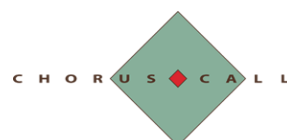




Edelweiss Financial Services Limited

Q4 FY26 Earnings Conference Call

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**MANAGEMENT: MR. RASHESH SHAH – CHAIRMAN – EDELWEISS
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FINANCIAL SERVICES LIMITED
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Moderator: Ladies and gentlemen, good afternoon, and welcome to the Fourth 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, Sagar, and a very warm welcome to our earnings call today. We have on the call with us today Mr. Rashesh Shah, Chairman and MD of Edelweiss; and Ms. Ananya Suneja, CFO, Edelweiss Financial Services.

We hope you all had a chance to review the investor presentation that we filed with the exchanges earlier today. During our discussion, we will be making references to it. Please take a moment to review the safe harbor statement in our presentation. We will be making statements that may be forward-looking in nature and hence may involve certain risks and uncertainties.

With that, I'll hand over the call to Rashesh to begin the proceedings. Thank you all for being here again. Over to you, Rashesh.

Rashesh Shah: Yes. Good afternoon to all of you, and a warm welcome to our earnings call for the quarter and the year ended March '26. Thank you once again, all of you for joining us. I was supposed to start with the geopolitical tensions and oil price, but I guess all of us know the headwinds that India is currently facing.

But in spite of the headwinds, we do believe India remains relatively well positioned. In the businesses we are, we don't see a very large impact of this strain, except at the India macro level. And we do think there is some amount of pain, the inflationary risk and the geopolitics. For the next 5, 6 months, there is pain. When we talk to investors, we see that they also have the same hypothesis.

But I think there is some near-term pain but India seems to be positioned enough to be resilient to the pain. The pain is not going to be but I think we feel that India will withstand the pain come out of this strongly.

At Edelweiss level, you would have seen investor presentation, we had growth in the consolidated profit after tax at key metrics for the operating businesses. Our Consol PAT has grown by 27%. This was in spite of some exceptional items, I'll speak about that in a lot of our businesses because of the Labour Code impact, the GST impact on our Life Insurance business.

With all of that, post minority investment, our profits have gone up. Profit after tax from INR399 crores to INR547 crores. So a 27% increase in that PAT. There are some headwinds in the fourth quarter on a lot of our businesses because of the market volatility, the treasury income impact in

the mutual fund and our even corporate treasury because of the March volatility, there has been some impact. But you've seen markets have stabilized in April. So that has been fairly so.

All our other businesses continue to grow. Alternative asset management FPAUM has grown by 32% Y-o-Y at INR44,000 crores. Mutual fund AUM, equity AUM has now grown by 25% to INR78,000 crores. Our MSME disbursements have grown obviously very largely by 200% because we have started scaling it up again.

Housing Finance disbursements have grown by 27%. Our GI business had a growth of 28% in GWP and LI has grown by 11% in AUM and AUM is now INR10,000 crores. Our ARC also had a good. ARC recoveries were INR8,590 crores is extremely good. ARC is always -- it is very paradoxical because the more you recover, the more your AUM keeps on going down.

So -- but it's always good to recover because that means you are reducing the risk in the portfolio and returning money to the banks who are holding the SRs. So we continue to grow that. And before going into strategic updates, let me give 2 or 3 special updates. And I've got some queries and questions from a few of you in the last couple of hours on that.

So the first one is on insurance breakeven. So the loss has gone up in insurance business instead of going down because we have been working towards breakeven. So the way to look at the insurance business is there is almost INR110 crores exceptional item, largely the GST impact on life insurance, which was a onetime one. We are not talking about the recurring impact, which we are managing and we'll get to breakeven even in spite of that.

But out of the INR159 crores negative of the Life Insurance business, almost INR70 crores is from the GST impact and then we had the Labour Code impact on both the businesses. So there has been an exceptional hit on both the insurance businesses, which our estimate is, about INR110 crores.

So if we take that away, then the minus number is INR100 crores as compared to INR170 crores of the last year. So there is a significant improvement on the performance of the insurance businesses if you remove the impact of the exceptional items, which are truly one-off, which are not going to recur in the coming years.

Along with that, we still remain committed that we will be breakeven for the year FY '27 in our insurance businesses. We are strengthening ourselves. We are focusing a lot on that. And even without Ind AS because we have -- Ind AS will come a year after now, even without Ind AS coming in, we will reach breakeven. Obviously, I said earlier, if Ind AS comes, we are breakeven even now. But without Ind AS, we still -- as per iGAAP, we expect to be breakeven in the insurance businesses in the coming year.

On question number 2, which has been on the operating businesses. Our operating businesses also have shown a fall in PAT from INR566 crores to INR520 crores. So there is a INR46 crores fall in the operating businesses. But as you have seen in the presentation, there is an exceptional item and those exceptional item is about INR134 crores.

So if you adjust for the exceptional item, the businesses have actually grown by 17% at a PAT level, where INR566 crores has gone to INR640-odd crores or something. So there has been a fall in the underlying businesses profit, the operating profit of the underlying businesses by INR46 crores but that is after a INR130 crores exceptional item on that.

So adjusting for exceptional item, we still see that on an apples-to-apples basis, the operating businesses have shown a 17% growth. The operating businesses also have an ESOP cost embedded in that, which will be recurring. So we are not removing that. With ESOP cost, we expect to continue to grow our operating business profit at approximately 20% per year.

That is what we have maintained in the last 4, 5 years. This year also apple-to-apple we are at 17% but we have had the exceptional items, which is mainly has been gratuity and impact of the new Labour Code and the GST impact that has come, which I think all of you are aware about.

And the third question I wanted to answer was on the corporate debt. Corporate debt is about INR6,400 crores as of now, which remains almost flat from last year but we have done a lot of activities to bring down the debt. From our underlying businesses, in this year, we expect dividend and capital through buyback and other stuff of almost INR1,000-plus crores.

So for this year, INR1,000 crores odd will come from dividend and buyback and other stuff from the underlying businesses. We expect between INR1,000 crores to INR1,500 crores from the EAAA IPO, and the stake sale of Nido and EAML should give us another INR750 crores.

And other things like we have a couple of offices that we are in the process of selling to investors, doing a sale and leaseback. And we have some investments in the underlying funds, which will also come back. So through this stake sale and dividend, we expect almost INR3,000 crores, INR3,500 crores to be realized in the coming year.

So when we look at the INR6,400 crores against that, we have INR3,000 crores, INR3,500 crores of the liquidity cash flow coming in. Out of the balance INR3,000 crores, our property investments and the offices we own, Edelweiss House and others are about INR2,000 crores and INR1,000 crores are the investments we have in the underlying company in the underlying funds and all that we have.

So we have INR1,000 crores of investments, INR2,000 crores of property and between INR3,000 crores to INR3,500 crores of stake sale and dividend realizations that we expect in this coming year. So I think on the corporate debt, though it looks flat, we remain comfortable to go by our earlier guidance that we will keep on reducing it. And we will, I think, bring it down to below INR3,000 crores in the next 1 year to 18 months for sure. That is our plan, and we continue to work towards it.

Along with that, the other update is EAAA placement. As you may have seen, we have got the SEBI approval on -- for the IPO. Now as soon as markets stabilize and we have a little bit of bandwidth, we will work towards the IPO. We did do a 4.4% placement of the EAAA to a group of high net worth investors, but more importantly, people who have been investors in our funds.

There were key LPs and select individual investors who have been long-term supporters of fund. They are fairly large investors in the fund, and we wanted to create an alignment of interest with them. So we are very grateful that the 4.4% placement happened. We got INR375 crores out of that.

The other important milestone we achieved was we got our transportation-focused InvIT, I think listed. It got -- it started trading yesterday. It had a very successful IPO and a successful listing. So Citius has a portfolio value of almost INR11,000 crores, and it's our first transportation-focused InvIT.

So we are very excited about it. The update on strategy investment by Carlyle in Nido. We have got the CCI approval. We are still awaiting RBI approval, but everything is on track. We've been replying to the queries, and we hope that the process continues smoothly.

Fourth important update has been the Edelweiss ARC. The MD and CEO appointment has been finalized. We have appointed Mr. Arun Mehta, who was earlier MD and CEO of SBI Capital Markets is going to join us in the next 3, 4 weeks.

We got approval from RBI for his appointment, and now we are just finalizing the paperwork, and we are very excited for the next innings of Edelweiss ARC for the growth again to start. We're seeing that ARC business opportunities are growing again. And with Arun Mehta coming on board, we are pretty excited by that.

So I think along with that, our -- both the asset management businesses continue to clip along well. Both the insurance businesses have also shown good growth and should get to breakeven in this year. And our credit businesses have started growing again in a calibrated manner. ARC recoveries have been strong, and we expect them to grow. As I said, corporate debt, we feel is under control. The plans we have, we are very confident that those plans will allow us to get to the reduction of corporate debt as fast as possible.

So with that, I wanted to leave a lot of time for the Q&A. And I just want to sum up by saying our consolidated profit has grown. There was some misunderstanding because of the reporting but the investor presentation clears it out pretty well. The operating businesses PAT was muted because of the exceptional items and the market volatility in the last quarter.

Overall, we expect that our businesses will continue the healthy growth because that has gone on for the last 3, 4 years in spite of all the volatility and the uncertainty and the businesses have only got stronger. All the other strategic projects, as I've given update, are on track. And we truly want to thank all our stakeholders, all our bankers, all our shareholders for the support and the feedback they've given us over the years.

Thank you with that and we'll now open up for questions and answers.

Moderator:

Thank you very much. We will now begin with the question and answer session. Our first question comes from the line of Jeel Lunagaria from Equirus Securities.

Jeel Lunagaria: So I had a few questions. Sir firstly as you mentioned about the EAAA placement. So I wanted to understand more about the same, particularly the profile of the investors who participated in that?

Rashesh Shah: Sorry, can you repeat the question, please?

Jeel Lunagaria: Yes. So you mentioned about the EAAA placement, right? So I wanted to understand more about that, particularly the profile of the investors who participated in that.

Rashesh Shah: Yes. So all the investors are actually investors and the limited partners in our funds who have invested with us over the years, and they have supported us. So they are HNI investors, family offices who have all been there. We wanted to do only a 4% placement because it was a long-standing ask from them, a lot of investors.

As you know, we have an AUM of more than INR64,000 crores, out of which almost INR30,000 crores is from Indian investors. And a lot of that is from Indian high net worth. A lot of that is from Indian HNI family offices. So -- and we had kept a cap of about INR40 crores per head.

We had a lot of people who wanted to invest even more than that. But we said only INR40 crores. So we had a group of investors, all of them were our LPs. Our requirement was that they are already investors with us. We think about 40, 45 investors in total.

Jeel Lunagaria: Okay. Understood. Secondly, I wanted to ask regarding the IPO. So the DRHP was approved last week, right? So could you walk us through the next steps and also when the IPO is expected, the time line of the IPO? And additionally, I wanted to ask if you are considering any other further placement rounds? And what could be the shareholding structure post the IPO?

Rashesh Shah: We have not finalized anything. We don't intend to do anything besides the IPO now. We think, obviously, as you know, the markets are still in a state of uncertainty because of the Gulf situation. So we will wait for a couple of months for things to stabilize and then our idea will be to launch.

So we are in no hurry because I think we have enough business momentum going on. But if you ask me, I think in the next 3, 4 months, I expect the global situation to stabilize and for us to be able to do the EAAA IPO. So maybe July, August.

Jeel Lunagaria: Okay. Got it. I have one last question. So you also mentioned about the Nido Carlyle transaction, right? So could you share the expected time line for closing that transaction? And also if there are any positive shifts that we foresee, such as the cost of funds or the credit rating trajectory or even the acceleration in the disbursement growth?

Rashesh Shah: So growing steadily. We are not putting a lot of high-growth pressure on that because we want to close the Carlyle transaction. We're also investing in opening some offices and increasing our footprint on affordable housing. So on that basis, I think it's on a steady footing. The Carlyle transaction, we expect the only thing awaiting is RBI approval, which is -- we filed this in February.

And usually, RBI approvals have taken 3 to 4 months normally is what the lawyers inform us. So if we file this in February, we are now March, April. So I think somewhere between May, June, I think we should get the approval. All the other approvals are in place.

Moderator: The next question comes from the line of Siddhesh Dharmadhikari from PL Capital.

Siddhesh Dharmadhikari: Zuno has been a pioneer in insurtech with products like usage-based insurance and telematics. So with the rapid evolution of AI, how do we see the opportunity for further product innovation and differentiation, sir?

Rashesh Shah: Yes. I think it's a very important question because, as you know, in Zuno, we have been focusing more on auto insurance. Our aspiration is to be one of the best auto insurance companies in India. It will take time, but our -- the reason we are very bullish on auto insurance, motor insurance is because we think it is very data based. It is very data linked.

And with cars also having a lot of data on driver, on fuel consumption, on -- even the cost of repair and all, a lot of that is now getting standardized. The garages have become very professional. So I think India is where the U.S. car insurance market was about 40, 50 years ago.

And on that basis, with the kind of data and AI available, this business has a lot of possibilities for innovation. You can do a lot of innovation in pricing, really allow customers to pay for what real risk they want. You can slice risk. You can also quote pricing, which is customers to customer, pin code to pin code, car make to car make, all of that.

Even on the claims settlement, you will be able to do claim settlement within 3 hours and all that. We have already been experimenting with that because with a lot of AI, you can look at through cameras and all, you can look at the damage done, you can assess the cost very quickly. So there is a lot of improvement on all 3.

There are 3 parts of the auto insurance business. One is the pricing and the policy. The second is the customer experience and third is the claims management. All 3 of them have a huge amount of AI application that is there. So we have large teams doing agentic AIs and all that because a lot of your call center and customer support and all can also use AI in a fairly big way.

So though we are very proud about our product innovation at Zuno, and you would have seen since inception, Zuno has been growing at between 25% to 40% every year and the motor insurance market has not been an easy one, as I'm sure a lot of you would have seen. Health has been growing much more easily. Motor has been a difficult market. But in that difficult market, we have innovated a lot.

But we're also very proud of our customer service and claims settlement. And that also AI is going to be a big help. So we are investing very big in that. Data was always very important to us. Now how that data will be used, I think AI will make it easier and easier.

Siddhesh Dharmadhikari: Understood, sir. And on the SIF side, Altiva SIF has crossed INR3,000-plus crores in AUM, making it one of the largest in the industry. So how do we view the long-term opportunity in this space? And are there any plans to expand the product suite further?

Rashesh Shah:

Yes. I think SIF is a new asset class. Everybody thinks it's like another mutual fund or another AIF or another PMS. But it actually has some elements of a mutual fund, some elements of an AIF and some elements of the PMS category. So if you go back and study the underlying needs because the PMS serves a very different need than AIF does, and that serves a very different need than the mutual fund does.

Because as you know, a lot of people ask that why do PMS exist when there is an income tax advantage, capital gain advantage with a mutual fund. But because they're serving different kind of needs.

In the same way, and SIF is also serving a very different need at the customer level, which is some parts of it are available in AIF, some parts are available in PMS and some parts are available in a mutual fund. So it's a very hybrid product. You really have to understand customer needs, create the product as per that and more importantly, market it very carefully as per that.

Because even if it's a product, which is marketed as another AIF or another PMS or what some people call it a poor man's AIF, it's not true. I think it is a very different, very, very nuanced product that is there. We are pretty bullish on that. There are some specific customer needs that an SIF will cater to and your ability to create products in that is important.

We have already launched the first product, which is, as you said, done very well. We are the leaders in that. We are currently looking at a couple of other products also. We should launch our second product in the next few weeks.

But we do a lot of research to understand customer need and then create the product and communicate with the distributors that this product is for this kind of customer, for this kind of need. And that is important. Just using a distribution to sell a product in a very average manner will not really allow you to capitalize on this new asset class and new product very effectively.

Moderator:

The next question comes from the line of Shobhit Sharma from HDFC Securities.

Shobhit Sharma:

Sir, I have multiple questions. So firstly, on the alternate piece, if I look at your fee-paying AUM on the retail assets have surpassed the private credit fee-paying AUM. So what actually are we doing on that piece? What is -- what differentiates us from the competition? And what are our plans to expand that kind of business?

Secondly, coming to your mutual fund business, the growth on the profitability seems to be material. So how should we think about the yields on the PAT level yields for the medium term? And similarly, on the mutual fund business, we have seen strong growth on the SIP book. So if you can give us some color on this SIP book, how this book has behaved during the last quarter and what kind of trends we are getting for the month of April?

And where are we seeing the SIPs, new SIP portfolios being generated? Is this on the passive side or is this on the commodity funds? And last question is on your insurance business. Are we going to seek a forbearance from the IRDAI for the applicability of the Ind AS for FY '27?

Rashesh Shah:

Yes. Okay. I hope I remember all the questions you have asked and answered them. I'll try and do it in reverse order. So in insurance, Ind AS, yes, we have asked for the forbearance because I think most of the industry players are going to ask because the clarity is still emerging. There's a lot of investment to be made, and you still have to run iGAAP.

So if you don't ask for forbearance, then for this year, you will end up running Ind AS and iGAAP both, and you might end up spending a lot of money and effort on that. So I think the idea currently is to take forbearance for a year.

So both the insurance businesses will implement Ind AS from the next year. Though it is actually very useful from a profitability point of view, from a profit after tax reported point of view, Ind AS is a lot better for us than iGAAP. In order to avoid complexity, we have taken the forbearance. That's your first question.

Second, SIP book we are now more than INR600 crores in SIP in the mutual fund. A lot of this is in equity and commodities, largely equity and a little bit in our international funds. But largely, I think it's about -- our main focus has been equity AUM, and we are getting a fair amount of inflows into that through SIP.

On the mutual fund growth, as you can see now we are at a PAT yield level of about 6 basis point, which is still low, and we have some headroom to grow. As our product mix is undergoing a change, as our equity component is going up, as our new money is coming at slightly better economics and all that. When we add up all of that, our aspiration is that from current 6, we should go to 10 basis points by 2030.

So it's going to be a slow improvement. We want to be fair to our distributors. We want to be fair to our partners. And we want to improve our yield, not by reducing theirs but by calibrating the product portfolio by introducing high economics product by having higher economics on incremental flows that we get.

So we think we will continue to grow on the AUM the way we've been growing at about 20% a year. But on the PAT margin, which is about 6 basis points, we would like to go to 10 basis points in the next 3, 4 years. So we are no hurry. We want to do it in a very careful calibrated manner, in a win-win-win manner with our partners and distributors and creating products like SIF is actually one example that we are creating products, which truly add value to the customer, and hence, improve our economics.

On EAAA, our FPAUM now, the real asset has become higher than private credit because private credit, we have not raised a big fund in the last 3, 4 years. So our expectation is they'll both be equal, though in private credit, the assets keep on going down because we keep on returning money to the customers and average private credit fund average tenure is only 2.5 years, while in real asset, the average tenure is about 4 to 5 years.

So real asset is a slightly longer duration funds, while private credit because we also keep on getting income and realizations, we keep on returning the money. So we expect our average private credit fund to have an average in and out average horizon of 3 years while the real asset will have 5 years. So that would be the difference.

But again, a lot of this is based on the new fund launches, and we launch a new fund every 2 years or so, 2 to 3 years in private credit. So as the new fund is getting launched in this year, we expect private credit FPAUM will also go up in this year.

Moderator: The next question comes from the line of Parth from DAM.

Parth: Sorry, sir, I joined the call late if my questions are just repeating. So I have 2 questions. One, see right now, given the volatility in the market, are we seeing any challenges on raising of funds from foreign investors in EAAA? And what are the FPAUM and fundraising targets for the next year? And could you also give some color on the pipeline of new fund launches? That would be my first question, sir. I will take a second question afterwards?

Rashesh Shah: So we don't have a lot of challenges from global investors on the products we have, which have a higher yield. So the products will have a yield of more than 16% to 18% rupee yield, there foreign investors are still very keen and all. Where the yields are about 13%, 14%, like in performing credit, foreign investors are slightly worried about the rupee effect.

They are actually very hot on India, but a lot of the -- even the FPI selling we have seen in the market, a lot of that is now driven by the view on the rupee and not the view on underlying Indian opportunities in the market.

So -- but we also have a lot of products we are looking at offering a hedge offering to our international clients, which will be in U.S. dollar and we hedge the dollar to rupees to any uncertainty. So I think there is opportunity on creating new products because hedging and rupee stability has become a key need for a lot of foreign investors.

But where there are higher yield products like our special situations fund, which expects to make around 18% plus, there, I think investors are fairly okay because at that yield, rupee is not that big a problem. But the biggest problem across the board for all foreign investors in India today is their view on the rupee, and they are looking for some stability on that.

Parth: Understood. Understood. Sir, secondly, our MSME disbursements have tripled in FY '26. So could you just highlight what were the key drivers or initiatives that has contributed to such significant growth here?

And also with our wholesale scaling down and the wholesale scaling up now largely behind us, when can we see our earnings actually starting to reflect the real retail mix? So could you just share some outlook there? And what would be our MSME AUM growth and the ROE trajectories for next 2 to 3 years, sir? That's it from my side?

Rashesh Shah: So yes, I think on ECL Finance, as you know, we have a lot of equity out there. We had decided that we'll grow MSME only after wholesale book is scaled down after all the cleanup is over. So around March '25 is where we concluded that the wholesale is behind us. The stress on the wholesale is behind us.

We also hired a new Managing Director, Ajay Khurana, who came on April 1, 2025. And we have almost grown our disbursements 3x in this year. We did about INR1,000 crores of

disbursement in this year. We expect to keep on growing, and we'll be happy if you do between INR1,700 crores to INR2,000 crores disbursements in the coming year.

We are currently investing a lot also in that business. So the NIMs will be there but we are also opening a lot of branches and hiring people and all of that and focusing a lot on MSME only. So we expect that the profitability and all is maybe 18 months to 2 years away but the growth has started coming, and we always said growth before profitability. If you look at our Asset Management business on mutual fund also, until 2 years ago, profits were very low but we have been growing for 5 years before that.

So growth and then profitability rather than try to get profitability and growth at the same time, which becomes much harder. So currently, MSME will be in a growth mode for the next couple of years, and we do feel confident about the disbursement growth and the profitability will follow that.

Parth: And sir, what would be the kind of ROE trajectories over the next 2 to 3 years for us?

Rashesh Shah: We want to stabilize in 2 years' time to get to a 10% ROE because we are still very healthy. So we should get to 10% ROE once we get the scale up done, which is about 18 months to 2 years from now. So we have quite a bit of equity there. So our idea is to get there. And you will see improvement. It won't be overnight but it will be gradual. But I think getting to a double-digit ROE is an important milestone for us.

Moderator: The next question comes from the line of Rajesh Ganesh Kumar from JM Financial.

Rajesh Ganesh Kumar: I just have 2 quick questions. First one being, the cost to income in mutual fund, it has improved by approx 10% Y-o-Y in the current FY. And as we continue to scale, what is the steady state efficiency level that we are targeting? And how does one view the near-term growth potential in the equity AUM? I'll ask a second question post this.

Rashesh Shah: So as I said earlier, our aspiration in the mutual fund equity AUM is to grow at 20% plus. We have been growing faster than that but our aspiration to grow at 20%. As you know, 8%, 10% comes out of your MTM growth in a normal year and the other comes from new money. We already have also a very strong SIP book, INR600-odd crores and all.

And as we introduce a couple of new products, NFOs and all, that also helps to collect additional AUM. So I think getting to 18% to 20% AUM growth in equity is a good target to have. Cost-income ratio, we are in the 60s now. I think eventually, according to us, a good cost-income ratio for a mutual fund should be 45% to 50%.

And hopefully, I think we should also get there as the scale happens in the next 2, 3 years. So we do expect that we would also want to list our mutual fund at some point of time. So when we list, we would hope that constantly invest in efficiency and technology and not allow your cost to grow as the income is growing.

Rajesh Ganesh Kumar: Understood. This was helpful. The last question I have is has recently launched Citius Transnet InvIT IPO, which has received overwhelming response. The question that comes to the mind is

how does InvIT as a class of asset is different from other infra yield funds in terms of, let's say, risk income generation and overall return profile. If you could just throw some light on that.

Rashesh Shah:

So there are different kind of InvITs are there. There are some InvIT which are mainly steady InvIT -- some are declining InvIT where their assets are declining because as every year goes by, when you have roads, the road concession, which is 20 years become 19 years, becomes 18 years every year.

So there are also InvIT, which are growth InvIT where you keep on not adding assets. You keep on buying new assets so that you get your InvIT horizon keeps on expanding. So we want our InvIT to be a growth InvIT. We'll keep on adding assets as we go along. We understand this business very well.

The second is we also have a very strong operating team, which actually can manage the asset and run the assets. So we are not just financial investors. We also run the assets pretty well. And most of the InvIT are road InvIT, ours is a transportation InvIT. And though the difference seems very nuanced, transportation InvIT can do a lot of other things besides roads.

So we can do things like airports and ports and other transportation hubs. We can do cable car, which is a big growth in India. All the tourist spots are going to have a lot of cable cars coming in. A lot of the transportation is going to be via cable car because that is easy to do and it doesn't require a lot of infrastructure. So in a lot of smaller cities, that will also be the game.

So when you have a transportation InvIT, your options on what assets which are there in transportation are a lot more than in the road InvIT. Road is anyway a big part of transportation but transportation has a little bit more optionality on much higher yielding assets also.

Moderator:

The next question comes from the line of Sujal Jain from Wallfort PMS.

Sujal Jain:

Just a couple of questions. Given the bearish market environment in March, how did it impact performance across our business segments like with PBT largely flat for the year, what is your assessment of the overall financial impact?

Rashesh Shah:

Very hard to put an impact but I think a lot of our -- like mutual fund also has a lot of sponsored investments, right? They have almost INR100-odd crores, which are compulsory sponsored investments. We also have a lot of treasury activity on arbitrage and other things. So I would say overall, March would have impacted about maybe INR40 crores, INR50 crores on a consolidated basis but it's hard to estimate because there are many factors, different businesses.

But across all the businesses because there are equity investments in quite a few businesses also. So across all the businesses, maybe a INR40 crores, INR50 crores impact would have come. But it's normal. I think these things happen. In India, we would have learned a little bit on this.

Sujal Jain:

Another question, sir, how does the -- our private credit opportunity in India differ from the global markets? Like which key asset class within private credit do you see as the most attractive for -- in terms of growth perspective going forward?

Rashesh Shah:

So -- actually, there are 3 categories in private credit. One is special situations, one is performing credit, other is called investment-grade credit, IG credit. They all are good. They cater to different investor needs. IG credit usually is about 12% -- 12% to 14%, 15%. Performing credit is 14% to 18%, special is 18% plus.

They all have different nuances. They have different capabilities, and they cater to a different kind of investor needs. So all of them are good. We obviously have been very strong in the special situations category, almost -- if you look at our FPAUM out of the private credit, approximately INR20,000 crores we have, almost 65% is in special situations.

Also, it differs from international because international, a lot of private credit funds are slightly open-ended. They are called semi-liquid that every quarter, you can go and redeem your holdings. And actually, of late, that is where you are seeing some of the problems are happening. In India, there are no liquid credit funds. All AIFs in credit are close ended. So the fund has a lot of holding power. There is no redemption pressure that can come.

So one of the biggest difference between private credit globally and India is that India, all funds are closed ended. So there is holding power. You don't have to try to liquidate something in distress. I think globally, a lot of private credit funds have gone into open-ended or things which are liquidatable.

On top of that, the international private credit market has also been very competitive and very high growth. So a lot of people have gone down the risk curve. That has not happened in India because in India, there is still a scarcity of capital. It's not easy to raise a private credit fund of scale. I mean private credit funds, which have more than INR4,000 crores to INR5,000 crores of AUM, you can count them on your fingers.

There are a lot of INR500 crores, INR1,000 crores funds but to raise a big fund is not easy. So I don't think there is -- the intensity of competition, which is creating asset quality issues globally are happening in India. So on that count, India is pretty okay. It's still a very small market, but we hope that it continues to grow, but in a steady manner, not a very fast growth.

Moderator:

The next question comes from the line of Siddharth Shah, an Individual Investor.

Siddharth Shah:

Both of them relate to EAAA. I think we spoke a lot about operating leverage in the business. This year, I think revenues were up about 22%, 23% but costs were also up about 25%. So is that due to some of the exceptional items that we were referring to at the start of the call?

Rashesh Shah:

Operating leverage will be more muted. We will operate at 50% to 60% cost-income ratio because there it's a very people-driven business, you need people, and we constantly invest in new businesses and products. So this year, a little bit of uptick in costs have happened is because we expanded the team, the international sales team, the local sales team as well as we are introducing new -- a couple of new products.

So the investment in that has started. So partly, I think that will be -- I would expect that to be a cost-income ratio of about 50% to 60% range. It will fluctuate in that from a quarter-to-quarter basis. The mutual fund is the one where there is a lot more operating leverage because it's a more

retail business. While this is more institutional, more wholesale, so you need salespeople, you need investment team, all of that.

Siddharth Shah: Understood. And just the second one was, I think we spoke about the INR1,500 crores going towards debt reduction once the IPO happens. Have we utilized -- we sold the 4.4% for INR375 crores. Did we utilize that for debt reduction because net debt seems to be flat year-on-year?

Rashesh Shah: Yes. If you do some research, I think on that INR6,000 crores of debt we have an annual interest burden. I mean every quarter is about INR150 crores to INR200 crores. So there is an interest meter also on the other side. So the fact that for an investment holding company, the fact that we are flat itself, means that at least whatever interest was that, that has come from stake sale.

And as I earlier clarified, a lot of the activities we did last year, like Nido, like mutual fund, like EAAA IPO, prep, like the dividend coming from underlying companies, a lot of the work has gone in the last year, FY '26 but the actual cash will come in FY '27.

So I think on that basis, we expect that a lot of the -- over and above the interest, we have, say, about INR400 crores, INR500 crores will get added only because of interest. But this year, we're expecting INR2,500 crores to INR3,000 crores of cash flow realization. So there will be a significant fall in that.

Moderator: The next question comes from the line of Maulik from Monarch Network Capital Limited.

Maulik: So sorry, sir, if the questions will be repetitive as I joined in late, but I have a couple of questions. So the first question is on our insurance business. So like combined losses in our insurance business declined by 23% over the last 2 years. And losses in Life Insurance has remained flat because of GST and other exceptional items.

Also in Q4, we saw market volatility as compared to last year. So how confident are we about achieving breakeven over the next 4 quarters? That is my first question. Second question is how do you see India's capital market position in the context of this global uncertainties that is there? So these are my 2 questions.

Rashesh Shah: So I think on the first one, we are pretty confident that we'll get to breakeven. We are working very hard for that. There were some exceptional items this year like GST and labor code and all. But we are doing a lot of things to get to breakeven. So we keep -- we remain reasonably confident of getting there. I think, as you said, the global geopolitical event and the global uncertainty and the high oil price is going to affect India.

We do think there is some pain for the next 3 to 6 months. But I think India is resilient enough. Our reserves are there, plus our -- I think economy is in a pretty good place to be able to handle that. Just because you handle it, it doesn't mean it will not be painful. It will be painful but handleable.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Ms. Priyadeep Chopra for closing comments.

Priyadeep Chopra: Thank you, Sagar, and thank you, Rashesh, for all the answers. Thank you, each one of you for your time today. It's been a joy to have you all and listen to your insightful questions. Please do write to us at Edelweiss Investor Relations for any other questions and feedback or any additional information you may need. Thank you, and have a great day ahead. Bye-bye.

Moderator: Thank you very much, ladies and gentlemen. On behalf of Edelweiss Financial Services, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.