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Ideas create, values protect

Chairman's Letter

Reading the course. Setting the pace.

In the long run, progress is never only about the distance already covered. It is about knowing when to hold the pace, when to conserve strength, and when to prepare for the next stretch.

2025-26

Chairman's Letter

Rashesh Shah
Chairman & Managing Director

Dear All,

Every year, I begin this letter reflecting on the world around us. This year, I want to begin closer to home – with Edelweiss itself.

FY26 was a year of two halves: strategically strong but financially flat. Much of the year went into sowing. The harvest will show up in the years ahead.

Symbolically, this is really how Edelweiss has been built – systematically sowing, intentionally tending, and patiently waiting for the harvest. Our progress has rarely been defined by a single event. It has come from a steady rhythm of purposeful actions – each one building on the last and compounding over time.

This is what I call the SIP mindset: Systematic, Intentional, Patient. It is a mindset I will return to later in this letter, one that, as it turns out, our own shareholders have been quietly teaching us for years, month after month, in the form of a habit most of us take for granted: the SIP.

To understand the work we have been putting in and the compounding we expect in the years ahead, let's first look at FY26 through the strategic milestones that defined the year.

→ FY26 - The Year That Was

WestBridge Capital came in as a strategic partner in our Mutual Fund business, acquiring a 15% stake in the business. The transaction brought in a seasoned, high-quality and long-term institutional partner, as Edelweiss Mutual Fund moves into its next phase of growth.

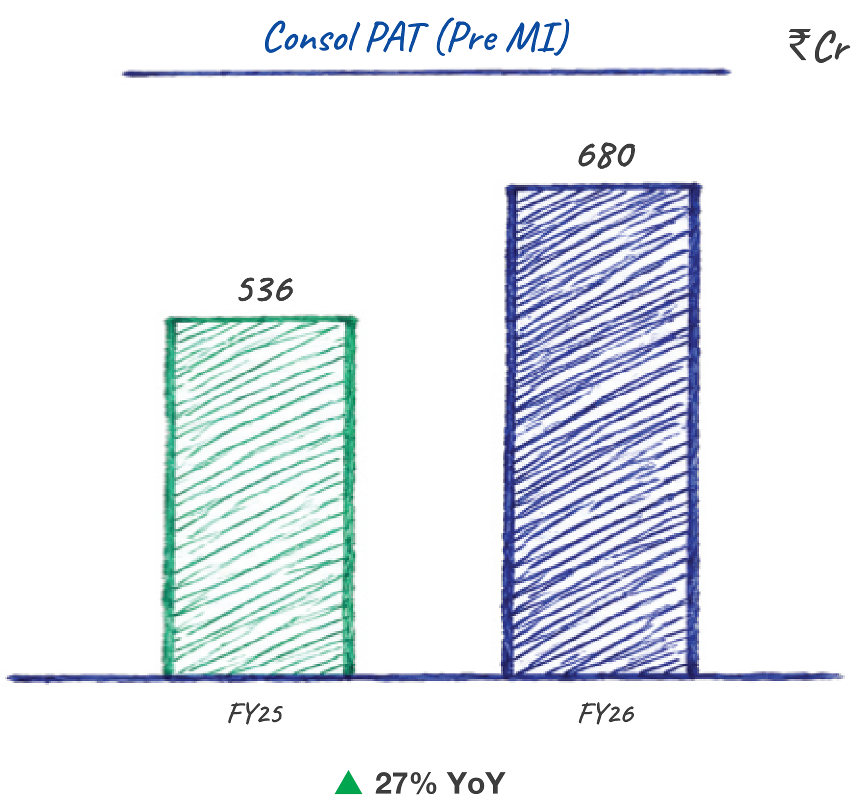
At Edelweiss Alternatives, we made good progress towards listing the business during the year. We filed the DRHP with SEBI in January and received approval soon after. In March, we placed 4.4% of EAAA's common equity – while our original intent was to place around 4%, we had very strong demand and subsequently increased the placement, restricting it to 4.4%. The allocation went to key LPs and select individual investors who have been long-standing supporters of the platform. We will, as planned, list the business as market conditions turn more conducive.

We expect to close a strategic transaction in our Housing Finance business, Nido Home Finance, in the second quarter of FY27. As part of the transaction, Carlyle will invest ₹2,100 crore, which includes acquiring a 45% stake in

Nido from Edelweiss through a secondary purchase and a primary equity capital infusion of ₹1,500 crore in Nido. Carlyle brings over two decades of experience in Indian financial services, alongside operational depth in governance and risk. Aditya Puri, former CEO & MD of HDFC Bank and Senior Advisor to Carlyle in Asia, will also participate as an investor, underscoring the strategic importance of the investment.

> *Taken together, these three strategic actions are evidence of the value we have built in these businesses over the years.*

On the financials front, FY26 was a unique year. We incurred ₹143 crore of regulatory and one-time costs – the new labour codes, GST change in Life Insurance and ESOP expenses. Operating Business PAT, as reported, was ₹520 crore, down 8% YoY. Strip out those one-time items, and the operating profit of our seven businesses was ₹663 crore, up 17% YoY. The last quarter of FY26 also saw some mark-to-market impact on treasury income, driven by geopolitical volatility rather than anything within our control. Despite all of this, Consolidated PAT (Pre MI) grew 27% YoY to ₹680 crore for the year.



The balance sheet, meanwhile, continues to strengthen. Our Credit businesses remain well capitalised, with capital adequacy of at least 29% across credit entities, and consolidated liquidity stood at ₹6,500 crore. Consolidated net debt fell 7% YoY to ₹10,430 crore, while corporate net debt held broadly steady at ₹6,410 crore.

The individual businesses continued to build value and momentum across key operating metrics, which tells us a great deal about where the franchise is headed.

Alternative Asset Management

FPAUM grew 32% YoY to ₹44,710 Cr

and the business raised ₹10,855 crore of funds during the year, up 64% YoY, including India's first Energy Transition Fund, anchored by the European Investment Bank.

In Mutual Fund

Equity AUM grew 25% YoY to ₹78,000 Cr

The SIP book grew 58% YoY to ₹623 crore, and our new Altiva SIF launched India's first hybrid SIF, which has already crossed ₹5,000 crore in AUM.

The Asset Reconstruction business acquired ₹1,363 crore of retail assets. We welcomed Arun Mehta, a veteran banker with 40 years of experience and former MD of SBI Capital Markets, as MD & CEO in June 2026.

In our NBFC business, MSME disbursements tripled to ₹1,051 crore, while the wholesale book – true to our continuing intent to run down legacy exposure – reduced 30% YoY to ₹1,750 crore.

Housing Finance disbursements grew 27% YoY to ₹2,171 Cr

General Insurance GWP grew 28% YoY during the year.

Life Insurance AUM grew 11% YoY to ₹10,425 Cr with the business achieving its highest-ever claim settlement ratio of 99.31%.

Reflections Over The Years

Looking back, the last few years offer me one connected lesson.

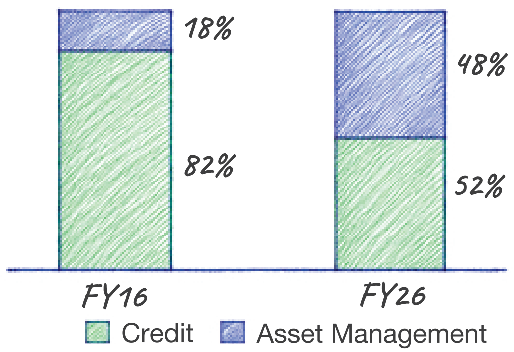
As Edelweiss grew, our capital became increasingly concentrated in credit businesses. That capital intensity brought higher borrowings with it. And when the shocks arrived – first IL&FS, then COVID – the combination of capital concentration, leverage and structural complexity took away much of our room to manoeuvre. The reset, I realised, could not just be financial. It had to be architectural.

The story of the last few years at Edelweiss has really been the story of that architectural reset: rebalancing capital, reducing debt, simplifying the institution, and building businesses that can compound with more discipline and less drag.

Asset-light, capital-efficient models deliver higher returns. In FY26, our Asset Management platforms – Alternative Asset Management and Mutual Fund – generated an RoE of around 28%, while Credit (Asset Reconstruction, NBFC and Housing Finance) generated around 6%. That gap tells its own story. Credit remains important to us. But credit is capital-hungry by design – every rupee of growth needs a rupee of balance sheet behind it. Asset Management compounds on people, innovation and execution; Credit compounds on capital. For a long time, we were tilted too heavily towards Credit. Correcting that imbalance has been the work of the last few years.

Profit Pool Shift: From Credit-Led to More Balanced

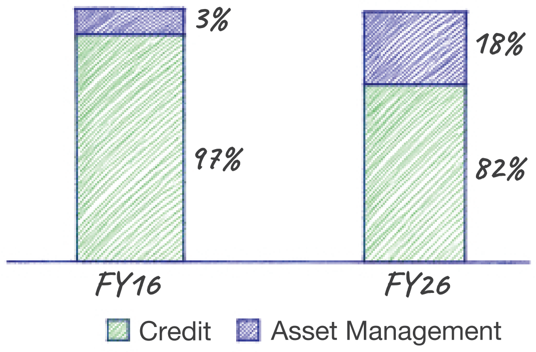
Breakup of Ex-insurance Operating Business PAT



The shift is visible in the numbers. In FY16, Credit contributed 82% of our Ex-insurance Operating Business PAT, with Asset Management contributing 18%. By FY26, Credit's share had come down to 52%, and Asset Management's had risen to 48%.

Capital Still Sits Disproportionately in Credit

Breakup of Ex-insurance Operating Business Net Worth



But the net worth mix tells you the other, less flattering half of the story. Credit still accounts for 82% of Ex-insurance Operating Business Net Worth in FY26, against 18% for Asset Management. The imbalance has reduced. It has not disappeared.

The Carlyle investment in Nido, the capital return and dividends we have taken out of ARC, the move towards a more asset-light credit strategy, and the reduction of our NBFC wholesale book from ₹13,500 crore in FY20 to ₹1,750 crore in FY26 are all part of correcting it.

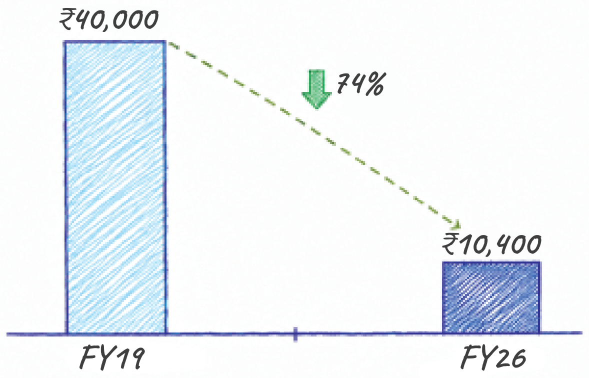
The lesson, for me, is simple: capital must go where it compounds best. Our focus now is to sharpen capital efficiency in Credit and hold every rupee we deploy there to a higher return expectation.

Excess leverage takes away flexibility, just when you need it most.

The capital imbalance had a second, related consequence: borrowings that rose too far, too fast. Between FY16 and FY19, our borrowings helped us scale but by FY19, consolidated net debt had reached around ₹40,000 crore, and that made the balance sheet considerably less resilient exactly when the environment was about to turn difficult. The last few years have been about undoing that. Consolidated net debt is now down to around ₹10,400 crore, and corporate net debt to around ₹6,400 crore, from around ₹8,000 crore in FY24. Debt can speed up growth. Excess debt narrows your choices later.

Deleveraging: Rebuilding Balance Sheet Strength

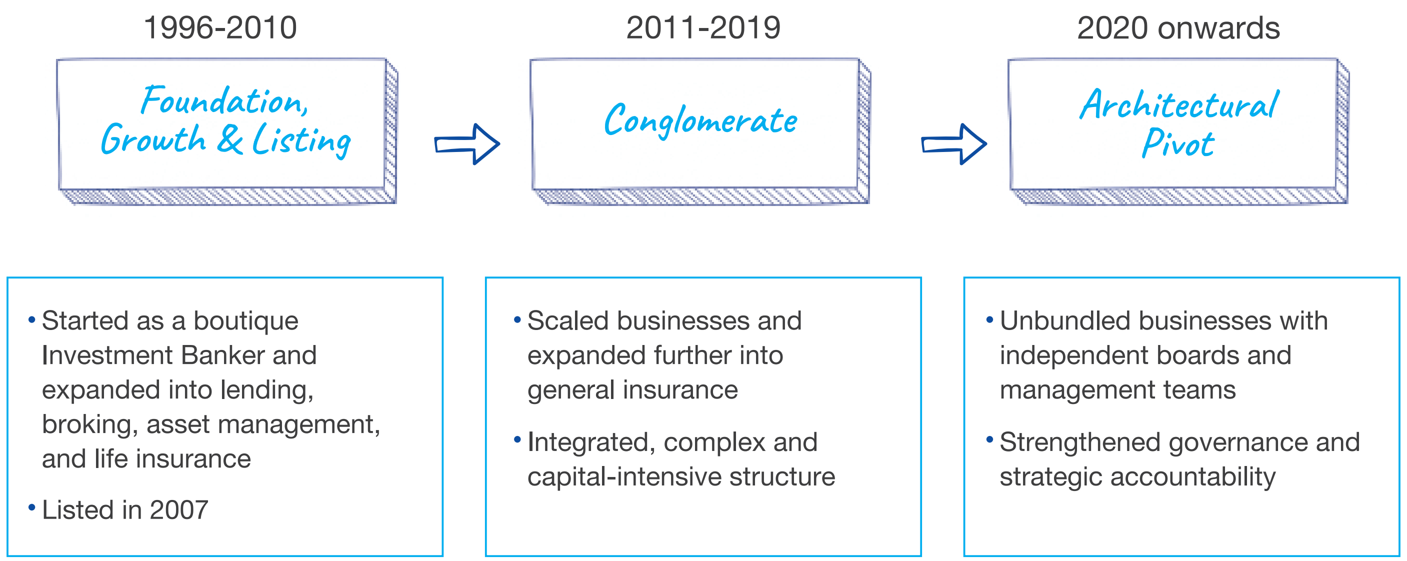
Consolidated Net Debt



Simple is rare. Simple is genius.

Capital concentration and high borrowings were never really two separate problems. They were symptoms of one larger, architectural problem. By 2016, Edelweiss had become a diversified financial services conglomerate, but also a genuinely complex one: a monolithic, balance-sheet-heavy structure with significant P&L concentration in Credit. In that structure, capital did not move easily between businesses, individual businesses were rarely valued on their own merit, and the whole thing was harder to understand from the outside than it should have been. We needed to pivot, and the pivot had to go beyond the financials, into the architecture itself. IL&FS and then COVID accelerated that reset. By 2021, we were underway: moving from a capital-heavy, integrated structure towards a simpler, asset-light institution built around independent, monoline businesses.

Edelweiss Architecture Journey — 1996 to Now



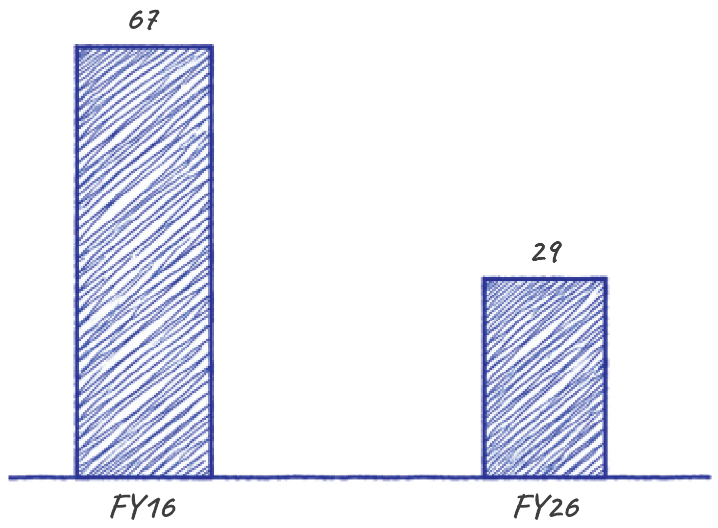
From 2020 onwards, we simplified deliberately, in stages. First, we separated operations. Then, we built independent management teams under board-led governance. Finally, we separated infrastructure – offices, technology platforms, business-specific domains, financial systems. None of this was simplification for its own sake; it was meant to improve accountability, make value creation easier, reduce contamination risk between businesses, and let investors judge each business on its own merits.

"Simplicity is the ultimate sophistication."

- Leonardo da Vinci

The number that captures it best: our entity count has come down from 67 to 29.

Entity count reduction



The result, I believe, is a leaner and more agile Edelweiss — a portfolio of independent, high-growth businesses, each creating and unlocking its own value, held together by a lean centre that provides governance and strategic oversight, rather than a heavy one that gets in the way.

This, to me, is the larger reflection of the last few years. Where capital sits affects leverage. Leverage affects resilience. Architecture affects accountability, valuation and the choices you can make when things get hard. Architecture, in other words, is strategy.

Looking back, not every choice we made looks perfect in hindsight, but the underlying businesses have always been good ones, and good businesses, given time, capital discipline and the right architecture around them, keep creating value.

"Mistakes fade away; winners can forever blossom."

- Warren Buffett

For winners to blossom, patience matters as much as the climate around them – and I said earlier in this letter that I would return to the idea of patient compounding. This is where I want to draw it out fully, because it turns out to be a lesson I have learned, more slowly and more personally, in almost every other part of my life too.

→ The SIP Mindset

Let me come now to the metaphor on the cover of this year's report, because I want to spend a moment on it.

I have used metaphors in these letters before, and most of them have been borrowed — from the arts, from cinema, from literature. This year's metaphor is, finally, one borrowed from our own shareholders – from the millions of ordinary Indian households who have been showing us, every month, for years, what compounding actually looks like in practice.

A Systematic Investment Plan is the simplest financial instrument in this country. It took investing – something that once felt large, distant and intimidating – and broke it into small, accessible, repeatable units. In many ways, it sachetised investing. Every month, on the same day, a fixed amount moves from a household's bank account into a fund. It could be as little as ₹100 or much more. The amount matters less than the habit – that is the real genius of the SIP. It does not just sachetise a financial instrument; it sachetises a habit. It turns investing from an event into a rhythm. The contribution happens regardless of conditions. Markets up. Markets down. News good. News bad. Bull years. Bear years. The contribution happens.

That consistency is what makes the SIP powerful.

Take a simple SIP of
₹10,000 a month.
At 12% annual returns

An investor puts in **₹12 lakh over 10 years,**
and the corpus grows to about
₹23 Lakh.

Continue the **same SIP for 20 years,**
and the total investment only doubles to
₹24 lakh but the corpus grows to nearly
₹1 Cr

It takes ten years to **reach ₹23 lakh.**
The next ten years add
₹77 Lakh.

The mathematics is familiar. The lesson is deeper. To me, that is the essence of the SIP mindset – a philosophy of disciplined compounding; the habit of showing up, making deliberate choices, and giving those choices enough time to work.

SIP beyond wealth.

The idea of an SIP is bigger than finance. The same discipline that builds a portfolio over twenty years builds everything else worth building over a lifetime – health, relationships, philanthropy, and, as I will come to, institutions like Edelweiss itself. Small, consistent investments, made quietly over time, compound in ways you rarely notice while they're happening.

Due to health reasons, I was kept away from sports for most of my early years. I came back to it as an adult – first tennis, then running, then triathlon after a tendonitis injury paused my running in 2013. Across all three, I have learned more about pacing from endurance sport than from any business book. Health is the slowest-compounding asset most of us own. It takes decades to build and can be undone in a quarter. As with any SIP, the contribution that matters most is the one made on the day you don't feel like making it.

"The first rule of compounding: never interrupt it unnecessarily."
- Charlie Munger

The same is true of relationships. Some of the most consequential compounding decisions of my life were made long before I understood they would compound. Vidya and I met as classmates at IIM Ahmedabad in 1987. Long walks across campus, working through an M&A research project together, became the seedbed of more than three and a half decades of partnership that has been built one ordinary conversation at a time.

Our children, Neel and Avanti, are now adults pursuing their own paths. The compounding of presence in a parent's life cannot be accelerated, and the time we did not invest then is not recoverable now. This is the SIP lesson I have learned most painfully – and, in time, most usefully.

The same idea extends beyond the personal. Some investments compound not in our own lives, but in the lives of others. Philanthropy is one such investment. EdelGive was founded by Vidya in 2007, after she stepped down as Edelweiss' CFO. The thesis was simple: bring the same discipline we use to build a financial services business to the work of building grassroots non-profits. Eighteen years later, EdelGive has worked with over 150 small and mid-sized NGOs across India, providing capacity-building support that often matters more than the cheque itself. Philanthropy is the purest SIP I know – the returns don't show up in any quarter, any year, or sometimes any decade. They show up in the lives of people you may never meet. Some of the strongest NGOs EdelGive works with were started by founders twenty or thirty years ago, when nobody was watching. They did not announce a vision and then build it. They simply showed up every day and let the vision emerge.

Race day is just a moment. Endurance training has reinforced this most simply for me. The race day is one morning of one weekend in one year. The real value lives in the discipline, the preparation, and the strange, quiet joy of the daily rhythm – the early-morning runs, the long Sunday cycles, the kilometres logged when nobody is watching and there is no medal at the end.

Progress comes not from occasional intensity but from consistent effort, wise energy management, and the discipline to keep showing up. I am increasingly convinced the same is true of building a life. And, of course, it works just as powerfully in building institutions and scaling businesses.

Edelweiss has been built the same way – steadily, patiently. Nuvama was built over 18 years and is today India's second-largest wealth management platform. EAAA has been built over 15 years and is now a large, high-quality alternatives platform managing an AUM of ~₹73,000 crore – a 70-fold increase since inception. Our Mutual Fund business, which began in 2008, has grown into a platform with ₹1.58 trillion of AUM, including ₹78,000 crore of equity AUM in FY26. None of it was built overnight. It came from staying with the opportunity, improving year after year, and letting disciplined effort compound.

The past decade shows what that compounding can create across the franchise:

₹ Cr

Business	Metric	FY21	FY26	5 yr CAGR
Alternative Asset Management	FPAUM	14,600	44,710	25%
	AUM	30,000	72,706	19%
Mutual Fund	Equity AUM	14,300	78,000	40%
	AUM	50,100	1,58,200	26%
	SIP Book	83	623	50%
Asset Reconstruction	Cum. Recoveries*	28,000	66,090	-
NBFC	MSME Disbursement	306	1,051	28%
Housing Finance	Disbursement	594	2,171	30%
General Insurance	GWP	227	1,294	42%
	AUM	366	1,690	36%
Life Insurance	Gross Premium	1,224	2,221	13%
	AUM	4,220	10,425	20%
	EV	1,256	2,363	13%

**Cumulative recoveries since FY16*

Compounding leaders, not just businesses.

The SIP mindset shows up in our numbers, but it shows up even more in our people. Businesses compound when people compound, when teams learn together, make better decisions, build trust, and stay with difficult problems long enough to actually solve them. At Edelweiss, the average tenure of our senior management team is around nine years. That continuity matters, as it gives us memory, judgement and patience – the things you actually need to build something steadily and build it well.

That is the mindset we bring to building Edelweiss. But no business compounds in a vacuum, and the climate around us today is one of contrasts – a resilient India, a still-fragile world, and an Indian household story that is quietly reshaping the opportunity in front of financial services. Let me turn to that.

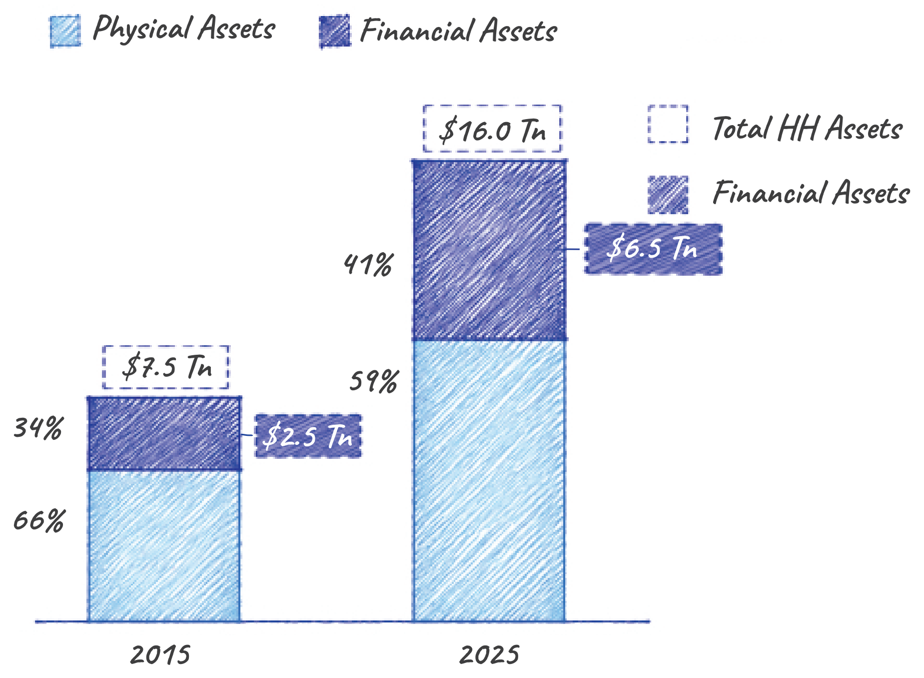
The World Around Us

India's growth story remains structurally sound – supported by domestic demand, financialisation, formalisation and rising household wealth. The RBI has projected India's growth at around 6.6% for FY27, which keeps us among the fastest-growing major economies even as global growth stays under pressure.

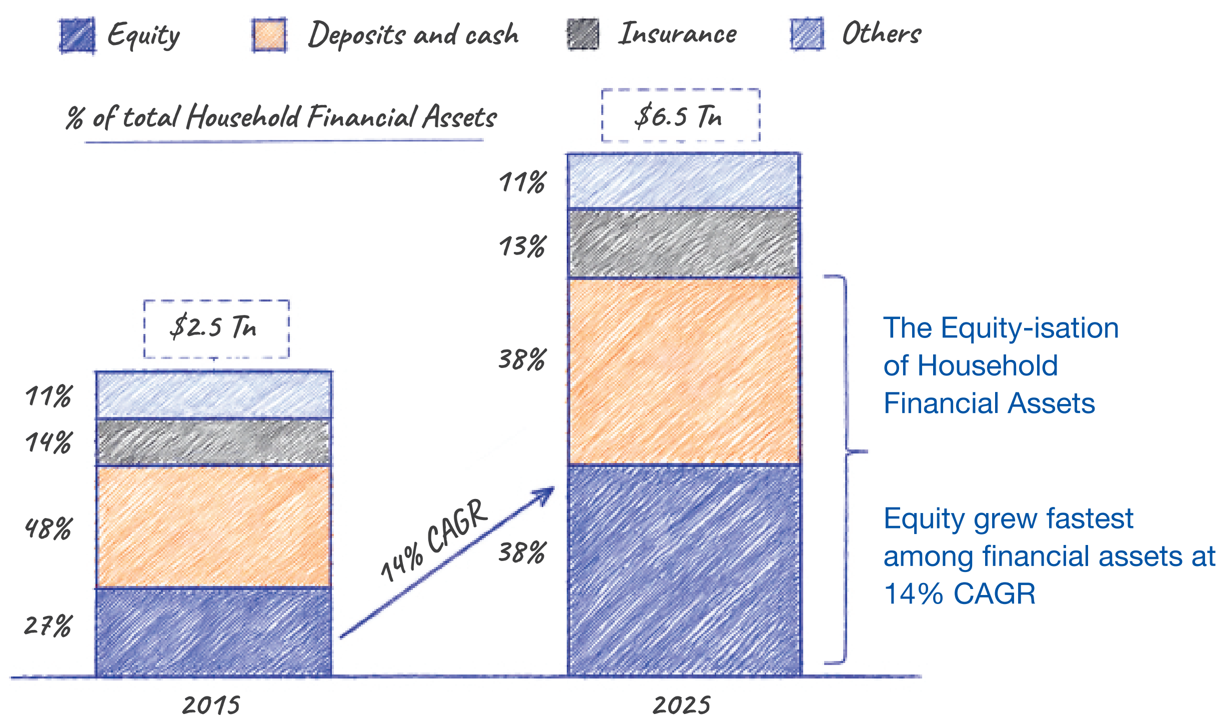
The world, though, reminded us again this year how quickly calm can turn fragile. Before the recent de-escalation, the disruption around the Strait of Hormuz had pushed up oil-supply concerns, added pressure on the rupee, and stoked worries about imported inflation, the current account and corporate margins. By July 2026, FPIs had reportedly sold around ₹2.5 trillion of Indian equities. Developments around the Strait continue to influence energy-supply risks and oil prices, with important implications for India's inflation, current account and rupee stability. Shipping and trade flows remain sensitive to the evolving geopolitical environment, which continues to be fluid. If there is one thing I would want us to take from this, it is that macro shocks can turn quickly, and businesses have to be built with buffers, not just forecasts.

Underneath all of this, though, there is a slower, steadier story unfolding – one I find more important than any quarter's headline, and one that speaks directly to why I believe in India's and Edelweiss' future.

Indian households today hold an estimated $16 trillion in assets. India is still, at heart, a "physical assets first" economy. Household wealth is still predominantly held in the traditional stores of value – homes, land, gold – that families have relied on for generations, while financial assets remain a smaller part of the household balance sheet. But that is beginning to shift. Physical assets still account for roughly 60% of household wealth, but that share has been gradually declining over the last decade as financial assets – mutual funds, direct equities, alternatives and other market-linked products – steadily gain ground, helped by rising financial literacy, wider access to digital platforms, a broader product suite, and a growing preference for market-linked returns.

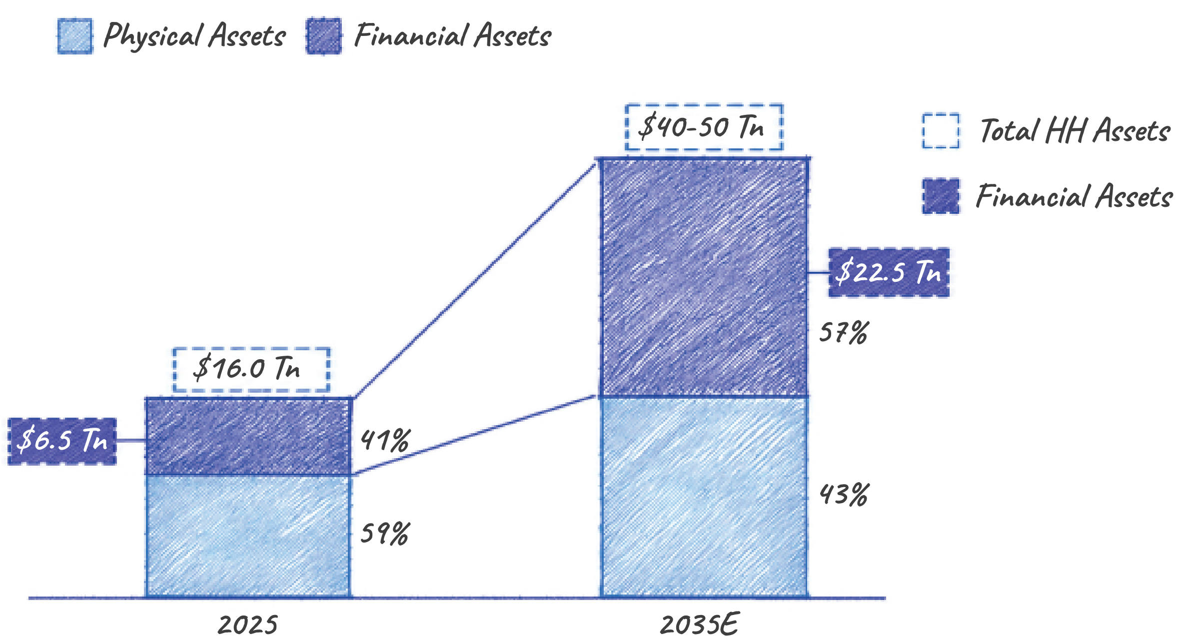


In the last decade, India has witnessed the 'Financialisation' of household assets as we transitioned from a country of savers to investors. Within financial assets, the share of deposits and cash have gone down giving way to the rise of the equity segment. The fastest growth over the last decade has come from products that demand disciplined, long-term investing — most notably mutual funds and alternative investments, which have emerged as the fastest-growing segments.

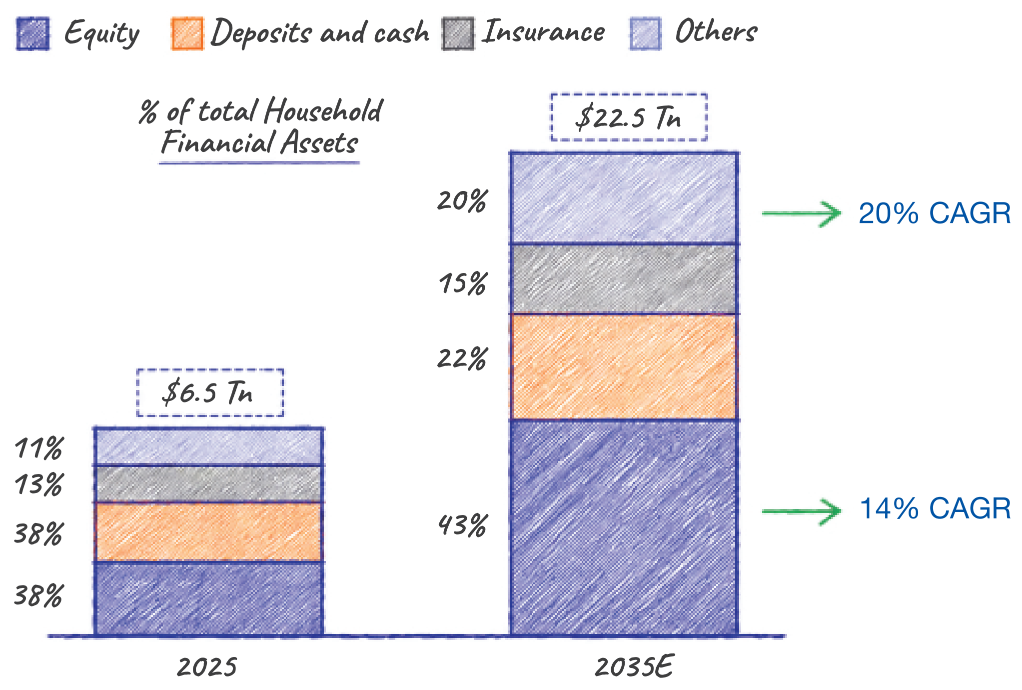


Equity includes direct equity holdings by individuals and individual investments in equity mutual funds.
Others category includes AIFs, Bonds, EPF and NPS.

The next layer of the story is, to me, the more interesting one. At the current household assets to GDP ratio of 4–5x, an India that grows into a $10 trillion economy by 2035 would see its household asset pool expand to $40-50 trillion. More importantly, in the next decade, the Indian household balance sheet is poised to witness a structural reversal with financial assets overtaking the physical assets. To put this in perspective, in the next decade, India could add more in financial assets alone (~$16 trillion) than the entire household assets in 2025!



In this decade, we will see the next phase of Financialisation, as today's sophisticated instruments become the commonplace instruments, and growth extending beyond traditional investing with alternatives leading the next leg, and equity continuing to compound steadily.



Put together, this is really three shifts moving in the same direction: from physical assets to financial assets; within financial assets, from saving to investing; and within investing itself, a steady move up the risk-return curve, taking Indian households progressively beyond traditional instruments.

Each of these shifts is creating its own set of needs – households looking to monetise the real estate and gold sitting idle on their balance sheets; promoters and family offices, whose wealth has grown manifold over two decades, looking to diversify beyond concentrated core equity into uncorrelated, high-alpha assets; retail investors wanting income-oriented solutions that offer stable cash flows through volatile markets; and, as India ages, a growing need for secure, reliable income through retirement.

For Edelweiss, this is a long-term tailwind. Our Credit platforms help households unlock value from physical assets; our Alternatives and Mutual Fund platforms serve promoters, family offices and retail investors as they diversify and move up the risk-return curve; and our Life Insurance business addresses the enduring need for protection, income and retirement security. Taken together, we sit across almost the entire pipeline of this transition – helping Indian households move from simply owning assets to building diversified, long-term financial wealth. As that journey gathers pace, trust and performance will matter more than ever, and that is exactly where I believe Edelweiss has a role to play, true to what we have always said: Ideas Create, Values Protect.

→ Looking Forward - Plans for FY27

Four things will define the year ahead for us.

The **Edelweiss Alternatives listing** will be the second public-market valuation marker for one of our businesses. The **Mutual Fund business** will continue to scale, anchored by strong Equity AUM growth – the business has reached a stage where operating leverage, an improving product mix and rising SIP flows can start to create a compounding effect of their own. Both **Insurance businesses should reach break-even in FY27**, a genuine milestone after years of investment, after which our consolidated profitability will finally reflect the full operating capacity of the group, without carrying the start-up burn of two subsidiaries. Our **Credit businesses** will keep scaling, but in a more capital-efficient way, with continued emphasis on improving RoE while holding onto balance sheet strength and underwriting discipline.

And we will keep simplifying, leaning into asset-light businesses that compound with less capital, and deleveraging along the way. It is what positions us for the decade of household compounding I described earlier - a simpler, lighter Edelweiss, built to grow alongside the Indian household.

"If I could tell every Indian investor just one thing, it would be to show up every month. The amount is rarely heroic, the day is rarely perfect. But consistency, given enough time, beats brilliance. That is the whole secret of compounding - in money and in life."

In Closing

Let me close with two things that matter deeply in any long compounding journey: gratitude and accountability.

To my colleagues across our seven businesses – more than 6,000 of you, serving 14 million customers across this remarkable country – thank you, simply, for being the reason any of this is possible.

To our independent directors, who hold us to the highest levels of governance and challenge us to grow and innovate, thank you for the rigour and the candour that make us better.

To our partners, regulators, and the broader ecosystem within which we operate – thank you for the trust that lets us do what we do.

And to you, our shareholders – thank you, as always, for the patience that has let Edelweiss be built the way Edelweiss needed to be built.

The next time I write to you, I will report against the EAAA listing, the insurance break-even commitments, and value creation across businesses.

As Warren Buffett once wrote, "combining savings with compound interest works wonders." That is the spirit in which Edelweiss has been built – patiently, deliberately, over time. It is the spirit in which we will keep building.

Yours sincerely,

Rashesh Shah

Chairman & Managing Director
Edelweiss Financial Services Limited