

Edelweiss Financial Services Limited Q3FY14 Results**Total Income ₹ 649 cr & Profit after Tax ₹ 58 cr**

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the third quarter of the Financial Year 2013-14 ended December 31, 2013 today.

Q3FY14 Highlights:

- * **Total Revenue ₹ 649 cr**
compared to ₹ 540 cr for Q3FY13, up 20%
- * **Profit After Tax ₹ 58 cr**
compared to ₹ 46 cr for Q3FY13, up 26%
- * Group Gross Network ₹ 3,419 cr
- * Tangible Equity (ex-insurance) ₹ 2,222 cr
- * **Profit After Tax ex-Insurance ₹ 68 cr**
compared to ₹ 57 cr for Q3FY13, up 19%
- * Return on Tangible Equity (ex-insurance) 12.0%

9MFY14 Highlights:

- * **Total Revenue ₹ 1,860 cr**
compared to ₹ 1,584 cr for 9MFY13, up 17%
- * **Profit After Tax ₹ 160 cr**
compared to ₹ 127 cr for 9MFY13, up 25%
- * **Profit After Tax ex-insurance ₹ 199 cr**
compared to ₹ 156 cr for 9MFY13, up 28%
- * **Achieving Non-Linear growth, BS growth 6%, PAT 28% ex-insurance YoY**

Closed Public Issue of NCDs of ₹ 500 cr by our NBFC subsidiary, ECL Finance Ltd., on January 20, 2014. This will reduce our dependence on short term market borrowings, diversify our borrowing sources and strengthen asset liability profile

Edelweiss has constantly pursued the strategy to diversify its businesses to become a large and respected Financial Services firm with businesses across all growth areas in the financial sector. We have de-risked the business model by diversifying across businesses, asset classes, client segments and markets to reduce volatility in performance. This has helped us record consistently improved financial and business performance across cycles. With the diversification phase complete, we are focusing on improving efficiency and productivity, strengthening balance sheet, instilling customer-centricity and building leadership for future.

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

"While business environment in the previous quarter was tough, conditions gradually improved in third quarter with liquidity and short term interest rates easing, currency rates stabilizing and CAD coming under control. Though inflation is moderating, investment and consumption continue to be low. We think long term interest rates will not rise from here as growth remains sluggish. The markets are hoping for a stable central government after the elections for return of growth and we expect environment to continue to be subdued in near term on fiscal deficit and growth concerns.

As for Edelweiss, with the operating conditions improving in third quarter, our performance is back on a growth trajectory. We have been able to record a 20% YoY and a 9% QoQ growth in profit ex-insurance in this quarter. This is due to our long-term strategy to diversify across businesses, asset classes and client segments and focusing on efficiency and productivity improvement. We have just now closed our Retail Bonds Public Issue for Rs. 500 crore which will help us in improving our ALM profile and diversifying our sources of borrowings. We continue to focus on risk and compliance. Our priorities also include strengthening ALM and liquidity position, building a customer-centric culture, nurturing leadership and achieving scale in retail businesses."

Dividend:

Board of Directors has declared an interim **dividend of ₹ 0.55 per share** for the financial year 2013-14 (FV ₹ 1 per equity share).

Financial Highlights:

- * **Fund based income** for Q3FY14 is ₹ 528 cr (₹ 439 cr in Q3FY13), up 20%. 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 ₹ 87 cr for Q3FY14 (₹ 83 cr in Q3FY13), up 6%. This revenue stream includes income from broking, corporate finance advisory, asset management and wealth advisory businesses. Securities broking income constitutes about 5% of the total revenue for the third quarter.
- * **Gross Premium income** from **Life Insurance business** is ₹ 26 cr for Q3FY14 compared to ₹ 11 cr in Q3FY13.

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

- * Towards this end, we successfully closed the first **Public Issue of Retail Bonds for ₹ 500 cr** in January 2014 by our NBFC subsidiary **ECL Finance Limited**. This issue provides us medium to long term liabilities to match the increasing duration of our assets portfolio and also provides a platform to grow our balance sheet with confidence.
- * **The total Networth of the Group now stands at ₹ 3,419 cr while the Tangible Equity ex-insurance and ex-minority is ₹ 2,222 cr.**
- * The aggregate borrowings at the end of this quarter are marginally higher at around ₹ 11,634 cr compared to ₹ 11,242 cr as at the end of the previous quarter on the back of higher assets growth. Excluding the Bank Fixed Deposits and Government Securities portfolio with back to back borrowings, the **Net Gearing is 2.8x**.

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 ₹ 8,097 cr at the end of this quarter.

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 ₹ 2,025 cr compared to ₹ 1,395 cr at the end of Q3FY13, a growth of 45% YoY. It has a client base of around 3,850 in 18 major cities including **9 cities where small-ticket housing loans are disbursed**.

The Indian **Housing Finance** market 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 large opportunity to Edelweiss for long-term stable growth together with designed diversification in the revenue streams.

The Corporate finance collateralized loan book is adequately secured with an average **collateral cover** of 2.6 times at the end of this quarter.

The **asset quality** of the overall credit book continues to remain under control with Gross NPLs at 0.76% and Net NPLs at 0.22%. This translates to 71% coverage. We continue to focus on risk management and achieving growth in the book without diluting risk standards.

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

- * The business handled seven transactions in Q3FY14 including tax free bonds for large and reputed clients like PFC, IRFC, NHAI and Hudco, and NCD issuance for REC. The business also handled Public Issue of Retail Bonds for India Infoline Housing Finance and Preference Shares issue for IL&FS Transportation. High long-term interest rates continued to dampen the corporate sentiments leading to sluggish activity in the bond market.

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

- * Total number of transactions handled by this business in 9MFY14 is 38.

- * **Commodities:**

Edelweiss set up its commodities business about 5 years ago in order to diversify across adjacent asset classes. With the expected financialisation of commodities markets in India, it is a strategically important business and a relevant asset class for us.

We continued to build the agri commodities business as we see it as a significantly large and untapped opportunity in India. We are building the required infrastructure like backend and network of market intermediaries for agri commodities. Focus of this business continued to be on operations, inventory and collateral risk management.

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

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

- * **Institutional Broking** business continued to be among the market leaders and perform in line with the industry. Our **Research** covers 184 stocks across 20 sectors representing over 75% of market capitalization.

- * During the quarter, our **Corporate Finance & Advisory** business held the third annual "**Convergence Conference**", the Edelweiss Private Companies Conference which witnessed participation of 44 leading private companies of India and over 110 private and public investors. This platform brings together sources of private capital and the fastest growing unlisted companies to interact and build relationship with each other. The conference facilitated around 1,400 meetings among them.

- * **Retail Financial Market** businesses continued to scale up this quarter with the total retail client base crossing 4,22,000 including over 1,23,000 online clients.

- * The online portal www.edelweiss.in continued to be one of the most popular sites with the cumulative number of unique visitors reaching 92 lac with 12.1 cr page views over 5.4 cr visits till December 31, 2013.

- * **Asset Management:**

- * AUMs/AUAs under **Alternative Asset Management** business reached a level of about US\$ 965 million equivalent at the end of Q3FY14 including five funds, Structured Products portfolio and Asset Reconstruction Company assets.

- * **Retail Asset Management** business managed 10 funds across Equity, Debt and Liquid schemes, with average AUMs of ₹ 167 cr during this quarter. This business had an active base of over 11,400 investors and a distributor base of over 3,200 at the end of the 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 ₹ 26 cr in this quarter compared to ₹ 11 cr in Q3FY13. 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 6,135 by the end of this quarter compared to 5,091 as at the end of Q2FY14.

ETLI has now crossed the milestone of **50,000 issued policies** in two and a half years of operations.

The Company offers 15 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.

* **Other Updates:**

- * Edelweiss' presence covers 211 offices in 115 cities including six international offices. Together with a strong network of over 6,300 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 3,912.
- * From catering to a few hundred wholesale clients in 2008, the group now services over **470,000 clients** from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 259,000 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**, the philanthropic initiative of Edelweiss Group, continued its multi-faceted activities with the mission to leverage its resources for empowering social entrepreneurs and organisations towards achieving systemic change.



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 211 offices in 115 cities in India and abroad with 3,912 employees. Together with around 6,300 strong network of Authorized Persons and Sub-Brokers, Edelweiss group has presence across all major centers in India catering to over 470,000 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.

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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 and Nine Months Ended December 31, 2013

(₹ in crore)

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	December	September	December	December	December	March
	31, 2013	30, 2013	31, 2012	31, 2013	31, 2012	31, 2013
	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Audited)
Part I						
1 Income from operations						
(a) Fee and commission	87.38	89.61	82.80	259.89	229.34	319.37
(b) Fund based activities	523.25	461.45	438.00	1,506.63	1,304.54	1,772.52
(c) Premium from life insurance business	24.78	22.71	10.38	57.73	20.15	52.48
(d) Other operating income	5.97	5.45	5.50	16.65	19.22	24.34
Total income from operations	641.38	579.22	536.68	1,840.90	1,573.25	2,168.71
2 Expenses						
(a) Employee benefits expense	122.16	101.32	97.63	328.20	259.26	363.91
(b) Depreciation and amortisation expense	9.38	13.58	13.28	35.68	37.12	51.43
(c) Change in life insurance policy liability – actuarial	13.12	12.40	6.72	31.04	9.82	31.49
(d) Other expenses	111.88	90.34	89.55	307.48	270.25	364.54
Total expenses	256.54	217.64	207.18	702.40	576.45	811.37
3 Profit / (Loss) from operations before other income and finance costs (1-2)	384.84	361.58	329.50	1,138.50	996.80	1,357.34
4 Other income	3.63	3.30	2.54	8.36	5.25	6.75
5 Profit / (Loss) from ordinary activities before finance costs (3+4)	388.47	364.88	332.04	1,146.86	1,002.05	1,364.09
6 Finance costs	309.10	292.44	264.93	911.97	822.53	1,113.33
7 Profit / (Loss) before tax (5-6)	79.37	72.44	67.11	234.89	179.52	250.76
8 Tax expense	29.92	29.80	22.16	88.56	59.33	88.15
9 Net Profit / (Loss) after tax (7-8)	49.45	42.64	44.95	146.33	120.19	162.61
10 Share of profit / (Loss) of associates	4.45	3.77	0.74	11.11	5.58	8.57
11 Minority interest	(3.90)	0.33	(0.35)	(2.11)	(1.62)	(7.29)
12 Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	57.80	46.08	46.04	159.55	127.39	178.47
13 Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	76.90	76.81	76.17	76.90	76.17	76.38
14 Reserves excluding Revaluation Reserves						2,683.09
15 Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)						
- Basic (Not annualised)	0.75	0.60	0.60	2.08	1.68	2.35
- Diluted (Not annualised)	0.74	0.59	0.59	2.07	1.65	2.31

Part II - Select Information for the quarter and nine months ended December 31, 2013

A	PARTICULARS OF SHAREHOLDING						
1	Public shareholding						
	- Number of shares	483,329,640	482,426,640	476,024,590	483,329,640	476,024,590	478,126,590
	- Percentage of shareholding	62.85%	62.80%	62.49%	62.85%	62.49%	62.59%
2	Promoters & promoter group shareholding						
	a) Pledged/ Encumbered						
	- Number of shares	16,183,000	14,900,000	32,300,000	16,183,000	32,300,000	14,200,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	5.66%	5.21%	11.30%	5.66%	11.30%	4.97%
	- Percentage of shares (as a % of total share capital of the company)	2.10%	1.94%	4.24%	2.10%	4.24%	1.86%
	b) Non-encumbered						
	- Number of shares	269,532,690	270,815,690	253,415,690	269,532,690	253,415,690	271,515,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	94.34%	94.79%	88.70%	94.34%	88.70%	95.03%
	- Percentage of shares (as a % of total share capital of the company)	35.05%	35.26%	33.27%	35.05%	33.27%	35.55%
B	INVESTOR COMPLAINTS				Quarter ended December 31, 2013		
	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 and nine months ended 31 December 2013 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 24 January 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) prescribed by Companies (Accounting Standards) Rules, 2006.
- 3 During the quarter ended 31 December 2013, the Company has issued 903,000 equity shares of face value of ₹ 1 each to the employees on exercise of employee stock options.
- 4 The Board of Directors at its meeting dated 24 January 2014, has declared an interim dividend of ₹ 0.55 per equity share (on face value of ₹ 1 per share) for the financial year 2013-14.
- 5 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current period's presentation.
- 6 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, 24 January 2014.