

**Edelweiss Financial Services Q2FY14 Results****Total Income ₹ 586 cr & Profit after Tax ₹ 46 cr**

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the second quarter of the Financial Year 2013-14 ended September 30, 2013 today.

**Q2FY14 Highlights:**

- \* **Total Revenue ₹ 586 cr**  
compared to ₹ 511 cr for Q2FY13, **up 15%**
- \* **Profit After Tax ₹ 46 cr**  
compared to ₹ 42 cr for Q2FY13, **up 11%**
- \* **Group Gross Networth ₹ 3,360 cr**
- \* **Tangible Equity (ex-insurance and ex-minority) ₹ 2,142 cr**
- \* **Profit After Tax ex-Insurance ₹ 62 cr**  
compared to ₹ 51 cr for Q2FY13, **up 22%**
- \* **Return on Tangible Equity (ex-Ins & ex-Minority) 11.6% ex-Insurance**

**H1FY14 Highlights:**

- \* **Total Revenue ₹ 1,211 cr**  
compared to ₹ 1,044 cr for H1FY13, **up 16%**
- \* **Profit After Tax ₹ 102 cr**  
compared to ₹ 81 cr for H1FY13, **up 25%**
- \* **Profit After Tax ex-Insurance ₹ 132 cr**  
compared to ₹ 99 cr for H1FY13, **up 32%**
- \* **Achieving Non-Linear growth, BS growth 11%, PAT 32% ex-Insurance**

Since inception, Edelweiss has constantly implemented the diversification strategy to become a large and respected Financial Services firm with businesses spanning all growth areas in the financial sector. It has de-risked the business model by diversifying across businesses, asset classes, client segments and markets to reduce volatility in performance. This has helped Edelweiss record consistently improved financial and business performance across cycles. With the diversification phase complete, we are focusing on improving efficiency, productivity and customer-centricity while building leadership for future.

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

*"While the first quarter of this fiscal year was a reasonably good quarter, macro-economic conditions rapidly worsened in the second quarter led by sharp fall in currency rates. The Government and RBI's efforts through gold import curbs and liquidity tightening, which led to spike in short term rates, resulted in rupee recovering from its record lows. Having achieved that, the liquidity is now being eased gradually. However, inflation is again inching up on the back of supply led issues. We expect the environment to continue to be challenging in near term with inflation and interest rates remaining elevated.*

*Declining economic activity levels and a rise in short term interest rates resulted in our second quarter net profit witnessing a fall on a QoQ basis after a straight run of seven quarters of improving profitability. However, on a YoY basis for this half year we have still been able to record a 32% growth in profit ex-insurance. This is a result of our long-term strategy to diversify across businesses, asset classes and client segments which helps us in improving our performance on a sustained basis across cycles. Our businesses continue to perform well and are ready to garner our share when growth returns. Our priorities for FY14 include strengthening ALM and liquidity position, improving efficiency and productivity, building a customer-centric culture, nurturing leadership and achieving scale in retail businesses."*

**Financial Highlights:**

- \* **Fund based income** for Q2FY14 is ₹ 465 cr (₹ 418 cr in Q2FY13), up 11%. This income stream includes income from Credit including Housing Finance business, Commodities business and Balance Sheet Management Unit operations.
- \* **Fee & Commission income** from agency businesses is higher at ₹ 90 cr for Q2FY14 (₹ 80 cr in Q2FY13), up 13%. This revenue stream includes income from broking, corporate finance advisory, asset management and wealth advisory businesses. Securities broking income constitutes about 5.5% of the total revenue for the second quarter.
- \* **Gross Premium income** from **Life Insurance business** is ₹ 24 cr for Q2FY14 compared to ₹ 7 cr in Q2FY13.

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

**Business Highlights:**

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

Brief highlights of our business performance are as under:

- \* **Credit Business:**

Edelweiss offers **Retail Finance and Corporate Finance**. The total credit book of the group including these segments stands at ₹ 6,919 cr at the end of this quarter compared to Q2FY13 level of ₹ 5,773 cr, a growth of 20% YoY.

**Retail Finance** business offers **housing mortgages including small-ticket housing loans**, loans against property and **SME finance**. As at the end of this quarter it had a book of ₹ 1,912 cr compared to ₹ 1,195 cr at the end of Q2FY13, a growth of 60% YoY. It has a client base of around 3,370 in 18 major cities including **9 cities where small-ticket housing loans are disbursed**.

The Indian **Housing Finance** market is characterised by very low penetration levels at present and is expected to grow over four times by the end of this decade given the young demographic profile that India enjoys and the aspiration of every Indian to own a home. This business, therefore, presents exciting opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams.

The **asset quality** of the overall credit book continues to remain under control with Gross NPLs at 0.71% and Net NPLs at 0.19% as a result of strong risk management despite some stress in the quarter due to severe economic slowdown.

**Fixed Income Advisory** business continued to be a leading debt arranger in the country.

- \* The business handled six transactions in Q2FY14 including Long-term Bonds placements for large and reputed clients like PFC, REC, IIFCL and HUDCO. High interest rates prevailing in the second quarter led to a significant decline in the debt capital raising in the markets.

- \* In addition, the Debt Syndication and Restructuring businesses handled five advisory transactions.

- \* Total number of transactions handled by this business in H1FY14 is 26.

\* **Commodities:**

Edelweiss set up its commodities business about 5 years ago in order to diversify across adjacent asset classes. It is now a strategically important business and a relevant asset class.

We continued to build the agri commodities business as we see it as a significantly large and untapped opportunity in India. We are building our infrastructure, people strategy, technologies, risk and operations backbone around sourcing, credit and distribution verticals for these commodities.

\* **Financial Markets & Asset Management Business:**

Financial Markets and Asset Management industry continued to face headwinds with lower activity levels resulting in shrinking income for the industry.

- \* Despite challenging environment, **Corporate Finance Advisory** business handled four transactions this quarter compared to two transactions in the first quarter. The deal pipeline continues to be strong though the closures are extremely slow.

- \* **Institutional Broking** business continued to be among the market leaders and perform in line with the industry. Edelweiss **Research** covers 181 stocks across 20 sectors representing over 75% of market capitalization. During the quarter, we held **EdelPulse Conference** which attracted participation of over 25 Dealers & Industry experts and 80 clients generating high level of interaction among them. In a pioneering move during the quarter, ICICI Prudential Life Insurance Co. with Edelweiss Securities executed the first ever trade in the insurance sector based on the Securities Lending & Borrowing Scheme.

- \* **Retail Financial Market** businesses scale up continued this quarter taking the total retail client base to over 4,18,000 including over 1,22,000 online clients.

- \* The online portal [www.edelweiss.in](http://www.edelweiss.in) continues to be one of the most popular sites with the cumulative number of unique visitors reaching 84 lac with 11.1 cr page views over 4.3 cr visits till September 30, 2013.

- \* **Asset Management:**

- \* AUMs/AUAs under **Alternative Asset Management** were around US\$ 745 million equivalent at the end of Q2FY14 including the Structured Products portfolio.

- \* **Retail Asset Management** business manages 10 funds across Equity, Debt and Liquid schemes, with average AUMs of ₹ 194 cr during this quarter. This business has an active base of over 10,400 investors and a distributor base of over 3,150 at the end of the quarter. Its two major equity schemes, Edelweiss Diversified Growth Equity Top 100 Fund and Edelweiss Absolute Return Fund have performed well and have received top ratings from rating agencies. Edelweiss ELSS Fund has also performed better than its benchmark in each of the last three financial years, thus qualifying as "Simple and Performing Mutual Fund Scheme" as per SEBI norms.

- \* **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 ₹ 24 cr in this quarter compared to ₹ 7 cr in Q2FY13. The business has presence through 57 branches in 48 cities across India, having added 11 new branches this quarter. The agency channel scale up continued with the total number of Personal Financial Advisors touching 5,090 by the end of this quarter.

The Company offers 17 individual products to meet the basic needs of customers on education funding, wealth accumulation, wealth enhancement, living with impaired health, income replacement and retirement funding. It also offers three group products for credit and life protection.

During the quarter, the Joint Venture partners in ETLI infused capital to the extent of ₹ 250 cr in the company taking its paid up capital and reserves & surplus to ₹ 800 cr. The current networth of the company stands at ₹ 666 cr.

- \* **Balance Sheet, ALM and Liquidity Management:**

- \* With the liquidity conditions in the markets under acute stress and short term rates increasing significantly in the second quarter, we increased our attention to liquidity management while strengthening the balance sheet.

- \* As a result we continued to maintain a strong and liquid Balance Sheet with a reasonable gearing. Our Balance Sheet Management Unit actively manages the Balance Sheet, Asset Liability position and liquidity, similar to the way the Treasury of a commercial bank functions. A liquid Balance Sheet together with adequate overnight liquidity cushion ensures that our maturing obligations are invariably met in time apart from meeting requirements of capital by our diversified businesses at a short notice.

- \* The focus of Balance Sheet Management continues to be on reducing our dependence on short-term market borrowings and diversifying our sources of borrowings. We continue to modify our liabilities profile in sync with our assets profile while ensuring that we maintain a matched assets and liabilities profile.
- \* The total **Networth** of the Group now stands at ₹ 3,360 cr while the Tangible Equity is ₹ 2,935 cr. Equity infusion in our life insurance JV and raising of Preference Share capital in two of our subsidiaries contributed to the increase in Networth in this period.
- \* The aggregate borrowings as at the end of this quarter are marginally higher at around ₹ 11,242 cr compared to ₹ 10,998 cr as at the end of the previous quarter. Excluding the Bank Fixed Deposits and Government Securities portfolio with back to back borrowings, the **Net Gearing is 2.4x**.
- \* **Other Updates:**
  - \* Edelweiss' presence covers 207 offices in 113 cities including five international offices. Together with a strong network of over 6,200 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 4,003.
  - \* From catering to a few hundred wholesale clients in 2008, the group now services over 460,000 clients from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 250,000 DP accounts.
  - \* We continued 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.
    - \* EdelGive's socially responsible endeavors include supporting Olympic Gold Quest sportspersons like P V Sindhu and MC MaryKom. P V Sindhu recently created history as she became the first Indian woman to win a Bronze medal at the World Badminton Championship 2013. Earlier MC MaryKom had won a Bronze medal in Boxing at the London Olympics 2012.
    - \* During the quarter, the winners of the India NGO Awards 2012-13, jointly hosted by EdelGive Foundation, Resource Alliance and the Rockefeller Foundation, were announced from over 250 NGOs from all over the country.



### 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 including 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. The 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 207 offices in 113 cities in India and abroad with 4,003 employees. Together with around 6,200 strong network of Authorized Persons and Sub-Brokers, Edelweiss group has presence across all major centers in India catering to over 460,000 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](http://www.edelweissfin.com).

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### Safe Harbor

This document may contain certain forward - looking statements based on current expectations of the management of Edelweiss Financial Services Limited or any of its subsidiaries and associate companies ("Edelweiss"). The results in future may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include, inter alia, the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Edelweiss as well as its ability to implement the strategy. Edelweiss does not undertake any obligation to update these statements. The presentation relating to financial performance of various businesses of Edelweiss herein is based on Management estimates.

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

**Consolidated Financial Results for the Quarter Ended September 30, 2013**

(₹ in crore)

Particulars	Quarter Ended			Half Year Ended		Year Ended
	September	June	September	September	September	March
	30, 2013	30, 2013	30, 2012	30, 2013	30, 2012	31, 2013
	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Audited)
<b>Part I</b>						
<b>1 Income from operations</b>						
(a) Fee and commission	89.61	82.90	79.58	172.51	146.55	319.37
(b) Fund based activities	461.45	521.93	416.97	983.38	866.54	1,772.52
(c) Premium from life insurance business	22.71	10.24	6.31	32.95	9.77	52.48
(d) Other operating income	5.45	5.23	6.21	10.68	13.71	24.34
<b>Total income from operations</b>	<b>579.22</b>	<b>620.30</b>	<b>509.07</b>	<b>1,199.52</b>	<b>1,036.57</b>	<b>2,168.71</b>
<b>2 Expenses</b>						
(a) Employee benefits expense	101.32	104.72	83.26	206.04	161.63	363.91
(b) Depreciation and amortisation expense	13.58	12.72	12.30	26.30	23.84	51.43
(c) Change in life insurance policy liability - actuarial	12.40	5.52	2.35	17.92	3.10	31.49
(d) Other expenses	90.34	105.26	89.53	195.60	180.70	364.54
<b>Total expenses</b>	<b>217.64</b>	<b>228.22</b>	<b>187.44</b>	<b>445.86</b>	<b>369.27</b>	<b>811.37</b>
<b>3 Profit / (Loss) from operations before other income and finance costs (1-2)</b>	<b>361.58</b>	<b>392.08</b>	<b>321.63</b>	<b>753.66</b>	<b>667.30</b>	<b>1,357.34</b>
<b>4 Other income</b>	3.30	1.43	1.03	4.73	2.71	6.75
<b>5 Profit / (Loss) from ordinary activities before finance costs (3+4)</b>	<b>364.88</b>	<b>393.51</b>	<b>322.66</b>	<b>758.39</b>	<b>670.01</b>	<b>1,364.09</b>
<b>6 Finance costs</b>	292.44	310.43	263.02	602.87	557.59	1,113.33
<b>7 Profit / (Loss) before tax (5-6)</b>	<b>72.44</b>	<b>83.08</b>	<b>59.64</b>	<b>155.52</b>	<b>112.42</b>	<b>250.76</b>
<b>8 Tax expense</b>	29.80	28.84	19.69	58.64	37.17	88.15
<b>9 Net Profit / (Loss) after tax (7-8)</b>	<b>42.64</b>	<b>54.24</b>	<b>39.95</b>	<b>96.88</b>	<b>75.25</b>	<b>162.61</b>
<b>10 Share of profit / (Loss) of associates</b>	3.77	2.89	0.87	6.66	4.84	8.57
<b>11 Minority interest</b>	0.33	1.46	(0.76)	1.79	(1.27)	(7.29)
<b>12 Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)</b>	<b>46.08</b>	<b>55.67</b>	<b>41.58</b>	<b>101.75</b>	<b>81.36</b>	<b>178.47</b>
<b>13 Paid-up equity share capital (Face Value of ₹ 1/- Per Share)</b>	76.81	76.81	75.92	76.81	75.92	76.38
<b>14 Reserves excluding Revaluation Reserves</b>						2,683.09
<b>15 Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)</b>						
- Basic (Not annualised)	0.60	0.73	0.55	1.33	1.08	2.35
- Diluted (Not annualised)	0.59	0.72	0.54	1.32	1.06	2.31

**Part II - Select Information for the quarter and half year ended 30 September 2013**

<b>A</b>	<b>PARTICULARS OF SHAREHOLDING</b>						
<b>1</b>	<b>Public shareholding</b>						
	- Number of shares	482,426,640	482,386,640	473,513,590	482,426,640	473,513,590	478,126,590
	- Percentage of shareholding	62.80%	62.80%	62.37%	62.80%	62.37%	62.59%
<b>2</b>	<b>Promoters &amp; promoter group shareholding</b>						
	a) Pledged/ Encumbered						
	- Number of shares	14,900,000	22,100,000	35,216,667	14,900,000	35,216,667	14,200,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	5.21%	7.73%	12.33%	5.21%	12.33%	4.97%
	- Percentage of shares (as a % of total share capital of the company)	1.94%	2.88%	4.64%	1.94%	4.64%	1.86%
	b) Non-encumbered						
	- Number of shares	270,815,690	263,615,690	250,499,023	270,815,690	250,499,023	271,515,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	94.79%	92.27%	87.67%	94.79%	87.67%	95.03%
	- Percentage of shares (as a % of total share capital of the company)	35.26%	34.32%	32.99%	35.26%	32.99%	35.55%
<b>B</b>	<b>INVESTOR COMPLAINTS</b>						
					<b>Quarter ended September 30, 2013</b>		
	Pending at the beginning of the quarter						Nil
	Received during the quarter						11
	Disposed off during the quarter						11
	Remaining unresolved at the end of the quarter						Nil

<b>Consolidated statement of assets and liabilities as at 30 September 2013</b>		
As at		
	<b>September</b>	<b>March</b>
	<b>30, 2013</b>	<b>31, 2013</b>
	<b>(Unaud.)</b>	<b>(Audited)</b>
<b>A</b>	<b>EQUITY AND LIABILITIES</b>	
<b>1</b>	<b>Shareholders' funds</b>	
	(a) Share capital	126.81 76.38
	(b) Reserves and surplus	2,932.64 2,683.09
	<b>Sub-total - Shareholders' funds</b>	<b>3,059.45 2,759.47</b>
<b>2</b>	<b>Share application money pending allotment</b>	0.72 2.25
<b>3</b>	<b>Minority interest</b>	300.09 233.31
<b>4</b>	<b>Non-current liabilities</b>	
	(a) Long-term borrowings	2,092.49 1,980.08
	(b) Other long-term liabilities	15.06 13.54
	(c) Long-term provisions	103.51 72.22
	<b>Sub-total - Non-current liabilities</b>	<b>2,211.06 2,065.84</b>
<b>5</b>	<b>Current liabilities</b>	
	(a) Short-term borrowings	8,411.41 8,973.74
	(b) Trade payables	607.21 1,023.03
	(c) Other current liabilities	1,455.91 1,418.62
	(d) Short-term provisions	98.09 57.02
	<b>Sub-total - Current liabilities</b>	<b>10,572.62 11,472.41</b>
	<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>16,143.94 16,533.28</b>
<b>B</b>	<b>ASSETS</b>	
<b>1</b>	<b>Non-current assets</b>	
	(a) Fixed assets	515.29 498.21
	(b) Goodwill on consolidation	140.40 140.40
	(c) Non-current investments	820.59 808.66
	(d) Deferred tax assets (net)	36.33 35.96
	(e) Long-term loans & advances	2,878.08 2,716.35
	(f) Other non-current assets	386.78 305.18
	<b>Sub-total - Non-current assets</b>	<b>4,777.47 4,504.76</b>
<b>2</b>	<b>Current assets</b>	
	(a) Current investments	756.72 402.60
	(b) Inventories	3,172.16 3,152.06
	(c) Trade receivables	277.62 158.32
	(d) Cash and cash equivalents	2,581.97 3,708.98
	(e) Short-term loans & advances	4,140.09 4,120.36
	(f) Other current assets	437.91 486.20
	<b>Sub-total - Current assets</b>	<b>11,366.47 12,028.52</b>
	<b>TOTAL - ASSETS</b>	<b>16,143.94 16,533.28</b>

**Notes:**

- 1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and half year ended 30 September 2013 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 30 October 2013.
- 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) prescribed by Companies (Accounting Standards) Rules, 2006.
- 3 During the quarter ended 30 September 2013, the Company has issued 40,000 equity shares of face value of ₹ 1 each to the employees on exercise of employee stock options.
- 4 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current period's presentation.
- 5 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, 30 October 2013.