

**Edelweiss Financial Services Q2FY12 Total Income of ₹ 385 cr**  
**Profit after Tax of ₹ 26 cr**

**Mumbai, 18<sup>th</sup> October 2011:** Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the quarter and half year ended 30<sup>th</sup> September 2011 today.

\* **Total Revenue for the quarter ₹ 385 cr**

flat compared with ₹ 389 cr for Q1FY12

\* **Profit After Tax ₹ 26 cr**

compared with ₹ 33 cr for Q1FY12, down 21% QoQ

**Edelweiss continues to preserve the topline, though the bottomline is affected due to significant slowdown in the capital markets, investments made in incubating new businesses – Life Insurance and Retail Businesses, and depreciation on our new office property. Collective impact of these at Profit after Tax level is about ₹ 12 cr in the second quarter.**

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

*"Worsening global scenario led by Eurozone debt crisis and recessionary trends in the US have made the FIIs risk averse to investment in emerging markets. This has led to net outflow from India this quarter adding pressure on exchange rates. Coupled with this, the rising interest rates in the country on the back of a sticky high inflation have made the operating environment one of the toughest in the recent past.*

*Despite the challenging environment, we at Edelweiss remain focused on our core strategy with the planned build out of new businesses of life insurance, asset management and housing finance. We have another year or so of investing left during which period our profitability will continue to be impacted. We expect the global outlook uncertainty to persist for another two or three quarters before growth reappears in the domestic markets and are quite optimistic about the outlook for the next year."*

**Financial Highlights:**

**Interest and Treasury income** is at ₹ 276 cr (₹ 288 cr in Q1FY12). This includes income from credit businesses and treasury operations. It accounts for 73% of the total income, similar to Q1FY12.

Agency **Fee & Commission**, which includes income from broking, investment banking, asset management and distribution businesses, at ₹ 105 cr this quarter (₹ 97 cr in Q1FY12), is up 8% QoQ despite slower activity in capital markets. It now accounts for 27% of the total income vis-a-vis 25% in Q1FY12.

Edelweiss continues to have a balanced revenue mix from its diversified businesses.

## **Business Highlights:**

### \* **Life Insurance:**

Edelweiss Tokio Life Insurance (ETLI) is the first of the new generation Insurance companies in India as a joint venture with Tokio Marine, one of the fastest growing life Insurance companies in Japan. India offers vast opportunities in the life insurance sector given the current demographics, savings propensity and low life insurance penetration among Indian population. ETLI has commenced operations in India with a highest startup capital of ₹ 550 crores in this quarter.

In the first quarter itself after launch of its operations, ETLI has expanded its presence via 19 branches in 14 cities across Gujarat, Maharashtra, Delhi, Haryana, Punjab and Chandigarh. The company offers a bouquet of diverse products ranging from term plan, savings options, credit protection and ULIP funds. The company currently has built up a trained force of over 350 Personal Financial Advisors (PFAs) designed to forge a long term relationship with the customers. It plans to expand coverage to more centers, develop product portfolio and increase the number of PFAs going forward.

Life Insurance market in India currently ranks 136<sup>th</sup> in the world in terms of penetration and is expected to emerge as one of the top three markets by 2020. This business, therefore, presents exciting opportunities for us for long-term future growth.

### \* **Asset Management:**

Alternative Assets Management businesses have AUMs/AUAs of US\$ 380 million equivalent at the end of the second quarter.

The domestic Asset Management business manages 11 funds across Equity, Debt and Liquid Schemes. During the quarter a new Select Midcap Fund and an FMP Fund were launched. It now has an active base of over 5,000 investors. The distribution network has been strengthened by building a force of nearly 3,000 Distributors. The focus of this business continues to be on developing a variety of products and building investment track record.

The Edelweiss Absolute Return Fund has received awards for the Best Marketing Campaign of the Year and the Brand Excellence in BFSI sector at the CMO Asia Awards 2011 held at Singapore in July 2011.

### \* **Housing Finance:**

Housing Finance business, which we launched in the third quarter of the last year, has built a book of ₹ 350 cr by the end of the second quarter. It extended its operations to Bangalore and Pune this quarter in addition to Mumbai, NCR region and Ahmedabad. It plans to cover more metro cities going forward. It offers home loans, loans against property and lease rental discounting product.

The current housing finance market in India is characterized by a very low penetration compared with the developed world. However, given the young demographic profile that India enjoys, this market is estimated to grow over four folds by 2020. Entry into this business, therefore, presents large opportunity to Edelweiss for growth going forward. It also reinforces our intent to cover a larger retail footprint.

\* **Credit Business:**

Credit businesses ended this quarter with a total book size of ₹ 2,640 cr with focus on risk management. The wholesale and retail credit books comprise of loans granted against securities and are adequately collateralized with an average collateral cover of over 2.7 times.

\* **Capital Markets Businesses:**

\* **Investment Banking** business handled 9 **transactions** across Equity Capital Markets, Advisory and Debt Capital Markets in the second quarter compared with 8 transactions in the previous quarter. Deal pipeline continues to be strong though the deal closures are extremely slow.

\* **Corporate Bonds Syndication** desk continued to be a leading debt arranger in the country during this quarter. Bonds issuances this quarter included clients like PFC, REC, HUDCO and SBI Global Factors. We are **ranked overall 4<sup>th</sup>** in the League Tables for Debt Arrangers taking CPs and Bonds/NCDs placements together with a market share of 17.8% and are also ranked **4<sup>th</sup>** in Commercial Papers issuance with a market share of 13.4% in the first half of FY12 (as per Prime Database).

\* The **Institutional Brokerage** business, where we continued to be the largest Indian broking house, performed in line with the markets during this quarter. Edelweiss **Research** covers 186 stocks across 20 sectors representing over 70% of market capitalization. During the second quarter we held our annual UK Investor conference which met with huge response from Indian corporates and UK/Europe investors.

\* Edelweiss continues to invest in build out of its **Retail businesses**. In **Retail Broking** we now have a total client base of over 354,000 including over 116,000 clients on the online retail portal [www.edelweiss.in](http://www.edelweiss.in). Together with acquisition of new clients at a healthy pace, the focus of this business is also on activating a larger percentage of new client addition.

\* **Wealth Management** business continues to gain traction with over ₹ 2,500 cr of AUAs. The Structured Products issuance has crossed ₹ 500 cr mark this quarter.

\* **Other Updates:**

\* The tangible networth of the Group including minority interest now stands at ₹ 2,706 cr. The aggregate borrowings as at the end of this quarter were ₹ 8,050 cr, implying a leverage of 2.98x. This leaves us with ample headroom for our future requirements.

\* Edelweiss has recently launched its new and improved corporate website [www.edelweissfin.com](http://www.edelweissfin.com) in line with the change in the name from Edelweiss Capital Limited to Edelweiss Financial Services Limited.

\* **EdelGive**, the Group's social responsibility arm, has launched the fourth annual EdelGive Social Innovation Honours to recognize social innovations that empower women during the quarter. It also hosted an Education Forum to give its non-profit investees an opportunity to showcase their work to a panel of investors/funding organizations.

### **About Edelweiss Financial Services**

Edelweiss has emerged as India's leading diversified financial services Group. Edelweiss offers a large range of products and services spanning across asset classes and consumer segments. Its businesses are broadly divided into **Life Insurance, Housing Finance, Asset Management, Credit and Capital Markets including Investment Banking and Brokerage Services – Institutional, HNI and Retail**. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across corporate, institutional and individual clients. The Life Insurance, Mutual Fund and Retail Broking businesses along with Edelweiss Financial Advisors Limited (formerly Anagram Capital), have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss' presence now covers 308 offices in 146 cities pan India with 2863 employees.

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](http://www.edelweissfin.com).

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The company regularly posts all important information at its website [www.edelcap.com](http://www.edelcap.com)



**Consolidated Financial Results for the Quarter and Half Year Ended 30<sup>th</sup> September, 2011**

(₹ in Crores)

	Particulars	Quarter Ended			Half Year Ended		March 31 2011 (Audited)
		Sept. 30 2011 (Unaud.)	June 30 2011 (Unaud.)	Sept. 30 2010 (Unaud.)	Sept. 30 2011 (Unaud.)	Sept. 30 2010 (Unaud.)	
	Fee and commission income	104.76	97.10	143.70	201.86	237.11	500.12
	Interest and treasury income	276.28	288.21	231.29	564.49	417.19	971.85
<b>1</b>	<b>Income from Operations</b>	<b>381.04</b>	<b>385.31</b>	<b>374.99</b>	<b>766.35</b>	<b>654.30</b>	<b>1,471.97</b>
2	Other Operating Income	4.28	3.91	1.15	8.19	5.84	19.17
<b>3</b>	<b>Total Income (1+2)</b>	<b>385.32</b>	<b>389.22</b>	<b>376.14</b>	<b>774.54</b>	<b>660.14</b>	<b>1,491.14</b>
	Expenditure						
	a. Operating cost	96.90	86.13	91.86	183.03	155.54	353.12
	b. Employees cost	62.27	61.15	60.62	123.42	110.46	235.42
	c. Interest and Finance charges	176.14	184.39	121.50	360.53	199.07	532.18
	d. Depreciation	8.50	5.74	3.65	14.24	7.32	20.40
<b>4</b>	<b>Total expenditure</b>	<b>343.81</b>	<b>337.41</b>	<b>277.63</b>	<b>681.22</b>	<b>472.39</b>	<b>1,141.12</b>
<b>5</b>	<b>Profit / (Loss) before tax (3-4)</b>	<b>41.51</b>	<b>51.81</b>	<b>98.51</b>	<b>93.32</b>	<b>187.75</b>	<b>350.02</b>
6	Tax expenses	13.05	16.17	29.66	29.22	53.41	103.10
<b>7</b>	<b>Net Profit / (Loss) after tax and before minority interest (5-6)</b>	<b>28.46</b>	<b>35.64</b>	<b>68.85</b>	<b>64.10</b>	<b>134.34</b>	<b>246.92</b>
8	Share of minority interest in profits	2.14	2.43	2.75	4.57	6.88	13.90
<b>9</b>	<b>Net Profit / (Loss) after minority interest (7-8)</b>	<b>26.32</b>	<b>33.21</b>	<b>66.10</b>	<b>59.53</b>	<b>127.46</b>	<b>233.02</b>
10	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	75.66	75.23	75.10	75.66	75.10	75.20
11	Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year						2,362.62
12	Earnings Per Share (EPS) in ₹						
	- Basic (Not annualised)	0.35	0.44	0.88	0.79	1.70	3.10
	- Diluted (Not annualised)	0.34	0.43	0.85	0.77	1.64	3.00
13	Public shareholding						
	- Number of shares	470,930,590	466,553,590	465,311,990	470,930,590	465,311,990	466,310,590
	- Percentage of shareholding	62.24%	62.02%	61.96%	62.24%	61.96%	62.01%
14	Promoters & promoter group shareholding						
	a) Pledged/ Encumbered						
	- Number of shares	30,800,000	33,130,000	32,100,000	30,800,000	32,100,000	32,600,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	10.78%	11.60%	11.23%	10.78%	11.23%	11.41%

- Percentage of shares (as a % of total share capital of the company)	4.07%	4.40%	4.27%	4.07%	4.27%	4.33%
b) Non-encumbered						
- Number of shares	254,915,690	252,585,690	253,615,690	254,915,690	253,615,690	253,115,690
- Percentage of shares (as a % of total shareholding of promoter and promoter group)	89.22%	88.40%	88.77%	89.22%	88.77%	88.59%
- Percentage of shares (as a % of total share capital of the company)	33.69%	33.58%	33.77%	33.69%	33.77%	33.66%

**Notes:**

- Effective 1 August 2011, the name of the Company changed from Edelweiss Capital Limited to Edelweiss Financial Services Limited ("EFSL" or "the Company"). The consolidated and standalone financial results of EFSL for the quarter and half year ended 30 September 2011 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 18 October 2011.
- 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) prescribed by Companies (Accounting Standards) Rules, 2006.
- CRISIL has assigned the rating of 'A1+' (pronounced 'A one Plus') to the Short Term Debt Programmes of EFSL for ₹ 4,850 crores and the rating of 'AA-/stable' (Pronounced 'double A minus rating with stable outlook) to the long term debt programme of EFSL for ₹ 10 crores. ICRA has assigned the rating 'LAA-' (pronounced 'L double A minus') to the Long Term Debt Programme of EFSL for ₹ 450 crores, the rating 'LAA- pp' (pronounced 'L double A Minus Principal Protected') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 25 crores and the rating 'LAA- pn' (pronounced 'L double A Minus Principal Not Protected') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 80 crores. The ratings as mentioned for these Programmes / Issues continue to remain in force.
- During the quarter, the Company has not granted any options under Employee Stock Option Scheme; 75,000 stock options have been exercised and 4,377,000 equity shares have been allotted. 101,201,250 stock options are outstanding as at the end of the quarter.

**5 Consolidated statement of assets and liabilities as at 30 September 2011**

(₹ in Crores)

	As at		
	September 30, 2011 (Unaudited)	March 31, 2011 (Audited)	September 30, 2010 (Unaudited)
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
(a) Share capital	75.66	75.20	75.10
(b) Stock options outstanding	2.05	2.06	1.95
(c) Share application money	-	0.08	-
(d) Reserves and surplus	2,527.05	2,362.63	2,298.26
Loan funds	8,049.71	7,836.95	6,106.04
Minority Interest	240.48	115.50	573.64
<b>TOTAL</b>	<b>10,894.95</b>	<b>10,392.42</b>	<b>9,054.99</b>

<b>APPLICATION OF FUNDS</b>				
	Fixed assets	507.61	478.05	436.04
	Goodwill on account of consolidation	139.47	139.47	139.47
	Investments	1,539.26	388.72	507.33
	Deferred tax asset (net)	53.74	52.75	64.42
	Current assets, loans and advances			
	(a) Stock in trade	1,871.68	1,417.17	1,862.24
	(b) Sundry debtors	302.78	3,586.96	297.20
	(c) Cash and bank balances	3,221.83	3,662.49	1,505.99
	(d) Other Current Assets	291.97	347.72	101.07
	(e) Loans and advances	4,100.12	5,061.15	7,250.41
	Less: Current liabilities and provisions			
	(a) Current liabilities	(1,095.43)	(4,659.67)	(3,038.81)
	(b) Provisions	(38.08)	(82.39)	(70.37)
	<b>Net current assets</b>	<b>8,654.87</b>	<b>9,333.43</b>	<b>7,907.73</b>
	<b>TOTAL</b>	<b>10,894.95</b>	<b>10,392.42</b>	<b>9,054.99</b>

- 6 There were no investor complaints outstanding at the beginning of the quarter. During the quarter, the Company received 9 investor complaints and has resolved all of these.
- 7 The previous financial year/period figures have been regrouped/reclassified wherever necessary.
- 8 The standalone and consolidated results will be available on the Company's website - [www.edelweissfin.com](http://www.edelweissfin.com).

On behalf of the Board of  
Directors

Rashesh Shah  
Chairman

Mumbai, 18 October 2011.