance businesses, how all of them, even MSME in our NBFC, how they are growing. So there was growth happening in other parts of Edelweiss Group, but maybe it was not highlighted as much.

So we have tried to also to all our stakeholders, showcase the last 5-year journey in various businesses and where growth has happened and how we have performed. It's a pure data slide. There is no commentary around that. So that's a growth journey.

On EFSL P&L broad structure, as we have explained, and I'll just try to summarize it out here. The consolidated profit and loss of Edelweiss that we all see has two distinct buckets. One is the operating businesses PAT, the profit after tax, of the seven underlying businesses we have and the holding company and the holding entities, which is the corporate. So we divide in two parts, underlying business and corporate.

The good news has been the underlying business profit has been on a steady growth. Each of the underlying business is stand-alone with a fully dedicated management team, independent Board, have their own P&L, balance sheet, and they control a large part of the journey. We get involved at governance, at Board level. We get involved at strategy level, but largely, they are very Board run. We are all on the Board. So even entities which are 100% subsidiary are still run as stand-alone 100% -- stand-alone independent entities.

The corporate group focuses on supporting this underlying business through capital allocation, investment oversight. We provide treasury support services for their liquidity management. We have a lot of experience on that. Some core shared services and the corporate also is also looking to incubate and invest in new capabilities and new businesses. So the corporate job and the operating business entity jobs are fairly well divided and are very much in harmony.

So our PAT is a summation of both this PAT, the business PAT and the corporate PAT. The business PAT is where the heart of the value creation is. That has been growing, and we would like to grow it at 20% a year. That is what we've been saying. And given the state at which all our businesses are, the platforms they build, we think it is possible. So the business PAT, a lot of stability, a lot of growth around that. However, corporate PAT will always be volatile because corporate is like a holding company.

We have income coming from dividend and stake sale and capital gains, and we have expenses, which is interest cost and also corporate. PAT is always volatile. And as you know, in the last few years, we did take a little bit more debt on the corporate balance sheet to make sure the individual operating businesses were well capitalized and did not suffer any lack of resources.

So our insurance company, even our asset management companies, even 5 years ago when they needed a little bit of capital, we were always providing that. So we didn't allow the NBFC deleveraging to result in lack of resources for our other operating businesses, and that is why they've been able to grow.

But in order to do that, the corporate had to borrow some debt. We also made sure the NBFC always had adequate liquidity. And that is the corporate debt we have spoken about that we are going to deleverage with stake sales and all.

So the corporate has a lot of episodic and volatile P&L. Businesses have steady P&L. And when you add the two, that becomes a consolidated P&L for Edelweiss. So I would be very happy to hear that because we are not one operating company. We are an investment company with multiple businesses at various stages of business.

The scale up on profit of underlying businesses, I've spoken. Last 2 years, we have been growing at 22%. Our asset management and the alternative asset EAAA mutual funds have grown at 28% and 58% CAGR over the same period. Our insurance business is on track for breakeven, and we are on the path for reducing corporate debt as we have seen the Carlyle deal, the mutual fund stake sale, the EAAA IPO.

All this is going to help us reduce the corporate debt. Now it is fairly manageable. We are not unduly worried about it, but we want to bring it down because I think that the interest burden itself is a drag on profitability.

For Edelweiss update for the quarter ended December and the 9 months, steady growth in profit, consolidated PAT is up because of the EAAA -- the EAMC stake sale. And there have been a lot of underlying exceptional items in this quarter. As you know, there were GST impact in life insurance, gradual impact on Labour Code. Plus in this year, we have implemented ESOP across all the businesses and each business runs the ESOP cost through the P&L.

And we are okay with that because we also think ESOP is a cost that the business is incurring. It is part of the upside that the employees get. So it goes through the P&L, though it's a noncash item. So our alternative asset management, FPAUM, has been steady growth, 33% growth in this Y-o-Y.

We have almost INR42,000 crores, INR41,900 crores of fee-paying AUM. Our total AUM is obviously much higher because we have dry powder and all, but INR41,920 crores is what we look at as a key metric as a fee-paying AUM, which makes us one of the larger alternative asset managers in the country.

Our mutual fund AUM also grew by 33%. Equity AUM is INR83,000 crores now. We have been targeting INR100,000 crores of equity AUM for quite some time. I'm happy to report that we're getting closer to that. And both MSME and housing in the last year have started growing again.

So MSME disbursements have grown by 84% in the 9 months and housing finance by 38% on a Y-o-Y basis. So good growth in disbursement in both the credit business, though they are very small, and they've been consolidating for the last few years, but now the growth is starting on that. And insurance, the loss has come down -- general insurance loss has come down.

Our customer franchise is growing at 13% -- at 31% per annum. Our total customer is about 13 million, is a customer franchise we have. And our total customer assets are INR240,000 crores. So that is also steady growth. So again, as you would have seen, all the businesses are well capitalized, capital adequacy and they have been growing pretty well. We hold a fair amount of liquidity. Now we have gone into surplus liquidity zone.

And just a few highlights on the individual businesses. Alternative asset management, the business we raised about INR7,500 crores in the first 9 months, which is a growth of 67%. So this is a good amount of fundraising, fresh fundraising that happened. We have an InvIT already listed called, Anzen, where we did a preferential issue of almost INR700 crores. The Anzen is very energy-focused InvIT. It's A to Z on energy.

We have a second InvIT for which we have filed a document called Citius, which has an issue size of INR1,300 crores. This will be a transportation InvIT. So our InvITs are not asset-specific, but team specific. So energy is one InvIT, transportation is another InvIT. And for those of you who follow InvIT and REIT, they're also becoming a very important asset class in India.

We have also launched our ESOF IV, the Performing Credit Fund IV, and we're getting good interest from local and international clients. But this year, we will raise that money. We'll have to raise that money and close that fund. Mutual fund, as I said, good growth. Our SIP book is now INR558 crores, is the monthly SIP book, which is a 55% growth.

The retail folios are 34 lakhs. So good growth in folios, SIP book, equity AUM in this. In our ARC, we have recovered INR842 crores this quarter. So ARC continues to be still a business where recoveries of old AUM is the primary function. We are buying new assets also, especially in the retail side. And now the retail assets in ARC, as a percentage of total capital deployed, has gone up to 25%. It was 15% 1 year ago.

So as I said, NBFC and housing, both of them, they have started their disbursement scale up again. And both general insurance has grown by 47% on a Y-o-Y basis in the quarter, and life insurance, our gross premium has grown at 15%.

So again, to sum it up friends before we open it up for questions, we are on track for all our priorities, growth, reducing corporate debt. But again, it's like one quarter at a time and the journey is ongoing. But I think India is in a good place, and I hope that Edelweiss also uses opportunity India has to grow and create value for all our stakeholders. Thank you very much.

Now I'll hand it over to all of you for any questions.

Moderator: The first question is from the line of Kartikeya Mohata from Motilal Oswal Financial Services. Please go ahead.

Kartikeya Mohata: First of all, congratulations on the deal with Carlyle. Could you please share your perspective on the key strategic synergies and value creation opportunities expected for the business post this transaction? And was there any reason why we did not sell the entire 100%? And particularly, basically, I wanted to know like the Nido's medium-term road map in terms of AUM growth and all after Carlyle being on board?

Rashesh Shah: So yes, as you know, last 3, 4 years, in Nido, we have pivoted to affordable housing and also earlier a lot of origination was through DSAs. Slowly, we are doing a lot more direct. So the deal with Carlyle, a, they do bring a lot of understanding and expertise in housing finance, having done PNB and having Aditya Puri also investing in that. So there will be a lot more capabilities that they will also bring along with the platform that we've built, so we have a good platform.

Last 3 years, we've been actually building very robust affordable housing finance business. Also, this will give us additional capital because I think now NBFC housing finance is also very capital-led and first you need equity, then you borrow and scale up. So I think that INR1,500 crores equity capital will also transform the business. So we have a platform we could have grown, but with the additional capital, it will be doubly strong.

And thirdly, we could have sold the whole thing, but we didn't want to sell because we wanted to sell a little bit, obviously, as I said, to reduce our corporate debt. So if we had sold the whole thing, we would have maybe got another INR500 crores, INR600 crores more.

But we do think the stake we are holding, the 26%, could be valued a lot more in the future, then you can do the math with our INR800 crores of current equity and INR1,500 crores equity coming from them, equity will be INR2,300 crores. And if you add up and if you really build a robust business with our team, our platform, their capability, their handholding.

And we have seen that Nuvama also, if you saw, after getting PAG as a partner, the platform was very strong, the entire management team is the same, Edelweiss management team, but giving some independent, some flexibility, some capital does allow the business and the platform to be scaling up in a very optimized manner. So we could have grown on our own slowly, slowly, slowly but this will give us opportunity to turbocharge.

And I think that 26% that we want to retain, we hope will also be valuable. So our idea was both. It's a win-win. We've got some capital now to reduce debt, but some other to also create value. And that will also be liquid because in 2, 3 years, this business should hopefully scale up well. So that's broadly the thinking we had.

Kartikeya Mohata: That's really helpful, sir. One more question. So with most of your subsidiaries, like, some of your subsidiaries actually which have been either completed or announced as part of the value unlock journey, could you share your thoughts on the next phase of value creation? Are there any additional businesses under evaluation and what could be the broad time frame for any potential announcement?

Rashesh Shah: As we have said, and again, when we say value unlocking, it is not always a sale of the business or a majority stake sale and all that. It's a combination of many things. Like we did value unlocking via demerger of Nuvama and giving shares in the hands of the shareholders. Even EAAA IPO will be value unlocking because we'll showcase the value of EAAA, get some capital, which will reduce our debt at a corporate level.

So the three things we had announced a year ago, that three things we are exploring. One was the mutual fund, where we have completed the stake sale; one was housing finance that we announced today; and third was EAAA, where we have filed the DRHP, and we expect to dilute, say, approximately 15% equity.

So in the mutual fund, we still will own 85% equity; in EAAA, we'll own 85% equity. And as we finalize any other unlocking plans, we'll keep on announcing it. So this was what we had announced a year ago, and we are just executing.

We also want to endorse that every announcement we have made, we have followed through on that, whether it was the reduction of debt, reduction of the wholesale book, stake sale. So we have been very consistent in executing what our plans are, and as we make new plans for more value unlocking.

So I think value creation comes from building great companies, great platform. And value unlocking comes after that because once we have build a good -- like, if you look at Nuvama, it was a great platform, and then value unlocking became easier. Same thing with Nido. So I think value unlocking gets easier if you have build value. And as I said, the building value is the growth and quality of all our businesses that we are building.

Moderator: The next question is from the line of Prabhav Shah from Equirus. Please go ahead.

Prabhav Shah: I have two sets of questions. So the first one is like EAAA, as you mentioned, EAAA recorded impressive 67% year-end growth in fund raising for the first 9 months. Like could you tell us how do you see this fundraising going forward? And like any new fund launches or strategies are there in pipeline?

And secondly, you mentioned initially that the geopolitical environment is -- due to geopolitical environment, the investors are still doubtful about investing in India. So like is this affecting our operations in any way?

Rashesh Shah: So I think on the second one, as I said, investors globally are slightly colder to India, and they have been for the last couple of years, but even in that, we've been able to raise money because, as you know, private credit and real assets, the infra business that we have, that still has its attraction. So last quarter, we had announced energy transition fund, which is -- we've got the anchor investors, which is a large European investor and now we are raising money on the energy transition fund, ETF as we call it.

Then as I said, we have just launched our performing Credit IV Fund, ESOF IV. In EAAA, each of these funds in private markets is a 4-, 5-year fund. So by the time you get to Fund IV, you already spent about 14, 15 years in that business. So building track record is very important. So we have gone to ESOF III has been invested. And now we have launched ESOF IV, where we have got traction.

So as you know, we are a multi-strategy alternative asset manager. So every year, there'll be a couple of funds we'll be raising. So this year, it's energy transition fund, ESOF IV performing. As I've said, we have raised money in our InvIT Anzen, but we have fight for raising money in our transportation InvIT Citius, so that fundraising should happen.

And as we also have other funds like our third special sits fund, which is getting invested. When that gets over, we launched 4. So all that goes on. So we will -- I think every 3, 4 months, we'll be launching a new fund, which then goes on for a year and all. So our idea here is that if you look at last few years, we have raised about INR6,000 crores to INR8,000 crores a year.

We invested about INR7,000 crores to INR8,000 crores a year, and we have realized or returned about INR5,000 cores to INR6,000 crores a year across our strategies, and we hope to continue to grow on that. I think the fee-paying AUM has been growing at approximately 21% a year for the last few years, and that is a growth we would hope to maintain.

Prabhav Shah: Thank you for the detailed answer. I have one more question. Like on mutual fund side, you achieved two new milestones. One was that, equity AUM is now 50% of the total AUM. And your SIP book, as you mentioned, has crossed INR500 crores mark with a 55% increase quarter-on-quarter. So could you share some insights on where is this growth coming from, whether it is from Tier 1 or Tier 2 cities? And what are you targeting? What is the target equity mix in the next 2, 3 years?

Rashesh Shah: I think, as I said, equity AUM, we want to continue to grow, hard to make a forward-looking statement in this because the industry grows at a particular pace. But I do believe the equity AUM for the industry should grow at about 14%, 15% a year and we have been growing faster than the industry because we still have a lot of white spaces where we have not opened branches and not activated distributors and all.

So we are doing that. We are opening a lot more branches. I think for the first 10 years, we may be at 30 branches, we have added 30 more in the last couple of years. So we are now on an aggressive expansion of that. It's coming from all.

Mainly Tier 2 and 3 is where there is a lot of growth happening, which is where we are opening branches. We've always had branches in the larger cities, but now we are -- 2 and 3 where we are seeing a lot of growth. So it's actually across the board. And equity AUM becoming half of our total AUM was a key milestone and that we want to continue to grow.

Moderator: The next question is from the line of Siddhesh Dharmadhikari from PL Capital. Please go ahead.

Siddhesh Dharmadhikari: General Insurance delivered a strong 29% year-on-year GDPI growth with GWP up 49%. And in Q3, we see GWP stood at INR404 crores versus GDP of INR350 crores, implying higher than usual reinsurance assurance. So what has driven the significant jump? Have we entered as a partnership or something like that?

Rashesh Shah: So I think we obviously have been expanding, opening, activating more dealers and our direct expansion and all that. But the last quarter growth is, as you know, after the GST cuts, the industry had a big jump, especially auto sales and all, and we are related to auto sales, plus we've been building our market share even in the renewals and all that. So all that effort has come to shape, but I think the key -- if you ask me, the key jump has been the auto sales that jumped up post the GST cuts.

And as you know, our GI business is largely focused on motor insurance. We are not very big in retail health. We have made a strategic choice that we can't do both. They both are very attractive markets. But all our energy and our focus is on auto and motor insurance. And last quarter, after a few quarters of very subdued growth, I think motor insurance has also started growing. In retail, health was always growing, but motor was stagnating, but now last quarter same, motor also has started growing.

Siddhesh Dharmadhikari: Understood, sir. And I had one more question. Corporate net debt has remained broadly stable in the quarter. With the consideration received from recently concluded mutual fund sale, we were expecting to see some downward movement. Can you please explain this? And what levels do we expect FY '26 to close at?

Rashesh Shah: So, as you said, it's more or less flat because there is also interest that goes out every year. And last year, we closed the mutual fund sale only in December. So even that money has come only in December, so I think that interest element. And now we have approximately INR6,500 crores corporate debt out of which we've earmarked INR1,500 crores against the office building and property, so that we can keep it because I think borrowing against office and all is very normal, and it pays for itself.

So, out of that INR6,500 crores, INR1,500 crores is the value of our Edelweiss House and Kohinoor House and other property we have. So we earmark the INR1,500 crores of debt against office and other properties. So INR5,000 crores is the debt that we really have, which is against the business that we have.

We do hope that between Nido now and the balance value of the stake sale of Nido in the next couple of years, total value should be INR1,500 crores to INR2,000 crores. EAAA, we should get between INR1,500-odd crores. So between EAAA and Nido, it's about INR3,000 crores, INR3,500 crores reduction, and we are now getting dividend of about INR1,000 cores, INR1,200 crores in the next 2 years from the businesses.

So if we get about INR1,100 crores, INR1,200 crores dividend plus Nido plus EAAA, I think approximately INR4,000 crores, INR4,200 crores out of that INR5,000 will be handled. So broadly, I think the INR6,500 crores debt we have earmarked in that.

Our current target is in the next 18 months to bring this down below INR3,000 crores, out of which INR1,500 crores will be earmarked against the property and INR1,500 crores will be the real debt. And now we have all the businesses, we own a lot of stakes.

And as we have demonstrated that good businesses when we want to monetize, it is possible to monetize. We still, as I said, hopefully, own 85% of EAAA even after the IPO, we own 85% of mutual fund, we own 26% of Nido. So all these are also fairly monetizable assets.

So that is our math that out of this current debt, we slowly bring it down. So we are not concerned about it anymore because the path is very clear to us. We still have to execute. But as I said earlier, what we said 1 year ago, we have gone and executed in the last 1 year. So in the next year or 18 months, we will continue to execute on this.

Moderator: The next question is from the line of Parth Jariwala from DAM Capital. Please go ahead.

Parth Jariwala: Sir, in your comments, you mentioned that your FPAUM has grown 33% Y-o-Y growth. So it has delivered a strong growth. Could you share some medium-term aspirations on the growth here? And what would be the key drivers sustaining this momentum?

And sir, second question is that -- sir, I've seen your MSME disbursements have grown at a very strong pace of 84% Y-o-Y basis. So is there any some strategic initiatives that you have undertaken for driving this growth, any new products or geographic expansions or any channel enhancements that you have done here? Those are my two questions, sir.

Rashesh Shah: So on the MSME, we obviously, as you know, we hired a new MD last year in April. Ajay Khurana, who was earlier Executive Director of Bank of Baroda, has a lot of experience on MSME. And we had actually staggered our plan to first saying we'll clean up the wholesale book, we'll bring down the debt, which got done last year.

So once we reach that point, we said now we can start growing the MSME business. It would have been also possible to grow MSME aggressively and clean up the wholesale, but we are very careful. So we did it very carefully. We said let's do one thing at a time. So that was broadly on the MSME. I think there is a lot of opportunity. We have introduced some new products. We have invested in technology.

We opened some 40 branches in the MSME. And there are 3, 4 categories of MSME, and we are still very small, but I think we are now hitting about INR100 crores, INR125 crores disbursement per month. We used to be at about INR25 crores, INR30 crores disbursement per month, 18 months ago.

So it's a business we maintained for the last few years while we are cleaning up wholesale and getting a new MD, getting -- we have also hired 3, 4 key people out there in the first quarter of the last year, and then we have now started scaling it up. So that's on -- what was your other question?

Parth Jariwala: Yes, it was on the FPAUM. So what are our medium-term growth aspirations there? And what are the key drivers do you see the momentum sustaining?

Rashesh Shah: So aspiration on alternative EAAA is to be one of the leading alternatives firm. We already are there with INR41,000 crores of fee-paying AUM. It makes us pretty large. And we are a multi-strategy. We are alternative firms, which are a single strategy. Some people who only PE or some do only private credit or some do venture debt, some do only equity AIFs. We have about 8 strategies in our portfolio.

We have dedicated management teams, MDs for all of that. And in a lot of our key funds, flagship fund, we are around third fund and fourth fund now, and this business continues to grow, but each fund is a 4-, 5-year fund. So the idea is, as I've said, our fee-paying AUM has been growing at about 21% a year for the last 5 years.

We would like to maintain that because this is a business which can grow without capital. We don't need to infuse capital. It throws out capital down, pays dividend to us. But it's truly, I think, unique asset management. If you look at alternatives today, the total AUM of alternatives is about INR20 lakh crore, the total AUM of mutual fund is around, what, INR85 lakh crores.

So the AUM is about 1/4, but the average profit on AUM is about 3x. So on a profit pool basis, the mutual funds profit pool is about close to about INR20,000 crores now, while the alternative AUM profit is about INR15,000 crores.

So I think on a profit pool basis, the alternative market and the mutual fund market as 2 arms of asset management are becoming fairly equal now, and that is what the excitement is. While mutual funds is a very different business, alternatives is a very different business, and globally, you have firms like BlackRock are big in mutual funds, while if you look at Blackstone, they're very big in alternatives.

So globally, there are large firms like Blackstone, Apollo, KKR, Carlyle, who are all very leading alternative firms. And I think the market in alternatives in India is starting to come. So we are pretty optimistic. We think it's a 10-, 15-year story. To give you an idea, Blackstone started in US in 1984 with, I think, $100 million fund and they now have close to 1 trillion-plus AUM over 40 years.

So, I think India, alternative market should grow. There are a lot of other firms, which is also coming. There will be many players in this industry. But it is a space to watch from a growth point of view.

Moderator: We'll take the next question from the line of Aditya Makharia from HDFC Securities. Please go ahead.

Aditya Makharia: So we obviously heard your plans for ramping up EAAA. I just wanted to ask a broad question. What are the time lines for the IPO? I know your DRHP has been filed. Also, are you planning any pre-IPO, anything on the valuations for the same in whatever discussions you're targeting with investors?

Rashesh Shah: We have not announced anything. We just filed our DRSP, I think, about 3 weeks ago. So we'll allow the DRSP process to go on. We have quite a few clients and investors who've been with us for some time. And the IPO process will be like a normal IPO process, which is in India is usually 4 to 6 months from when you file. So we'll follow the same process.

As I have earlier also said, this quarter is a very important quarter for us, Jan, Feb, March because quite a few of our fundraising is going on right now. So I think the IPO, we hope will be in about 4 to 6 months from now.

Aditya Makharia: Okay. Okay. Got it. Second is this life insurance business, there was a onetime GST-related expense. What are the mitigation measures we are taking to manage ongoing impact of the GST regulatory changes? And does this also impact our breakeven targets for FY '27?

Rashesh Shah: So one is this one-time impact was the carryforward GST credit you had, which for everybody got extinguished on that day. I mean it's -- you can use it up, it can be carried-forward. But as a prudent measure, we have taken a provision against it. So when we use it, it will come back in the P&L. But as of now, we have said -- so this is the old GST which was an existing credit.

Ongoingly, as you rightly said, all insurance companies are grappling with this because this has been a cost impact. So there are various measures, everybody is following, some are changing product mix, some are changing incentive structure, some are changing our outsourcing activities to in-sourcing because outsourcing, you have to pay GST.

So we do feel over 2 years, we will be able to mitigate this impact. However, our plans will breakeven remain the same because we will calibrate other things and we'll eke out other efficiency. So we are not changing our breakeven plan.

The other good news on the insurance front for the industry as a whole is the new insurance bill has been very positive. I think it's a good step in the right direction. But along with that, I think there is a lot of movement going on, on implementation of IFRS and risk best capital for insurance companies.

So IFRS will provide a lot of relief on the P&L side because you will be able to -- because the income is amortized, but the expense is upfronted. So that will also get partly amortized. So there'll be some, I think, balancing of the P&L stress that insurance companies have because of this upfronting of cost. So IFRS will come, where it will come in 1 year or 18 months is the only thing we have to see.

But right now, it seems like by March '27, IFRS will be rolled out for insurance companies. That will be good for all insurance companies. Along with IFRS, they will also bring in risk-based capital. And as you know, our business in the life insurance is very heavy on par and non-par, what I call traditional savings product. We are not very big on ULIP because we do believe that ULIP is actually much easier sold via banks and maybe customers can do an SIP and a term insurance.

On the other side, insurance companies obviously provide risk mitigation but also provide investment and investment service. So the par and non-par are very investment-oriented products, and we are big in that. The RBC will give relief to the current reserving that is there on par and non-par for everybody, which is a lot more conservative.

So RBC will be good for insurance companies which are used -- which are very heavy on par and non-par like LIC is also very heavy on par and non-par. And once you are not very heavy on ULIP. So I think on that basis, we are hoping that IFRS and RBC happens, but that will be extra. For us, our breakeven plans, we remain on the same path as we are now.

Moderator: We take the next question from the line of Vishal Sethia from Bastion Research. Please go ahead.

Vishal Sethia: So, I just wanted to ask regarding the EAAA IPO. So how will it unlock value for shareholders? You mentioned unlocking value for employees. So how will it unlock value for shareholders? Can you please mention that?

Rashesh Shah: I think it will unlock value in one way which there will be a deterministic value to that stake. We can always use that. We can do many things. We can do spin-offs. We can do -- we can use that to sell some more and do equity buyback. But unlocking for us is what is the value as a private company is now visible in the market to all stakeholders.

So employees also -- ESOP will get unlocked, and we will still own 85%. And what we do with that is then Stage 2. I think Stage 1 is to at least get this value visible and be out there in the market. So that is what we mean by value unlock.

Vishal Sethia: Okay. So my second question is on the mutual fund business. How do you ensure growth there in the equity AUM side?

Rashesh Shah: Like everybody else opening more branches, covering more customers. As you've seen last 5 years, it's a very competitive industry. But we have -- I mean it's a steady state, you make sure -- like our mutual fund is very focused on consistent performance. We want to be quartile 1, quartile 2 consistently. We don't mind being quartile 2 or so, but we don't want to slip into quarter. We don't like fund, which is quartile 1 one quarter and quartile 4 the other quarter.

So our position in the market is, we are very innovative, we did SIF and we did the Bharat Bond. We come out with new products and international funds are also very popular, our global funds. So we do have a lot of innovative offerings. We do focus a lot on performance, which is more consistent and stable.

I have a very -- we don't have a star fund manager approach. And along with that, we are also opening more branches, activating more distributors, adding more customers. So it's the same, I think, steady bit by bit.

To give you an idea, we will not -- I think -- I don't know the last count of offices we have, but we are not more than 60 offices. A lot of others are 300, 500 offices of mutual funds all over India. So we have a long way to go. But I think geographical expansion, product innovation, performance management, all of that, other ways to grow.

And it's -- as I said, it's also fortunately an industry where equity AUM should grow at 14%, 15% a year, they'll be steady MTM growth of about 6% to 8%, 9% and another 6% to 8%, 9% coming from new inflows.

So I think equity AUM for the industry conservatively should grow at 15% a year and we are smaller, we have a lot more space to cover, plus, hopefully, we are more agile, more innovative to get that little bit of being able to grow a little bit faster, and that is good enough for us.

Vishal Sethia: So on the ARC business side, how...

Moderator: Sorry to interrupt you, Mr. Sethia, I'm sorry to interrupt you, sir. I would request you to kindly rejoin the queue for follow-up questions, as there are others who are waiting for their turn. Thank you so much. We'll take the next question from the line of Shriyansh from IIFL Capital AMC.

Shriyansh: Just a couple of questions. Can you please give some updates on the equity yields in the mutual fund. Like have you seen any improvement this quarter or something? And also like what are the key levers you are focused on to drive further yield enhancement from here on?

Rashesh Shah: So, as I said earlier, I think we are obviously focused on performance, expanding our distributor reach, expanding folios, direct current customers also now we have cover a lot of the institution and corporates and all directly. So it's actually the same old thing that everybody has to do.

We are smaller, we are more agile, we are more focused on innovation, continuously like some -- a few months ago, the SIF category came out, we were one of the early movers on that. We had everything ready at the back end.

We worked 6 months before the actual notification came out. We were quick to launch and our SIF itself has now got more than INR2,000 crores of AUM. And it's been 3 months, but we have scaled it up in that. We have a gold and silver fund that has been doing well, thanks to gold and silver. So I think our products are innovative. Our performance, we try to make it as consistent as possible, which we have seen.

And we are small, and we have a lot of ground in distribution, we have not even covered a large part of the market that is also available to us. So there is a lot more room out there. It means steady investment, management bandwidth, all of that, and we have continued to do that. And I think our franchise with the distributors is also improving as our performance is consistent, as our scale is going up.

We're also investing a lot in managing distributor relationships, managing their needs also. So I think it's a combination of all that. And we do think that, as I said earlier, the equity AUM for the industry as a whole should grow at about 14%, 15% a year. So we should continue to plug away that.

Shriyansh: All right. Sir, have you seen any improvement this quarter in our yield?

Rashesh Shah: In?

Shriyansh: In equity yields of our mutual fund?

Rashesh Shah: Yes. I think as our -- as some of our funds have been doing well, which are having a higher yield. So we are seeing an inching up of the yield. And I think the idea is to continue to maintain that we are in the 30s in our retention ratio. And we have to us quite a bit of room to grow in that also. But the idea is to add value to the customers, to the distributors and then enhance yield. The first two have to come before you start only working on yield.

So we are very patient, and I think the curve is upward on our average yield, average retention rate over the years. And if you see our results, that is also showing the growth. But we want to do that only by adding value to customers and distributors.

Shriyansh: All right, sir. And sir, on the ARC business, has -- our ARC business has continued to report steady profitability, which is encouraging. But however, the equity levels have declined sequentially. So is this because of any dividend payout or like is because of dividend payout or something? And if yes, so can you quantify like what is the amount or anything?

Rashesh Shah: Yes. So the ARC business, as you know, the capital adequacy is 85%, which is ridiculously high, as you will admit. So they have a lot of excess capital, excess liquidity. They have almost at any point between INR500 crores to INR1,000 crores of cash on hand. So the Board of ARC has also been working on.

By our calculation, they have about INR1,500 crores of excess capital. They have INR3,000 crores equity, they need only 1,500. So they have been dividending it out to the extent possible so that they can rationalize their equity.

So they have to become lean on their equity side, which will improve ROEs and all that, because currently that extra capital is a drag on ROE. So they have been working on that. And the steady profit is there because, a, the equity is there, plus the old AUM is there. The acquisition of new AUM has been slow. I do believe it will take another year or 18 months for ARC industry as a whole to start growing with new acquisitions because the NPAs in the banking system and NBFCs is not as large as it was a few years ago.

So ARC, you must understand, is a very cyclical industry. There are 7, 8, 9 year cycles. So I think from 2013 to 2020 was an acquisition cycle. There were a lot of NPAs, you would buy NPAs, you had to deploy capital. I think from 2020 to maybe '27-'28 is going to be a recovery cycle where those AUM, you will resolve them, recover them, restructure them and bring it out.

And then, again, maybe another acquisition cycle will start. I don't think the NPAs are going to get very bad, but we are seeing growth of assets in mortgages, in MSME, in retail. And ARCs are also developing expertise in those areas. The last round most ARC expertise was in large corporate loans, 1 big power plant and steel plant and all.

Now we also have actually developed retail MSME expertise on NPA. And the industry is also done. So there is a lot of growth that may come in those areas also. But ARC will always be cyclical because banking NPAs will always be highly cyclical. You should be patient. So when the industry is in down cycle, you will have excess capital when it goes in up cycle, you can always raise more capital.

Shriyansh: Okay. But sir, as you have earlier indicated that this business has surplus equity, so how we are going -- planning or something to optimize these equity levels going forward?

Rashesh Shah: So they don't retain too much equity. So whatever profit they make, they try to dividend it out every quarter. So it is good for the shareholders, also good for Edelweiss also because it helps us with our corporate debt and others. So they will do everything that is available via dividending it out and all to pay back the excess capital to the shareholders.

They need about 1,500 for the current expected business for the next 2-3 years. But they are also generating profit every year, right. You must have seen how they are at about INR75 crores a quarter. So, whatever they are generating, they are dividending it out.

Moderator: We will take the last question from Sujal Chandaliya from Wallfort PMS. Please go ahead.

Sujal Chandaliya: I got a couple of questions from my side. Firstly, over the last 5 years, we have seen a shift in our FPAUM mix towards real estate and infra strategy from 9% in March 2020 to 52% in December '25. Can you please throw some light around it? And what kind of sub-strategies currently we have? And similar, what are our future plans around this?

Rashesh Shah: So yes, I think now on the FPAUM, I think you have highlighted a very important point. On FPAUM, we are half private credit and half in real asset. A lot of people see this as a private credit business, which is where we started. But in the -- we started our private credit in 2011 in EAAA, and we started our Infra in 2017. So what we call real asset. It's real asset and infrastructure assets.

In our real asset, we have 3 verticals currently. One is what we call transportation vertical, where we have roads. One is our energy vertical, where we have transmission line and renewable energy. And one is our commercial real estate, where we have office buildings and all. And each of these verticals have many other asset classes like in transportation vertical, you can add warehouses and you can add airports and ports and many other things.

Anything that helps transport of people and goods is the transportation vertical and assets which have a steady cash flow. So we buy only operating assets. We don't take greenfield risk. We just try to make sure that there is a fair amount of certainty around cash flow. Our energy vertical has -- we have some transmission lines, and we have renewable energy.

And the third one is our commercial real estate, which is our office RYP fund. So this is -- and then we have InvITs and also we have one InvIT Anzen and one other getting launched, Citius. So I think there has been a growth in that. What happens in private credit is though that has also been growing. In private credit, we've also been repaying to our investors because these are yield funds. So every time the yield comes, you repay it back to the investors.

And unlike a private equity fund, which for 8 years, has a lot of internal growth, AUM growth, a private credit fund usually is a 4- to 4.5-year cycle. So it gets churned very fast, plus you end up paying back a lot of inflows to your investors. So private credit has also grown, but our infra and real assets have grown faster. And we are very happy because there are 3 strategies in private credit we have. There are 3 strategies in real assets we have. So on the whole, it's a pretty good mix.

Sujal Chandaliya: Okay, sir. Sir, also recently there was a news article about the Edelweiss AMC bring one of the contenders to acquire India AMC business. So can you throw some light around this? And are we exploring any inorganic growth opportunities?

Rashesh Shah: We are always exploring inorganic growth opportunities. I think we did put in a bid, but we believe there are other higher bidders out there at a higher price. So I think we are always very conservative because unlike a lot of other people who have to buy, we can also build. So our capital can either be used for build or buy. And we look at both. I think if it's a good strategic fit.

As you know, Edelweiss in its history, 25 years ago, we acquired Rooshnil Securities, which become our institutional broking business. We acquired Anagram, which became our mass affluent wealth management business. We acquired Forefront, which became our alternatives -- part of our alternatives business. So we have acquired companies. We acquired JPMorgan Asset Management, which is part of AMC.

So we have done about 4 or 5 acquisitions in our -- but we have grown organically also. And we have the capability to do both. We will always do acquisition not for quick growth, but for strategic sense, if it's a bolt-on acquisition. So we do look at opportunities all the time, and we have a team that evaluates it. And if you find the right one, we will always be looking for inorganic growth opportunities.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference back to Ms. Priyadeep Chopra for closing comments. Thank you, and over to you, ma'am.

Priyadeep Chopra: Thank you, Michelle. Thank you, Rashesh, for the insightful answer, and thank you all for your time today. It's been a joy to have you all and listen in to your questions. Please do write into us at Edelweiss Investor Relationships for other questions and feedback and additional information. Thank you all, and have a great day ahead.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Edelweiss Financial Services, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.