

Edelweiss Financial Services Limited Q3FY16 Unaudited Results

17 Quarters of consistent growth in profits

Total Income ₹1,361 cr, up 41% YoY

Profit after Tax ₹106 cr, up 28% YoY

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the third quarter of FY16, ended 31 December 2015 today.

Q3FY16 Highlights:

- * **Total Revenue ₹1,361 cr** (₹ 967 cr for Q3FY15), **up 41%**
- * **Profit After Tax ₹106 cr** (₹83 cr for Q3FY15), **up 28%**
- * **Profit After Tax ex-insurance ₹133 cr** (₹98 cr for Q3FY15), **up 36%**
- * Consolidated **Asset Base ₹31,000 cr**
- * Group Gross Networth **₹3,858 cr; Tangible Equity ex-insurance ₹2,872 cr**
- * **Return on Tangible Equity ex-insurance 18.5%** (15.8% for Q3FY15)

9MFY16 Highlights:

- * **Total Revenue ₹3,777 cr** (₹ 2,697 cr for 9MFY15), **up 40%**
- * **Profit After Tax ₹293 cr** (₹240 cr for 9MFY15), **up 22%**
- * **Profit After Tax ex-ins ₹365 cr** (₹278 cr for 9MFY15), **up 31%**

Edelweiss has constantly pursued the strategy of synergistic diversification of its businesses to become a large and respected Financial Services firm with businesses across all growth areas in the financial services sector. The business model is de-risked by adding various businesses, asset classes, client segments, demographics, markets and geographies in adjacent spaces. This strategy has helped in building a bank-like diversified financial services company within the non banking financial services sector. With the completion of the diversification phase in FY12, Edelweiss has built an organisation with a strong foundation and is well positioned to leverage the potential. As a result, our profits have recorded 17th quarter of consistent growth since the completion of our investment phase.

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

"Global conditions during the quarter were volatile on the fears of a slow-down in China. Bearish outlook on global commodities prices and currency volatility is also impacting the corporate earnings in India. Hence, despite a host of positives for India, the markets have given negative returns in CY15. However, we continue to be cautiously optimistic about the long-term growth story of India and see growth returning gradually in the next two or three quarters.

Our net profit for Q3FY16 is higher by 28% YoY and return on tangible equity ex-insurance is at 18.5% compared to 15.8% for Q3FY15. Our long-term strategy of diversifying across businesses, asset classes and client segments continues to build stability and growth in our performance despite volatile environment. We continue to focus on improving capital and operating efficiency, strengthening balance sheet, risk and compliance, scaling up retail businesses, building a customer-centric culture, upgrading technology and nurturing leadership for future growth."

Q3FY16 Financial Highlights:

- * **Fund based income** is ₹1,094 cr (₹757 cr in Q3FY15), **up 44%**
- * **Fee and Commission income** is ₹181 cr (₹160 cr in Q3FY15), **up 13%**
- * **Gross Premium income** from **Life Insurance business** is ₹66 cr (₹42 cr in Q3FY15), **up 59%**.

9MFY16 Financial Highlights:

- * **Fund based income** is ₹3,076 cr (₹2,176 cr in 9MFY15), **up 41%**
- * **Fee and Commission income** is ₹492 cr (₹393 cr in 9MFY15), **up 25%**
- * **Gross Premium income** from **Life Insurance business** is ₹159 cr (₹107 cr in 9MFY15), **up 49%**.

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

Dividend:

The Board of Directors at its meeting dated 20 January 2016, has declared an interim dividend of ₹ 1 per equity share (on face value of ₹ 1 per share) for the financial year 2015-16.

Business Highlights:

Operations of Edelweiss are organised around **Credit business** that include Retail and Agri Finance, **Non-Credit businesses** comprising of Financial Markets, Asset Management and Agri & Commodity services, Balance Sheet Management Unit (BMU) and **Life Insurance**. Brief highlights of business performance are as under:

* **Credit Business:**

Credit business of Edelweiss offers five broad products – **Mortgages** including housing finance, loan against property and real estate finance, **Structured Collateralised Credit** to corporates, **Distressed Assets Credit**, **SME** and **Agri Finance**, and **Loan against Securities** and **Rural Finance**. Total credit book of the group stands at ₹18,866 cr at the end of Q3FY16 compared to ₹12,015 cr at the end of Q3FY15, a growth of **57%**.

Among the above products, **housing mortgages including small-ticket housing loans**, rural finance, loans against property and SME finance are offered under the umbrella of **Retail Finance**. As at the end of Q3FY16, book size of Retail Finance was ₹3,829 cr (₹2,595 cr at the end of Q3FY15), **up 48%**. Its client base was over 1,54,300 (37,200 at the end of Q3FY15) in 46 cities and over 1,800 villages.

The **asset quality** of the overall credit book continued to remain under control with Gross NPLs at 1.44% and Net NPLs at 0.50%. Provision Cover including provision on Standard Assets stands at 86%.

* **Non-Credit Businesses:**

Non-Credit businesses include **Financial Markets, Asset Management, Agri & Commodity services businesses** and **BMU**.

* **Financial Markets:**

- * **Institutional Broking** business continued to be among the market leaders and perform in line with the industry. **Research** covers 214 stocks across 26 sectors representing around 75% of market capitalization.

- * **Retail Financial Market** business continued to scale up its market share with total retail client base over 4,79,000. The AuAs of the Global Wealth Management business were over ₹23,400 cr at the end of Q3FY16 compared to ₹15,400 cr at the end of Q3FY15 including broking and advisory assets.

- * Edelweiss continued to be a major distributor in public issues of equities. We have continued to be the largest player and are **ranked 1st** in Equity IPO in Retail & HNI Category with more than 35% market share during 9MFY16 (source: Prime Database).

- * Similarly in distribution of debt, Edelweiss continued to be **ranked 1st** in public issues of Debt and Tax Free Bonds by amount mobilised during 9MFY16 with a market share of around 30% and 28% respectively (source: Prime Database).
- * **Asset Management:**
 - * Global Asset Management business comprises of four verticals – Illiquid Alternatives, Multi-Strategy Funds, Retail Asset Management and Asset Reconstruction with a total AuMs/AuAs of nearly ₹29,500 cr at the end of Q3FY16 compared to ₹21,400 cr at the end of Q3FY15, **up 38%**, including the ARC portfolio.
 - * Edelweiss ARC continues to be the leading ARC in the country. We are excited about the ARC opportunity as it helps in releasing productive assets for the nation's economy and reduces burden on commercial banks.
 - * Forefront Alternative Equity Scheme (a Category III Alternative Investment fund) is one of the best performing and largest fund in its category.
- * **Global Commodities and Agri Services & Credit:**

Edelweiss' approach to Agri and Commodity business is comprehensive including diversifying across commodity buckets while also intensifying its presence throughout the value chain covering procurement, warehousing, collateral management, financing and distribution. We had over 226 warehouses under management with capacity of over 9.3 lacs MT as on 31 December 2015. We see this business as a large, scalable and untapped opportunity in India as financialisation of commodities happens.
- * **Balance Sheet, ALM and Liquidity Management:**

Our Balance Sheet Management Unit (BMU) actively manages the Balance Sheet, Asset Liability position and liquidity in a way similar to that of the treasury of a commercial bank. Its focus continues to be on strengthening the balance sheet by reducing dependence on short-term market borrowings, diversifying sources of borrowings, maintaining a matched ALM profile and maintaining adequate liquidity. The consolidated **Capital Adequacy Ratio** for Edelweiss group is 17.8% as on 31 December 2015.
- * **Life Insurance:**

ETLI is one of the fastest growing life insurance companies in India. Winner of Rising Star Insurer Award in 2013, it continues to scale up its business with the objective of enhancing quality of business and focus on customer.

It continues to expand its distribution footprint across agency and alternate channels with presence across 67 branches in 56 major cities and the agency channel force of over 13,800 Personal Financial Advisors.

Edelweiss Tokio funds have been rated top performers by Morningstar. All individual ULIP funds are in top decile as on December 31, 2015. Its focus on consistent top performance positions it well to leverage the renewed customer interest in ULIP offerings.
- * **Other Updates:**
 - * The client base of Edelweiss group across its diversified businesses is over 7,30,000 at the end of Q3FY16. In addition, our Depository Participants maintain over 2,98,000 Demat accounts.
 - * Edelweiss has been ranked as the **#1 Best Brokerage House for Roadshows and Company Visits** in the **Asiamoney Brokers Poll 2015**.
 - * **Edelweiss Retail Finance Limited**, our group company engaged in financing SMEs, has recently been adjudged the winner of **Special Jury Award for serving MSMEs 2015** at the **MSME Banking Excellence Awards** under the aegis of the Chamber of Micro Small & Medium Enterprises.
 - * **EdelGive Foundation** with the mission to empower social entrepreneurs and organisations towards achieving sustainable social change, has so far financially supported around 72 organisations impacting over 3,00,000 lives with a financial commitment of around ₹36 cr.



About Edelweiss Financial Services

The Edelweiss Group is one of India's leading diversified financial services conglomerates providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. Edelweiss's products and services span multiple asset classes and consumer segments across domestic and global geographies. Its businesses are broadly divided into **Credit Business** (Mortgages including Housing Finance, Structured Collateralised Credit, Distressed Assets Credit, SME and Agri Finance, Rural Finance and other loans), **Non-Credit Business** (Financial Markets, Asset Management, Agri and Commodity Services and Balance Sheet Management Unit) and **Life Insurance**. Edelweiss has an asset base of ₹31,000 crore with revenue of ₹3,777 crore and net profit of ₹293 crore for 9MFY16. Its consistent performance is evidenced by a PAT CAGR of 37% over the last three years and 30% over the last ten years till FY15.

The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all client segments. The group has sizeable presence in large retail segment through its businesses such as Life Insurance, Housing Finance, Mutual Fund and Retail Financial Markets. It serves its 7,30,000 strong client base through 6,156 employees based out of 233 offices (including eight international offices) in 120 cities. Together with over 4,700 strong network of Sub-Brokers and Authorized Persons, Edelweiss group has presence across all major cities in India.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. Edelweiss stock is covered by sell side research analysts of Network Stockbroking, First Call and Maybank Kim Eng Securities.

To learn more about the Edelweiss Group, please visit 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.

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Consolidated Financial Results for the quarter and nine months ended December 31, 2015**(₹ in crore)**

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	December	September	December	December	December	March
	31, 2015	30, 2015	31, 2014	31, 2015	31, 2014	31, 2015
	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Audited)
Part I						
1 Income from operations						
(a) Fee and commission	180.70	148.04	159.67	491.58	392.95	572.71
(b) Fund based activities	1,076.16	1,017.78	751.03	3,041.01	2,158.00	3,082.00
(c) Premium from life insurance business	63.74	57.53	39.86	151.47	102.05	186.57
(d) Other operating income	20.37	16.42	8.62	50.83	17.55	38.51
Total income from operations	1,340.97	1,239.77	959.18	3,734.89	2,670.55	3,879.79
2 Expenses						
(a) Employee benefits expense	216.21	213.41	169.91	640.96	484.71	708.63
(b) Depreciation and amortisation expense	22.49	20.68	19.50	63.22	51.87	71.64
(c) Change in life insurance policy liability - actuarial	47.73	49.57	27.46	119.36	70.43	139.49
(d) Other expenses	244.42	188.19	165.37	603.92	452.10	632.61
Total expenses	530.85	471.85	382.24	1,427.46	1,059.11	1,552.37
3 Profit / (Loss) from operations before other income and finance costs (1-2)	810.12	767.92	576.94	2,307.43	1,611.44	2,327.42
4 Other income	2.29	0.57	1.21	7.49	8.25	14.01
5 Profit / (Loss) from ordinary activities before finance costs (3+4)	812.41	768.49	578.15	2,314.92	1,619.69	2,341.43
6 Finance costs	680.85	637.68	445.79	1,924.12	1,253.81	1,831.54
7 Profit / (Loss) before tax (5-6)	131.56	130.81	132.36	390.80	365.88	509.89
8 Tax expense	48.87	48.21	57.40	144.24	146.05	201.70
9 Net Profit / (Loss) after tax (7-8)	82.69	82.60	74.96	246.56	219.83	308.19
10 Share of profit / (Loss) of associates	17.87	8.20	6.27	35.08	18.09	18.14
11 Minority interest	(5.10)	(4.89)	(1.63)	(10.99)	(2.43)	(2.37)
12 Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	105.66	95.69	82.86	292.63	240.35	328.70
13 Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	81.29	81.12	78.76	81.29	78.76	79.18
14 Reserves excluding Revaluation Reserves						3,077.15
15 Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)						
- Basic (Not annualised)	1.27	1.15	1.05	3.54	3.05	4.09
- Diluted (Not annualised)	1.22	1.11	1.00	3.41	2.91	3.88

Notes:

- 1 The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and nine months ended 31 December 2015 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 20 January 2016.
- 2 The Company conducts its operations along with its subsidiaries and associates. The consolidated financial results are prepared in accordance with Accounting Standard - 21 (AS-21) "Consolidated Financial Statements" and Accounting Standard - 23 (AS-23) "Accounting for investment in associates in Consolidated Financial Statements" specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- 3 During the quarter ended 31 December 2015, the Company has issued 1,667,200 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 20 January 2016, has declared an interim dividend of ₹ 1 per equity share (on face value of ₹ 1 per share) for the financial year 2015-16.
- 5 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current year's/period's presentation.
- 6 The consolidated results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah

Chairman

Mumbai, 20 January 2016