

Edelweiss Financial Services Limited Q1FY15 Results**Total Income ₹ 815 cr & Profit after Tax ₹ 78 cr**

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the first quarter of Financial Year 2014-15 ended June 30, 2014 today.

Q1FY15 Highlights:

- * **Total Revenue ₹ 815 cr**
compared to ₹ 624 cr for Q1FY14, up 31%
- * **Profit After Tax ₹ 78 cr**
compared to ₹ 56 cr for Q1FY14, up 41%
- * **Profit After Tax ex-insurance ₹ 89 cr**
compared to ₹ 69 cr for Q1FY14, up 29%
- * Group Gross Networth ₹ 3,169 cr
- * Tangible Equity ex-ins ₹ 2,294 cr
- * **Return on Tangible Equity ex-ins 15.5%**
- * **Balance Sheet growth 28%, PAT growth 29% ex-ins YoY**

Edelweiss has over the last years pursued the strategy of diversifying its businesses across adjacent spaces to become a large and respected firm with businesses across all growth areas in the financial services sector. The diversification of businesses, asset classes, client segments, markets and geographies has helped us de-risk the business model, reduce volatility and build sustainability in our performance. As a result, Edelweiss has recorded consistently improved financial and business performance across cycles. With the diversification phase complete around two years ago, we are focusing on scaling up businesses, improving efficiency and productivity, strengthening balance sheet, risk management and compliance, instilling customer-centricity, upgrading technology and building leadership for future.

From catering to a few hundred wholesale clients in 2008, the group now touches lives of over **532,000 clients** from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 266,700 DP accounts.

Speaking on the occasion, Mr. Rashesh Shah, Chairman and CEO, Edelweiss Financial Services Limited said:

"In the Lok Sabha elections, Indian people voted for a change and stability. Markets have rallied significantly in the last few months in the hope of a development oriented government at the centre and the macro environment is stable. The clear mandate in favour of NDA and its first Union Budget are positive as the country needs to get back to growth.

We continue to de-risk our business model and build sustainability through long-term strategy of diversifying across businesses, asset classes and client segments. Our newer retail businesses continue their planned scale up. This is also bringing in constant improvement in our financial and business indicators and our profits are being increasingly contributed by multiple businesses.

With the improvement in business climate in the first quarter, our net profit is higher by 41% YoY. This is the eleventh quarter of consistent growth in our profits barring the exceptional second quarter of last year. Our return on tangible equity ex-insurance for Q1FY15 has improved to 15.5% compared to 13.1% for Q1FY14. Our focus areas for current year continue to be improving capital and operating efficiency, achieving scale in retail businesses, improving sustainability in our performance, strengthening balance sheet, risk and compliance, upgrading technology, building a customer-centric culture and nurturing leadership for future growth."

Q1FY15 Financial Highlights:

- * **Fund based income** is ₹ 681 cr for Q1FY15 (₹ 525 cr in Q1FY14), up 30%. This income stream includes income from credit including housing finance business, commodities business and Balance Sheet Management Unit operations.
- * **Fee & Commission income** is ₹ 106 cr for Q1FY15 (₹ 82 cr in Q1FY14), up 29%. This income stream includes income from broking, corporate finance advisory, asset management and wealth advisory businesses. Broking income constitutes about 7.4% of the total revenue for the quarter.
- * **Gross Premium income from Life Insurance business** is ₹ 23 cr for Q1FY15 compared to ₹ 11 cr in Q1FY14, up by 101%.

The **diversified revenue mix** has successfully helped us in achieving improvement in our performance on a sustained basis despite volatile environment.

Balance Sheet, ALM and Liquidity Management:

- * Our Balance Sheet Management Unit actively manages the Balance Sheet, Asset Liability position and liquidity in a way similar to that of the treasury of a commercial bank.
- * The focus of Balance Sheet Management unit continues to be on maintaining adequate liquidity, reducing our dependence on short-term market borrowings, diversifying our sources of borrowings and maintaining a matched ALM profile. We continue to modify our liabilities profile in sync with our assets profile.
- * As a part of this effort and in order to supplement equity capital, our NBFC subsidiary **ECL Finance Limited** successfully closed the **Public Issue of unsecured Retail Bonds in the nature of Subordinated Debt for ₹ 400 cr** in June '14. These NCDs have 70 months maturity and provide us medium to long term liabilities to match the increasing duration of our assets portfolio besides qualifying as Tier 2 capital.

ECL Finance had earlier raised ₹ 500 cr in January '14 through a Public Issue of 3 year and 5 year Secured NCDs and is comfortably placed to keep adding longer term assets going forward.

- * **The total Networth of the Group now stands at ₹ 3,168 cr with Tangible Equity ex-insurance and ex-minority at ₹ 2,294 cr.**
- * The aggregate borrowings excluding the episodic borrowings at the end of this quarter are higher at around ₹ 14,942 cr compared to ₹ 12,948 cr as at the end of the previous quarter. Excluding the episodic borrowing and our back to back borrowings, the **Net Gearing is 3.8x** compared to 3.6x at the end of the previous quarter.

Business Highlights:

Operations of Edelweiss are organised around **five broad business groups – Credit including Retail Finance, Commodities, Financial Markets, Asset Management and Life Insurance.**

Brief highlights of our business performance are as under:

- * **Credit:**

Edelweiss offers **Retail Finance and Corporate Finance**. Total credit book of the group including these segments stands at ₹ 8,829 cr at the end of this quarter compared to ₹ 8,628 cr at the end of previous quarter. In addition, we had episodic funding of ₹ 2,076 cr at the end of Q1FY15.

Retail Finance business offers **housing mortgages including small-ticket housing loans**, rural finance, loans against property and SME finance. As at the end of this quarter it had a book size of ₹ 2,245 cr compared to ₹ 2,090 cr at the end of Q4FY14. Its assets under management were ₹ 2,414 cr at the end of first quarter. It has a client base of over 23,400 in 25 major cities and ~450 villages.

The Corporate finance collateralized loan book is adequately secured with an average **collateral cover** of 2.9 times at the end of this quarter.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.12% and Net NPLs at 0.32% indicating a Provision Coverage Ratio (PCR) of 71%. Including the general loan loss provision that we make on our standard assets, the PCR is 101%. We continue to focus on risk management and achieving growth in the book without diluting risk standards.

Having added a new source of long term liabilities by virtue of two **public issues of NCDs since January 2014**, our NBFC subsidiary **ECL Finance Limited** is well placed to grow its asset book with confidence. Its Capital Adequacy Ratio as on June 30, 2014 is 22.8% excluding the episodic funding.

Fixed Income Advisory business continued to be among leading debt arrangers in the country having handled eight transactions in Q1FY15 including one public issue of NCDs and five Debt Syndication and Restructuring advisory transactions.

*** Commodities:**

Edelweiss set up its commodities business about 6 years ago in order to diversify across adjacent asset classes. The expected financialisation of commodities markets in India will act as a growth driver for this strategically important business.

We see agri business as a significantly large and untapped opportunity in India across sourcing of commodities through our infrastructure and intermediary network, making credit available to the participants in the value chain and distribution. The business is also building an international sourcing and procurement model for key commodities like pulses and oilseeds. A state-of-the-art precious metals refinery is being set up in Ahmedabad as a part of our precious metals business. We continue to invest in infrastructure, people strategy, technologies, inventory and collateral risk management and operations processes to strengthen the business.

*** Financial Markets:**

After facing severe headwinds in the past two years, Markets have rallied in the hope of a stable and progressive government at the centre and FII inflows have been higher. Stock Market indices have also recorded a growth of around 40% over the lows of FY14.

* **Institutional Broking** business continued to be among the market leaders and perform in line with the industry. Our **Research** covers 204 stocks across 20 sectors representing over 75% of market capitalization.

During the first quarter, we held our India Corporate Summit 2014 in Singapore and Hong Kong. In addition, sector specific investor conferences were also held by way of Infrastructure Conference and Agri Day 2014. These corporate access initiatives facilitated over around 1,300 meetings among a large number of Indian corporates and global & domestic institutional investors.

* **Corporate Finance & Advisory** activity in the country was at a low key in the first quarter before picking up in the second quarter. This business handled two transactions this quarter including the QIP of ₹ 4,808 cr for Reliance Communications, one of the largest QIPs ever in India, and the IPO of Rs. 181 cr for Wonderla Holidays which generated significant interest among investors.

* **Retail Financial Market** business continued to scale up its market share with the total retail client base crossing 4,54,000 having added nearly 28,000 clients during the quarter. This includes over 1,27,000 online clients. The AuAs of the Wealth business touched ₹ 7,000 cr at the end of this quarter, up from ₹ 4,800 cr at the end of the previous quarter.

* The online portal www.edelweiss.in continued to be one of the most popular sites with the cumulative number of unique visitors crossing 1.1 cr with 14 cr page views over 7.6 cr visits till June 30, 2014.

* Edelweiss continued to be a major distributor in public issues of equities and debt in Q1FY15. We are ranked 1st in IPO distribution during Q1FY15 in Retail category with 24% market share and 1st again in HNI (NIB) category with a 60% market share of the amount procured (source: Prime Database).

*** Asset Management:**

* The **Alternative Asset Management** business manages five alternative funds with AuMs/AuAs of over ₹ 2,500 cr equivalent at the end of Q1FY15.

* **Edelweiss Asset Reconstruction Company** is a leading ARC in the country with assets of over ₹ 16,600 cr at the end of this quarter. We consider ARC business as an integral part of the efforts of banks to improve the asset quality as also to help in releasing productive assets for the Nation's economy.

* **Retail Asset Management** business managed 11 funds across Equity, Debt and Liquid schemes, with average AUMs of ₹ 212 cr during the first quarter. It had an active base of over 13,000 investors and a distributor base of over 3,250 at the end of the quarter. The AMC launched Edelweiss Arbitrage Fund, an open ended Equity Scheme in the first quarter. Focus of this business continues to be on building investment capabilities and creating a track record.

*** Life Insurance:**

Edelweiss entered the life insurance space through a joint venture with Tokio Marine of Japan, one of the oldest and largest Insurance companies globally. This business has significantly expanded the addressable retail markets for Edelweiss.

Edelweiss Tokio Life Insurance Company (ETLI) continued to scale up with its gross premium of ₹ 23 cr in Q1FY15 compared to ₹ 11 cr in Q1FY14. The business has presence through 58 branches in 48 cities across India. The agency channel scale up continued with the total number of Personal Financial Advisors touching 7,721 by the end of this quarter compared to 4,006 as at the end of Q1FY14.

The Company offers 18 individual products to meet the basic needs of customers on education funding, wealth accumulation, wealth enhancement, income replacement and retirement funding. It also offers three group products, one each for life protection, credit protection and savings for retirement.

"Yamraj to the Rescue", a safety awareness campaign conducted by ETLI during this quarter in association with the Indian Railways won the best campaign award in the Public and Social Service Category at the Outdoor Advertising Awards, 2014.

*** Other Updates:**

* Edelweiss' presence covers 217 offices in 118 cities including six international offices. Together with a strong network of over 5,500 Authorized Persons and Sub-brokers, Edelweiss presence covers almost all major cities in India. The total number of employees at the end of the quarter stands at 4,285 compared to 4,001 at the end of the previous quarter.

* We continue to strengthen compliance function, invest in processes that enhance efficiencies, adopt new technologies and improve risk management. We are also investing in building a customer-centric culture and nurturing leadership among our employees to prepare them for future responsibilities.

- * **EdelGive Foundation** is the philanthropic initiative of Edelweiss Group with the mission to leverage its resources with a view to empowering social entrepreneurs and organisations towards achieving systemic change.

During the quarter, EdelGive supported **Olympic Gold Quest (OGQ)** athlete **Ayonika Paul** won the Bronze medal in the 10m Air Rifle in the ISSF Rifle/Pistol World Cup in Slovenia. **Mary J Kom, Pooja Ghatkar and P V Sindhu** are the other EdelGive supported OGQ athletes.

Edelweiss voted a Winner two years in a row!



About Edelweiss Financial Services

Edelweiss is a leading Indian company that provides a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. It offers products and services spanning across asset classes, consumer segments and geographies. Its businesses are broadly divided into **Credit including Retail Finance, Commodities, Financial Markets, Asset Management and Life Insurance**. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all segments of clients. Life Insurance, Retail Finance including Housing Finance, Mutual Fund and Retail Financial Markets businesses have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss' presence now covers 217 offices in 118 cities in India and abroad with 4,285 employees. Together with over 5,500 strong network of Authorized Persons and Sub-Brokers, Edelweiss group has presence across all major centers in India catering to over 532,000 clients under various businesses in retail and wholesale segments.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

Edelweiss Financial Services Limited **Corporate Identity Number:** L99999MH1995PLC094641

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This document is for information purposes only and any action taken by any person on the basis of the information contained herein is that person's responsibility alone and Edelweiss or its directors or employees will not be liable in any manner for the consequences of such actions. The company regularly posts all important information at its website www.edelweissfin.com.

Consolidated Financial Results for the Quarter Ended June 30, 2014

(₹ in crore)

	Particulars	Quarter Ended			Year Ended
		June	March	June	March
		30, 2014	31, 2014	30, 2013	31, 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Part I				
1	Income from operations				
	(a) Fee and commission	105.78	99.69	82.03	355.63
	(b) Fund based activities	674.85	543.43	521.93	2,050.06
	(c) Premium from life insurance business	21.30	48.48	10.24	106.21
	(d) Other operating income	4.88	5.25	5.23	21.90
	Total income from operations	806.81	696.85	619.43	2,533.80
2	Expenses				
	(a) Employee benefits expense	143.87	129.82	104.72	458.02
	(b) Depreciation and amortisation expense	15.06	14.73	12.72	52.41
	(c) Change in life insurance policy liability – actuarial	13.86	29.83	5.52	60.87
	(d) Other expenses	134.84	120.53	104.39	422.06
	Total expenses	307.63	294.91	227.35	993.36
3	Profit / (Loss) from operations before other income and finance costs (1-2)	499.18	401.94	392.08	1,540.44
4	Other income	2.09	0.96	1.43	9.32
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	501.27	402.90	393.51	1,549.76
6	Finance costs	385.74	298.70	310.43	1,210.67
7	Profit / (Loss) before tax (5-6)	115.53	104.20	83.08	339.09
8	Tax expense	43.69	46.05	28.84	134.61
9	Net Profit / (Loss) after tax (7-8)	71.84	58.15	54.24	204.48
10	Share of profit / (Loss) of associates	6.38	1.30	2.89	12.41
11	Minority interest	(0.03)	(1.24)	1.46	(3.35)
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	78.25	60.69	55.67	220.24
13	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	77.76	76.90	76.81	76.90
14	Reserves excluding Revaluation Reserves				2,656.91
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)				
	- Basic (See Note 6)	0.98	0.79	0.73	2.86
	- Diluted (See Note 6)	0.97	0.78	0.72	2.85

Part II - Select Information for the quarter ended June 30, 2014

A	PARTICULARS OF SHAREHOLDING				
1	Public shareholding				
	- Number of shares	49,19,04,798	48,33,29,640	48,23,86,640	48,33,29,640
	- Percentage of shareholding	63.26%	62.85%	62.80%	62.85%
2	Promoters & promoter group shareholding				
	a) Pledged/ Encumbered				
	- Number of shares	2,76,83,000	1,61,83,000	2,21,00,000	1,61,83,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	9.69%	5.66%	7.73%	5.66%
	- Percentage of shares (as a % of total share capital of the company)	3.56%	2.10%	2.88%	2.10%
	b) Non-encumbered				
	- Number of shares	25,80,32,690	26,95,32,690	26,36,15,690	26,95,32,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	90.31%	94.34%	92.27%	94.34%
	- Percentage of shares (as a % of total share capital of the company)	33.18%	35.05%	34.32%	35.05%
B	INVESTOR COMPLAINTS				Quarter ended June 30, 2014
	Pending at the beginning of the quarter				Nil
	Received during the quarter				6
	Disposed off during the quarter				6
	Remaining unresolved at the end of the quarter				Nil

Notes:

- 1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter ended 30 June 2014 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 25 July 2014.
- 2 The Company conducts its operations along with its subsidiaries and associates. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Accounting Standards (AS 21 and AS 23).
- 3 In respect of the standalone Company, (i) CARE has assigned the rating of 'CARE AA' (pronounced 'CARE double A') to the Long Term Debt Programme for ₹ 150 crores. (ii) CRISIL has assigned the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programme for ₹ 4,850 crores. The ratings as mentioned for these Programmes / Issues continue to remain in force.
- 4 As per the requirement of the Companies Act, 2013 (the Act), the Company has evaluated the useful lives of its fixed assets and has computed depreciation according to the provisions of Schedule II of the Act. Consequently, in the standalone financial results of the Company, the depreciation charge for the quarter ended 30 June 2014 is higher by ₹ 0.18 crores and an amount of ₹ 0.22 crores has been charged to the opening balance of the retained earnings in respect of assets whose remaining useful life has expired as at 1 April 2014. Also, in the consolidated financial results of the Company, the depreciation charge for the quarter ended 30 June 2014 is higher by ₹ 2.03 crores and an amount of ₹ 2.95 crores has been charged to the opening balance of the retained earnings in respect of assets whose remaining useful life has expired as at 1 April 2014.
- 5 During the quarter ended 30 June 2014, the Company has issued 1,01,97,149 equity shares of face value of ₹ 1 each to employees on exercise of employee stock options and has bought back 16,21,991 equity shares of the face value of ₹ 1 each.
- 6 Earnings per share for the quarters ended 30 June 2014, 31 March 2014 and 30 June 2013, have been calculated for three months and not annualised.
- 7 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial period's presentation.
- 8 The standalone and consolidated results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah
Chairman

Mumbai, 25 July 2014