

Edelweiss Capital – Investor Presentation

FY09 Results

May 2009



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2. Industry Trends
3. Performance Highlights
4. Challenges Going Forward
5. Edelweiss Over The Years

1. Financial Highlights



* Revenues of INR 1,834 mn (INR 1,986 mn in third quarter FY09)

- Fee & Commission Income of INR 401 mn (INR 477 mn)
- Treasury, Arbitrage and Trading Income of INR 508 mn (INR 448 mn)
- Interest Income of INR 780 mn (INR 927 mn)

* Profit After Tax and Minority of INR 409 mn (INR 381 mn)

- PBT Margin marginally up to 37.1% (36.5 %)

* Diluted quarterly EPS of INR 5.33 (INR 4.93) (not annualized)



- * Revenues of INR 9,005 mn (INR 10,889 mn in FY08)
 - Fee & Commission Income of INR 2,441 mn (INR 4,438 mn)
 - Treasury, Arbitrage and Trading Income of INR 2,512 mn (INR 3,493 mn)
 - Interest Income of INR 3,315 mn (INR 2,171 mn)

- * Profit After Tax and Minority of INR 1,864 mn (INR 2,732 mn)
 - Stable PBT Margin of 36.5% (41%) despite STT impact of INR 720 mn

- * Diluted EPS of INR 24.28 (INR 39.99)

- * Dividend of INR 3 per share (face value INR 5) recommended by the Board

Consolidated Audited Results



| INR Million | FY09 | FY09 | FY08 | FY09 | FY08 |
|---|--------------|--------------|--------------|--------------|---------------|
| | Q4 | Q3 | Q4 | Annual | Annual |
| Fee and Commission Income | 401 | 477 | 1,445 | 2,441 | 4,438 |
| Treasury, Arbitrage and Trading Income | 509 | 448 | 1,343 | 2,512 | 3,493 |
| Investment and Dividend Income # | 111 | 134 | 168 | 697 | 766 |
| Interest Income | 780 | 927 | 1,085 | 3,315 | 2,171 |
| Other Operating Income | 33 | 1 | 17 | 40 | 21 |
| Total Revenues | 1,834 | 1,986 | 4,058 | 9,005 | 10,889 |
| Operating and other expenses * | 581 | 579 | 906 | 2,542 | 2,280 |
| Employee Cost | 299 | 382 | 824 | 1,659 | 2,057 |
| Financial expenses | 217 | 258 | 829 | 1,337 | 2,012 |
| Depreciation | 57 | 42 | 33 | 177 | 73 |
| Total Expenses | 1,154 | 1,261 | 2,592 | 5,715 | 6,422 |
| Profit Before Tax | 680 | 725 | 1,466 | 3,290 | 4,467 |
| Tax expenses | 237 | 276 | 526 | 1,199 | 1,540 |
| Profit After Tax | 443 | 449 | 940 | 2,091 | 2,927 |
| Share of minority interests in profits | 34 | 67 | 114 | 227 | 195 |
| Profit After Tax and Minority Interest | 409 | 381 | 826 | 1,864 | 2,732 |
| Diluted EPS (INR – Qtly nos. not annualized) | 5.33 | 4.93 | 10.50 | 24.28 | 39.99 |

(#) Quarter and year ended 31st March 2009 include income of INR 72 mn and INR 354 mn respectively, from liquid mutual funds.

(*) Quarter and year ended 31st March 2009 costs include Securities Transaction Tax of INR 107 mn and INR 720 mn respectively.



| Period ending 31 st March | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|--------|--------|-------|-------|------|------|
| Net Worth (INR mn)* | 25,137 | 23,274 | 7,222 | 1,787 | 539 | 302 |
| Book Value Per Share (FV INR 5) (INR)# | 282.3 | 246.5 | 93.6 | 39.3 | 15.8 | 9.2 |
| Diluted EPS (FV INR 5) (INR)# | 24.28 | 39.99 | 20.76 | 9.34 | 6.43 | 2.42 |
| Pre tax Margins | 37% | 41% | 47% | 41% | 47% | 38% |
| RoE | 9% | 28% | 34% | 39% | 56% | 30% |

(*) Includes minority interest

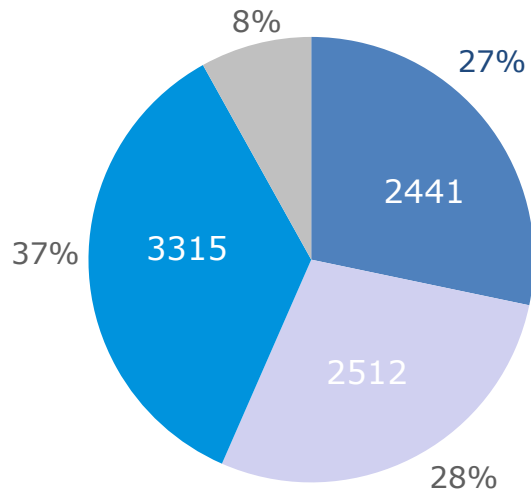
(#) Adjusted for corporate actions

Diversified Revenue Streams

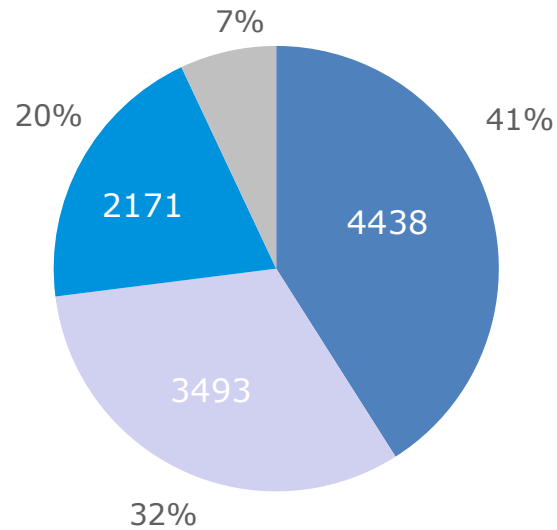


(In INR million)

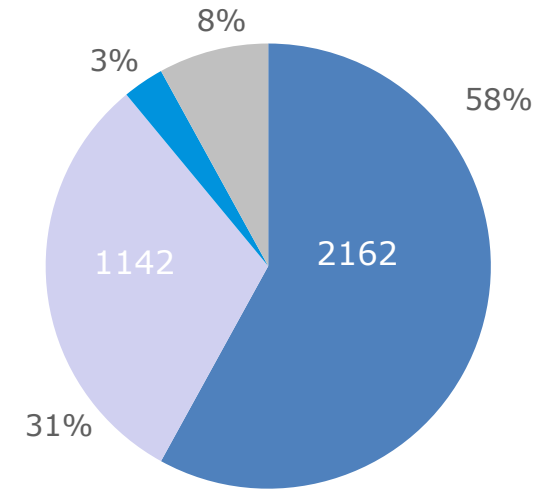
FY09



FY08



FY07



Fee & Commission

Treasury

Interest

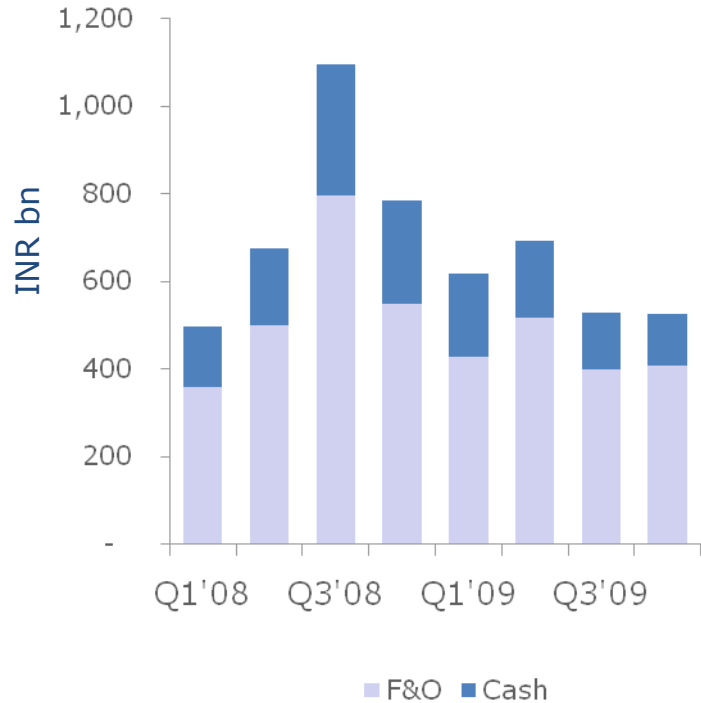
Investment & Others

Achieving Greater Balance Through Diversification of Revenue Streams

2. Industry Trends



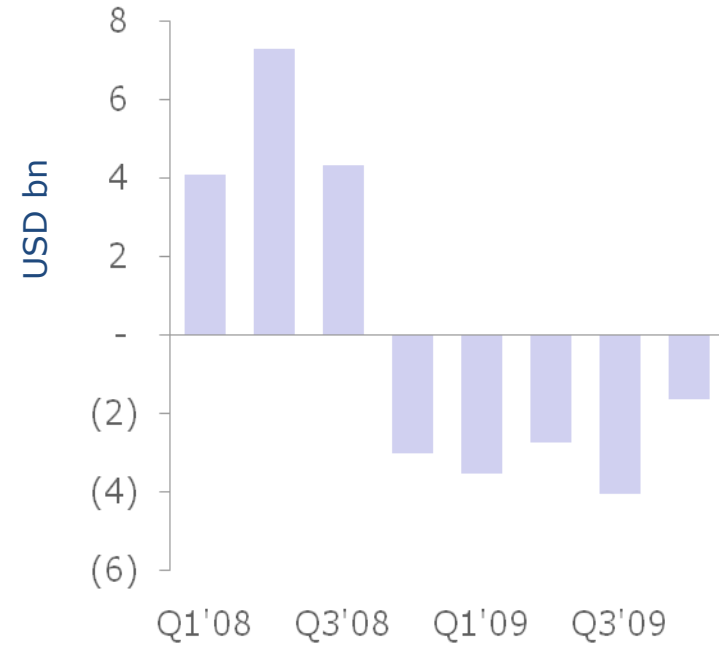
Average Daily Volumes



Volumes down 1% on QoQ basis, 33% YoY

Includes volumes on BSE and NSE
Source: BSE, NSE

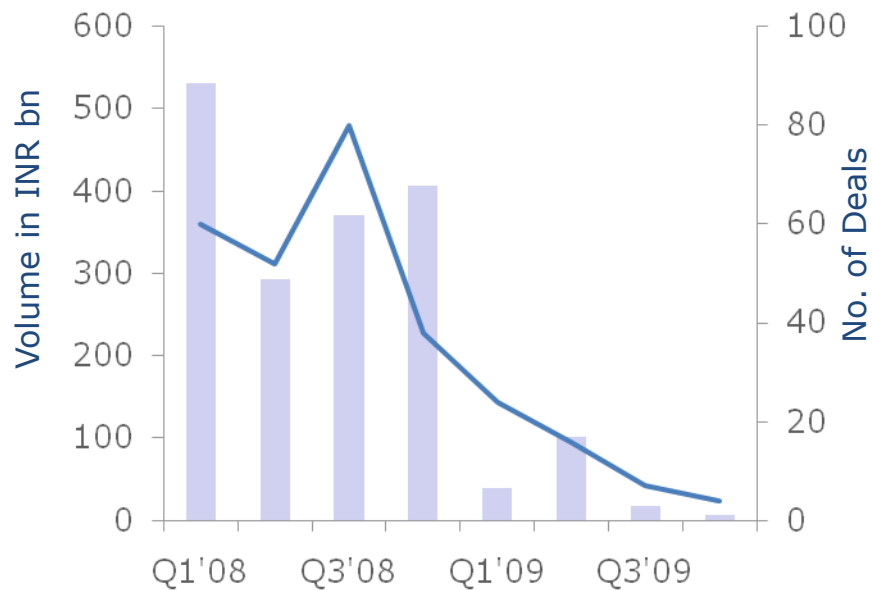
Net FII Flow



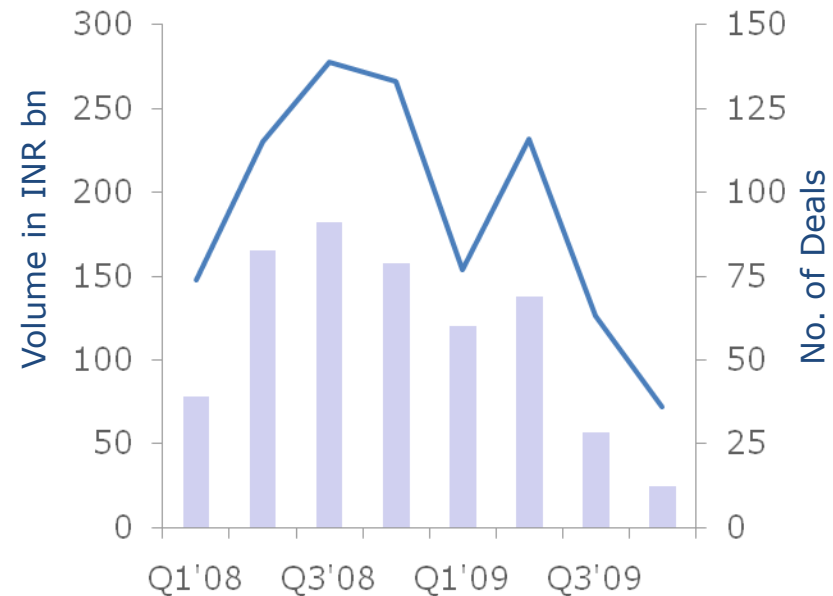
Net outflow of ~ USD 12 bn during FY09



Public Equity Deals



Private Equity



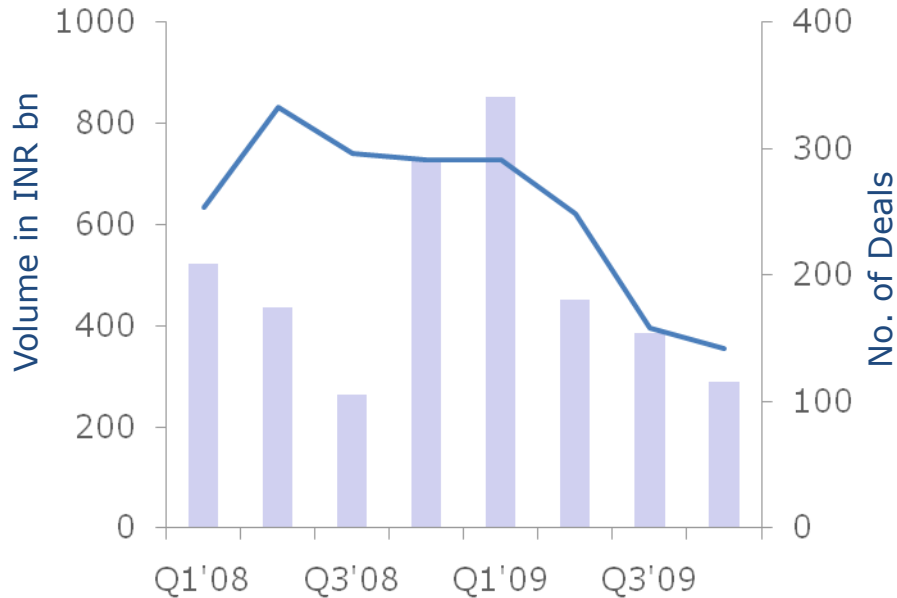
— No. of Deals ■ Volume

Equity raising activity has fallen significantly

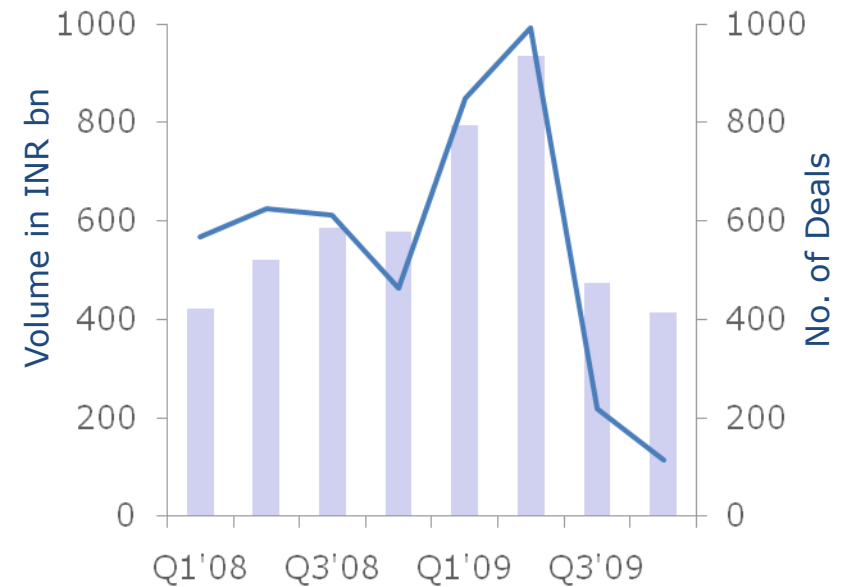
Public Equity Deals include Domestic Equity Offerings, Rights, FCCBs and Depository Receipts
 Source: Bloomberg, Prime Database, Venture Intelligence



M&A Deals



Domestic Debt Market



— No. of Deals ■ Volume

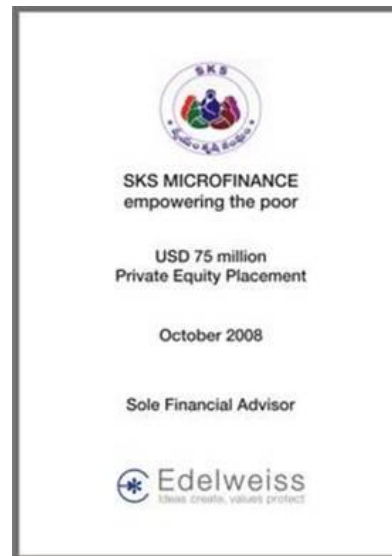
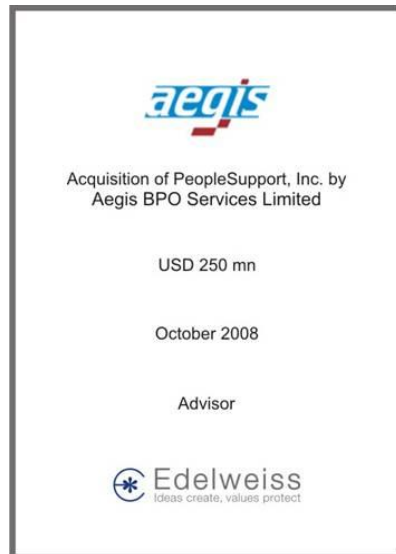
Debt raising and M&A have also fallen albeit less

M&A Deals are all announced deals which may or may not have been completed
 Domestic Debt Markets include Debt Private Placements and commercial papers
 Source: Bloomberg, Prime Database, Venture Intelligence

3. Performance Highlights



- * Investment Banking business closed 9 transactions in FY09
- * Key transactions include
 - Acquisition of PeopleSupport, Inc. by Aegis for USD 250 mn
 - Private equity placement of USD 75 mn for SKS Microfinance
- * Adjudged winner in the Best Merchant Banker category in the Outlook Money NDTV Profit Awards 2008





* Equity and Derivatives

- Average daily trading volumes for FY09 over INR 39 bn; Q4FY09 INR 28 bn
- Market share* 6.4% of total average daily volumes for FY09

* Research covers over 125 stocks across 16 sectors accounting for 65% of total market capitalization

* Alternate Asset Management & other AUMs/AUAs now stand at over USD 375 mn

* In the first full year of operations of Corporate Debt Syndication Desk

- Ranked #2 in Short Term NCD Placements for FY09. Mobilized INR 397.6 billion in 256 deals with a 21.7% market share
- Ranked #2 in CP Placements for FY09, raising INR 69.87 billion from 129 deals with a 15.3% market share
- Ranked #11 in Indian Domestic Bonds Market League Table for FY09

(*) Market share based on the reported volumes on NSE and BSE

(@) Debt Rankings Source Prime Database (provisional) and Bloomberg



* Treasury Income

- Risk management approach tested, kept focus on capital preservation
- Focus on maintaining a strong and liquid balance sheet
- Fall in arbitrage revenues, partly offset by increase in interest income in the year
- Impact on profitability due to change in treatment of STT - FY09 STT INR 720 mn

* Interest Income

- Comprises of income on collateralized loans and the interest earned on working capital in the form of Bank FDs
- Interest income increased for the year by 53% reflecting higher yields on the loan book and increase in FD base
- As of end of FY09, loan book stood at over INR 5.5 bn (~INR 8 bn at the end of Q3FY09)
- Maintained sufficient collateral cover across all loans, avg. cover ~2.8x at the end of FY09
- 0.5 % Prudential General Loan Loss Provision for the loan book



- * Heightened focus on costs, liquidity and risk management; Stability amidst Volatility
 - Reduced gearing and maintained adequate liquidity at all times
 - As of March 31, 2009, debt to equity was down to 0.3, while maintaining significant liquidity cushion
 - FY09 manpower and pre-STT operating costs are down 20% from FY08
 - Manpower and operating costs also down 9% in Q4FY09 over the preceding quarter
 - Cost control has helped us in maintaining our FY09 pre-tax margins at 37%



- * Despite the turbulent FY09, continued to invest in businesses with an eye on nurturing future growth
 - Continued to build on opportunities in new businesses and new initiatives
 - Corporate Debt Desk scaled up significantly
 - Set up Institutional Clients Group for fostering long term relationships with corporates and financial sponsors
 - Investing in Retail broking initiative
 - Customer centric approach continued – launched Research Portal www.edelresearch.com
 - Hosted the flagship Edelweiss India Conference in Mumbai in March '09 – facilitating approximately 2000 meetings with over 150 corporates and investors
 - Fountainhead Leadership Centre, our training initiative, expected to be launched in Q3FY10



- * Initiatives for long term growth:
 - Over 250 employees, constituting ~20% of our employee strength, engaged in Alternate Assets Advisory, Distressed Assets, Retail (Distribution and Broking) and Asset Management businesses
 - Investments for future growth; Revenues from these to flow through coming years

- * Edelweiss model – be able to adjust to downturn in markets with inherent cost flexibility and be able to quickly convert growth opportunities into business when they reappear

- * Business growth perspective aligned to medium term of 3 to 5 years

4. Challenges Going Forward



Risks

Business Volatility

Fall in business volumes in the midst of domestic and global financial turmoil; stability returning gradually, optimism for future back

Risk to Capital

Challenging conditions and deteriorating credit environment raised risk to capital; conditions retuning to normal

Liquidity Risk

Global liquidity squeeze and counterparty fear led to severe liquidity risk; credit flows have improved significantly along with softening of interest rates

Our Approach

- * Diversified Business Model
 - * Flexible resources: capital and people
 - * Flexible cost base: nearly half of our costs are variable in nature
-
- * Strong risk management culture
 - * Approach to Capital Preservation
 - * Board level oversight
 - * Board Risk Committee headed by an external Director
-
- * Strong and Liquid Balance Sheet
 - Balance Sheet size of INR 33 bn, Group net-worth in excess of INR 25 bn including minority interest
 - Low gearing
 - Reverse ALM position – duration of assets is lower than that of liabilities
 - * Maintain more than adequate liquidity with higher allocation to cash and cash equivalents, even at the cost of losing marginal revenues

5. Edelweiss Over The Years



(In INR mn except per share data)

| Year Ended 31 st March | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|--------|--------|-------|-------|-------|------|
| Total Income | 9,005 | 10,889 | 3,718 | 1,533 | 727 | 281 |
| Total Expenditure | 5,715 | 6,422 | 1,971 | 898 | 383 | 175 |
| Profit Before Tax | 3,290 | 4,467 | 1,747 | 636 | 345 | 106 |
| Tax Expenses | 1,199 | 1,540 | 646 | 218 | 107 | 28 |
| Net Profit (after tax and minority interest) | 1,864 | 2,732 | 1,099 | 417 | 237 | 78 |
| Paid up Equity Share Capital | 375 | 375 | 45 | 38 | 29 | 28 |
| Net Worth* | 25,137 | 23,274 | 7,222 | 1,787 | 539 | 302 |
| Diluted Earnings Per Share (FV INR 5) (INR)# | 24.28 | 39.99 | 20.76 | 9.34 | 6.43 | 2.42 |
| Book Value Per Share (FV INR 5) (INR)# | 282.30 | 246.49 | 93.58 | 39.33 | 15.83 | 9.16 |

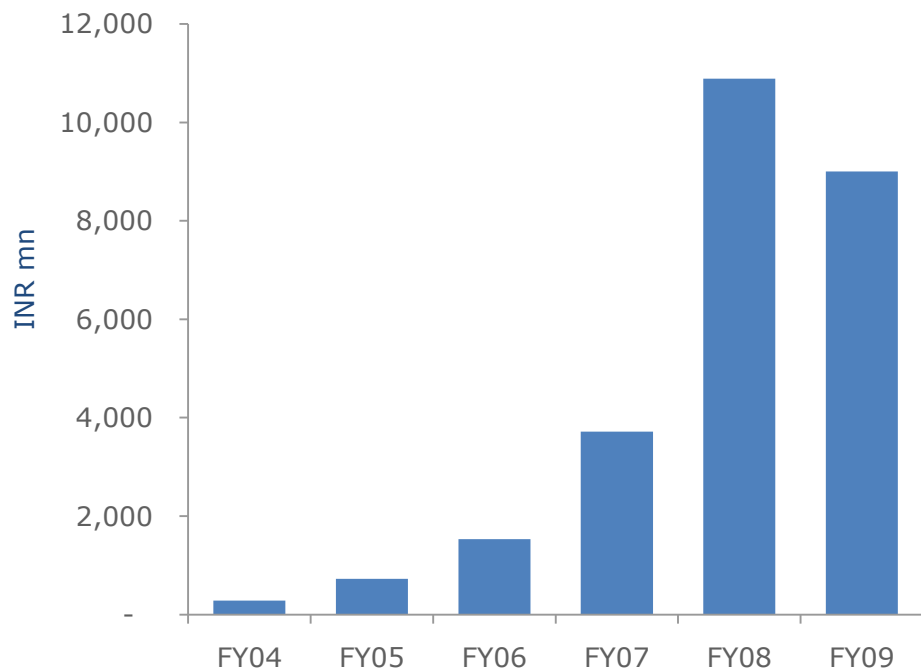
(*) Includes minority interest

(#) Adjusted for corporate actions

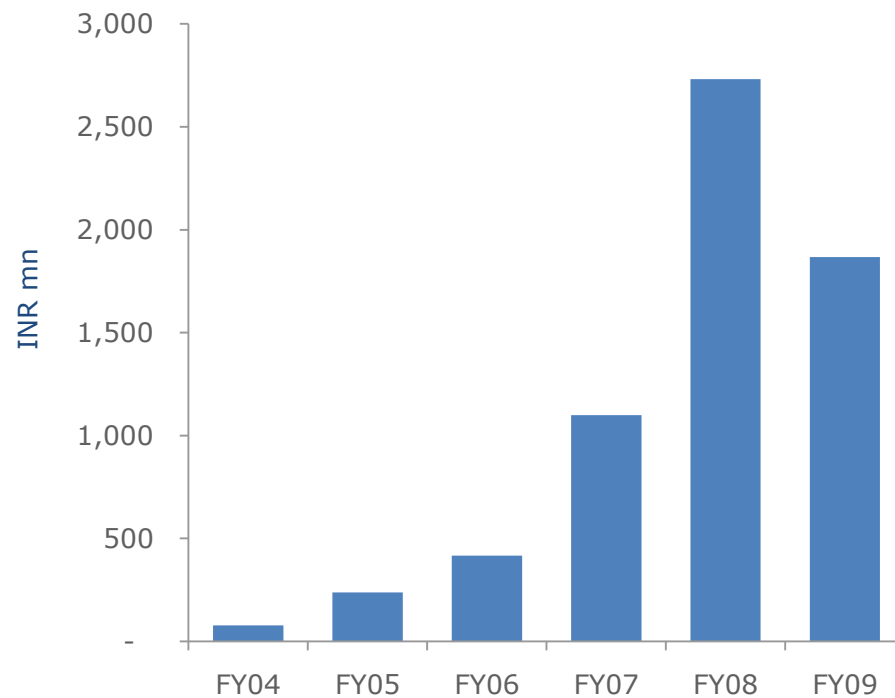
Solid Track Record of Profitable Growth



Revenues



Profit After Tax*

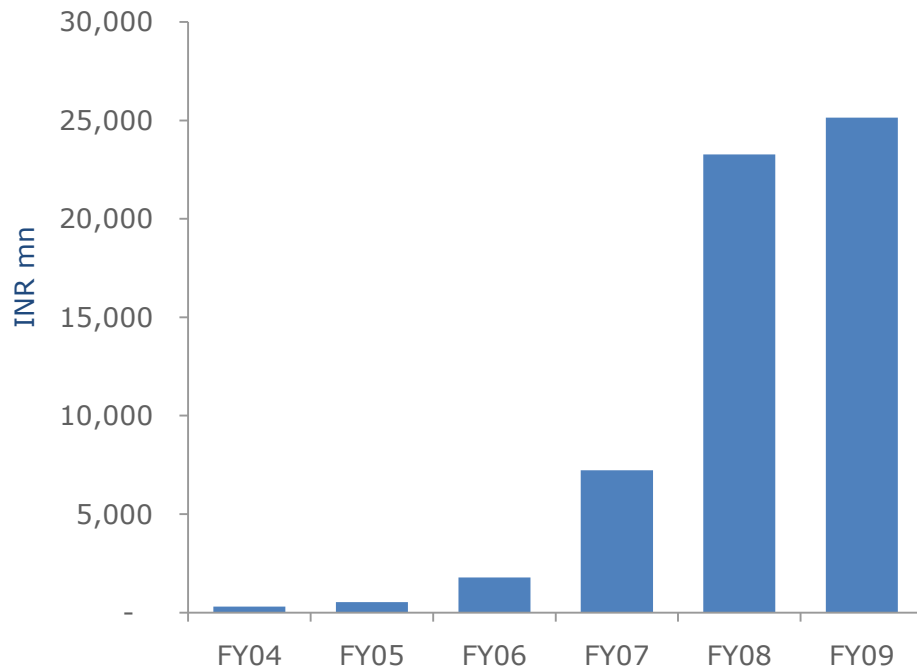


PAT margins: 28% (FY04), 33% (FY05), 27% (FY06), 30% (FY07), 25% (FY08), 21% (FY09)

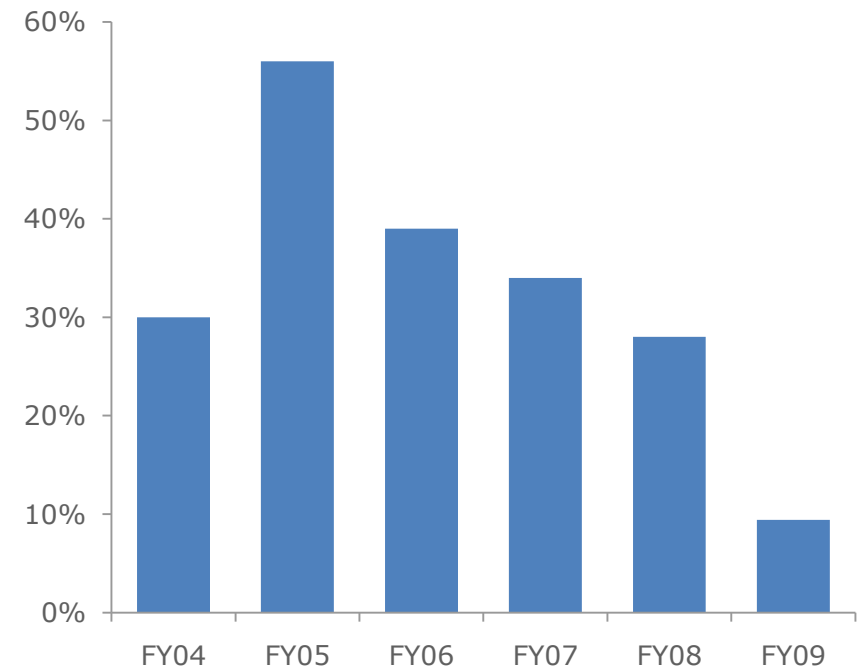
(* after minority interest)



Net Worth*



Return on Equity#






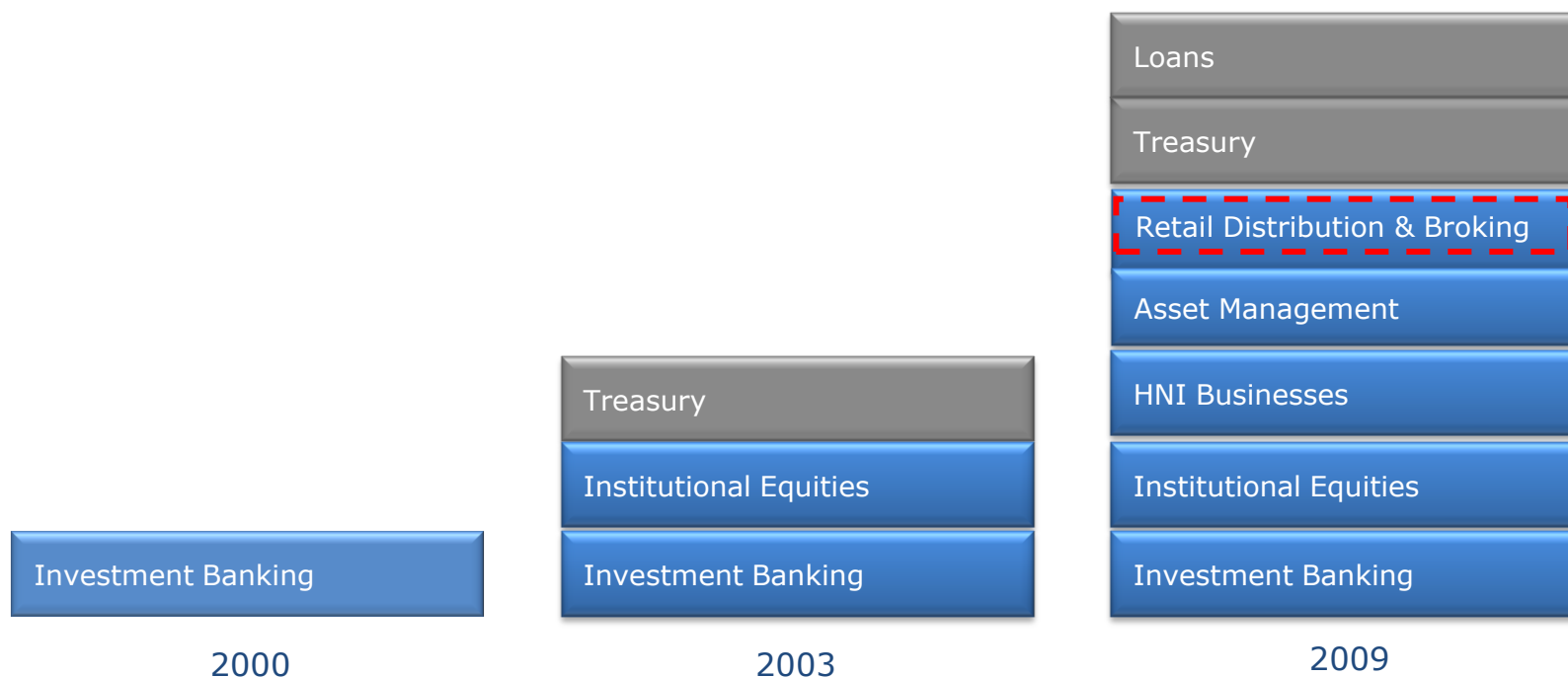
(*) Including minority interest

(#) Based on average equity for the year

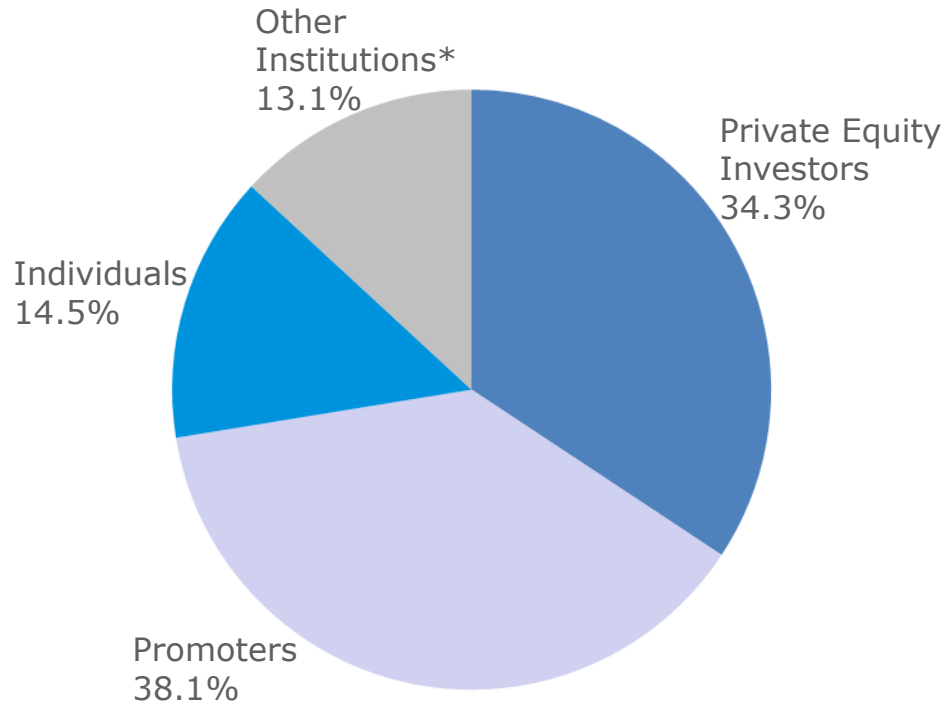
Well Diversified Integrated Financial Services Model



-  Agency based
-  Capital based
-  New Initiative



Strategy of selectively building new businesses adjacent to our current offerings



Top 5 External Shareholders#

As on 31st March 2009

| | Name | Percent |
|---|-------------------------|---------|
| 1 | Govt. of Singapore | 8.3% |
| 2 | Galleon | 7.4% |
| 3 | Greater Pacific Capital | 6.4% |
| 4 | Americorp Ventures Ltd. | 4.0% |
| 5 | Fidelity | 3.5% |

Quality institutional investors from different geographies

(*) includes FIIs, DIIs, Insurance companies, Banks, MFs etc.

(#) Holding of known affiliates have been clubbed together for the purpose of this information

Active Board of Directors with complementary skills



- ▶ Experienced Board of Directors with diverse areas of expertise
- ▶ Five independent and two non-executive directors out of total nine directors
- ▶ Risk Committee of the Board headed by a non-executive director
- ▶ Strong corporate governance

| Rashesh Shah Executive Director | Venkatchalam Ramaswamy Executive Director | Ramanan Raghavendran Independent | Sunil Wadhvani Independent | Sanjay Santhanam Non-Executive | Kunnasagar Chinniah Non-Executive | Narendra Jhaveri Independent | P.N. Venkatachalam Independent | Navtej S. Nandra Independent |
|--|---|---|--|--|---|--|---|---|
| Chairman & CEO | Head of Asset Management | Managing Partner Kubera Partners | Co-Founder & CEO iGATE Corporation | MD & Head of Risk Galleon Group [Head of Risk Committee] | Executive V.P. GIC, Singapore | Former Jt. MD ICICI Former Chairman ICICI Securities [Head of Audit Committee] | Former MD State Bank of India | Former COO and Head of Diversified Financial Services, Global Wealth Mgmt Merrill Lynch |
| 18 yrs experience in public and private markets in India | Diverse experience in financial sector | Extensive experience in managing Investments globally | Strong background in entrepreneurship across geographies | Strong expertise in risk management and alternate asset management | Experienced in global private equity | Extensive experience in Indian capital markets | Extensive experience in Indian credit markets | Broad experience across Financial Services Strategy and Execution |



Thank you

For more information, please visit www.edelcap.com

Or email ir@edelcap.com