



Ideas create, values protect

ANNUAL REPORT 2012-13



A part of the ever-unfolding India story.



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# Performance Highlights

Consolidated Financial Performance of Edelweiss Financial Services Limited and its subsidiaries

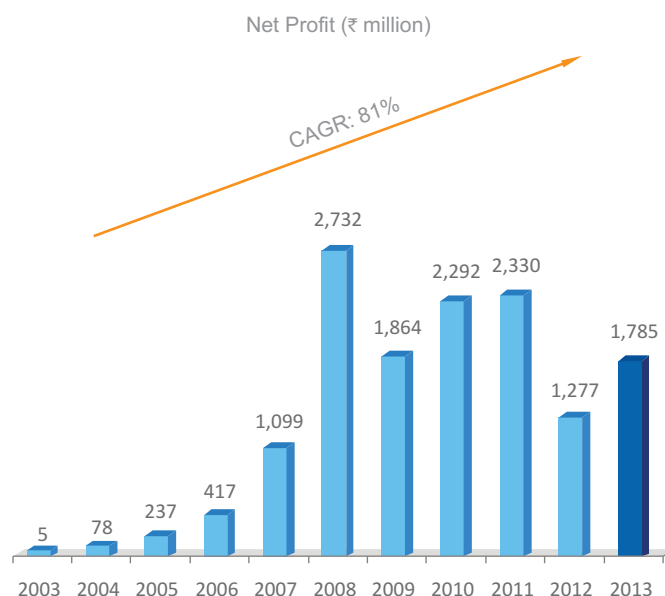
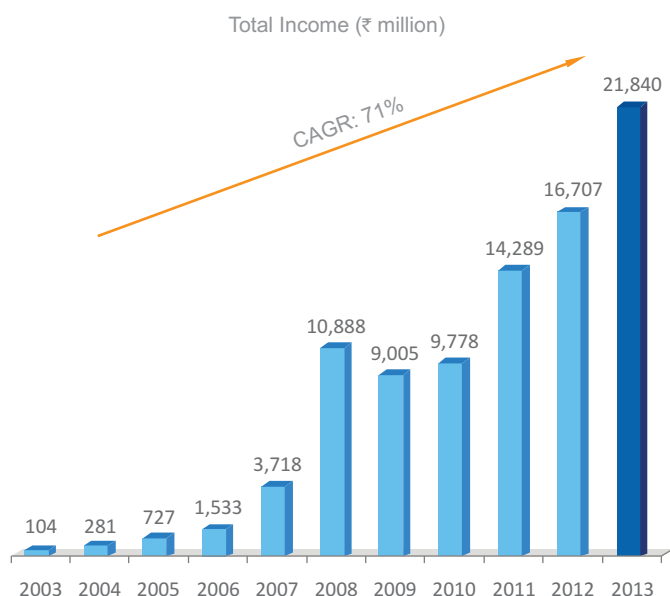
(in ₹ million except per share data)

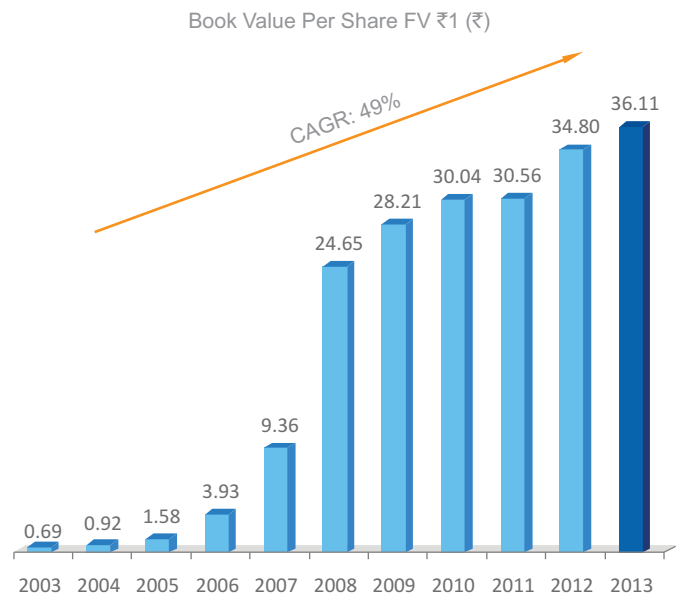
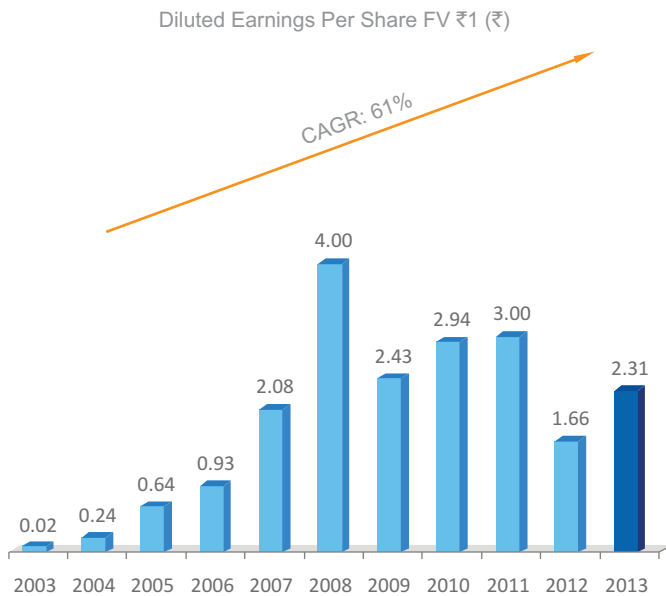
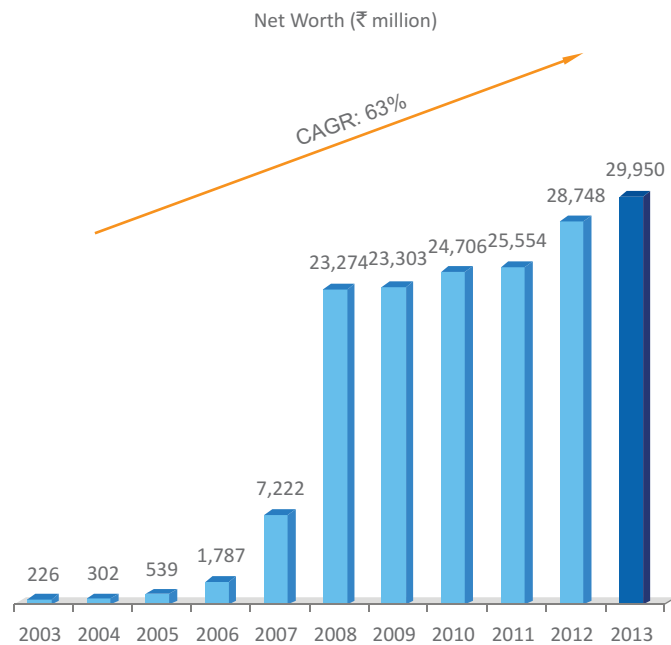
Year Ended March 31,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Income	21,840	16,707	14,289	9,778	9,005	10,888	3,718	1,533	727	281	104
Total Expenditure	19,247	14,720	10,789	6,450	5,715	6,421	1,971	898	383	175	95
Profit before tax	2,593	1,987	3,500	3,328	3,290	4,467	1,747	636	345	106	9
Tax Expenses	881	681	1,031	879	1,199	1,540	646	218	107	28	4
Net Profit (after Tax and Minority Interest)	1,785	1,277	2,330	2,292	1,864	2,732	1,099	417	237	78	5
Paid Up Equity Share Capital	764	757	752	375	375	375	45	38	29	28	27
Networth (*)	29,950	28,748	25,554	24,706	23,303	23,274	7,222	1,787	539	302	226
Diluted earning per share (FV ₹1) (in ₹) (#)	2.31	1.66	3.00	2.94	2.43	4.00	2.08	0.93	0.64	0.24	0.02
Book Value per share (FV ₹1) (in ₹) (#)	36.11	34.80	30.56	30.04	28.21	24.65	9.36	3.93	1.58	0.92	0.69

(#) Adjusted for Corporate Actions

(\*) Networth including minority

Previous years' figures have been regrouped wherever necessary







# Edelweiss Guiding Principles – Our anchor

The sum total of our values.

Each of the values that define us find their rightful place in our charter – the Edelweiss Guiding Principles. Together, these 10 principles celebrate our Indian ethos, global outlook and business ethics while bringing to life our credo of 'Ideas create, values protect'.

**We will be a Thinking Organisation.** We will constantly bring 'thought' to everything we do. Our clients' and our own success depends on our ability to use greater ideation and more imagination in our approach.

**We will be Fair to our Clients, our employees and all stake holders.** We want our clients, our employees and all the stake holders to be 'richer' for their relationship with us.

**We will take care of our People seriously.** Our policies – in spirit and in letter – will ensure transparency and equal opportunity for all. We will go beyond the normal goals of attracting, recruiting, retaining and rewarding fine talent. We will ensure that every individual in Edelweiss has an opportunity to achieve his/her fullest potential.

**We will operate as a Partnership, internally and externally.** Though individuals are very often brilliant, we believe teamwork and collaboration will always ensure a better and more balanced organisation. We will also treat our clients as partners and show them the same respect and consideration that we would our internal team members.

**We will focus on Growth** for our clients, employees and shareholders.

**We will focus on the Long term.** Though the world will change a lot in the coming years and our assumptions for the future may not hold up, we will reflect on the long-term implications of our actions. Even when making short-term decisions we will be aware of the long-term implications.

**Our Reputation and Image is more important than any financial reward.** Reputation is hard to build and even harder to rebuild. Our reputation will be impacted by our ability to think for our clients, maintain confidentiality and adherence to our value system.

**We will Obey and Comply with the rules of the land.** We will maintain the highest standard of integrity and honesty. When we are unclear we will seek clarifications.

**We will respect Risk.** Our business is going to be a constant challenge of balancing risk and reward. Our ability to constantly keep one eye on risk will guide us through this fine balance.

**Our Financial Capital is a critical resource for growth.** We will endeavor to grow, protect, and use our financial capital wisely.



## To sail a million miles, you need a good anchor

Our growth is based on a bedrock of values. At the very inception, we articulated a set of Guiding Principles. These have governed how we do business and our relationship with our clients, partners and employees. At every inflection point, we have gone back to these Guiding Principles and drawn inspiration from them.

Our credo – Ideas create, values protect – further summarises these Guiding Principles. It has helped us

retain our focus as we have expanded our operations across asset classes, client segments and geographies.

It is with this anchor that we began our journey in the nineties, concurrent with India's liberalisation. Today, the Edelweiss group is a large, diversified organisation spanning almost the entire spectrum of financial services and products, with a Net Worth of ₹30 billion and a client base of 450,000 being serviced across over 500 touch points all-India.





## An opportunity called India

As the youngest population in the world acquires skills to chase its aspirations, it opens up a growth opportunity of staggering proportions. India's changing landscape has helped Edelweiss grow responsibly and efficiently. We have achieved calibrated growth by diversifying into adjacent spaces and across consumer segments while deepening geographical reach pan-India. This diversification has ensured that our addressable revenue pie today is 20 times bigger than five years ago and will likely grow another five times by 2020.

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### The growth story continues

For the year ended March 31, 2013, Edelweiss revenues grew by 31% and Profit After Tax grew by 40% over the last year.

- Edelweiss Tokio Life Insurance registered a healthy growth in just 21 months - 29,000 policies, 3,400 Personal Financial Advisors and 45 branches in 38 cities. Its premium income in FY13 was ₹538 million.
- Edelweiss Retail Finance total asset size grew by 110% to ₹16.27 billion; it has disbursed Housing Loans and Loan Against Properties to the tune of ₹8.8 billion and SME loans of ₹1.9 billion.
- The Edelweiss employee base has recorded an almost 30% growth to 4,000 in FY13. This workforce caters to 450,000 clients from 211 offices in 103 cities in India and three cities overseas.





## Start something new

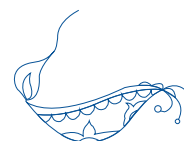
Working towards a prosperous future is embedded in the Indian value system. The blessings of well-wishers, the *Shubh Muhurats* and the ground-breaking ceremonies are an integral part of our culture.

At Edelweiss, when we have launched new businesses, it has always been in mature markets. However, we have managed to attain leadership positions in these businesses through a combination of knowledge, innovation, technology and customer focus.

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### Breaking new ground in FY13

- Retail Finance business launched small ticket Housing Loans in Q3FY13; presence in five cities in Tamil Nadu with a plan to gradually launch in other states.
- Recognising the sizeable contribution of SMEs to the Indian economy, Edelweiss launched SME financing business at the end of FY12; disbursed around ₹2 billion across 400 SME clients in FY13; the business currently operates in three cities - NCR, Mumbai and Pune with more locations on the anvil.
- The focus on innovative research continues with the launch of the Brave Heart series of research, designed to select compelling bottom-up ideas to help investors navigate the arduous investment climate.
- Technology investments
  - Upgraded IT infrastructure with multi business BCP (Business Continuity Plan).
  - Leveraged virtualisation and cloud technology, an ITIL framework based centralised enterprise service desk.
  - Launched multi broker multi-asset class Retail Broking ASP (Application Service Provider) that can support 4,000 concurrent users with multiple levels of redundancies.
  - Launched Edelweiss ASP multiple channels for client transactions such as Web, Exe based, Mobile- WAP, Mobile Application for Windows, iPhones and Android phones.
  - Launched P!NG, the Edelweiss Social Intranet, enabling a collaborative work environment across geographies and verticals.



## Take care of every rupee

In India, money means more than just a printed denomination. It is a deity, a *shagun* and an offering too. At Edelweiss, we respect money by maintaining a healthy and liquid balance sheet that protects our capital and yet provides resources to grow our businesses.

### A value-added FY13

- Balance Sheet Management
  - The total net worth of Edelweiss stands at nearly ₹30 billion with the amount of debt at ₹115 billion.
  - Low leverage of 3.8 times gives headroom to invest in businesses.
  - A close watch over liquidity position on a daily basis also ensures adequate liquidity with very little ALM mismatch.
- A balance sheet strategy of diversified asset profile spread across Government Securities, FDs, Credit, and Commodities with a distinct shift from short term borrowings to medium and long term in FY13.
- Rated 'CRISIL A1+' for Short Term Debt Programmes and 'CRISIL AA-/stable' for Long Term Debt Programmes; also rated '[ICRA]AA-stable' for Long Term Debt Programme.
- Leveraging technology to improve productivity, performance and cost efficiencies. The entire Edelweiss customer life cycle process starting from CRM and client on-boarding to transactions, risk management and servicing is fully automated and adheres strictly to the highest governance and compliance standards.



## Stay grounded

To drive fast, you need good brakes; for it is the efficiency of the braking system that mitigates the risk that comes with speed.

At Edelweiss, we keep our eyes on the sky and feet firmly planted on the ground. We understand that managing risk is an integral, continuous and inseparable part of our business. We do not avoid risk.

Instead, we intelligently assess risk and take decisions to mitigate it with a four-tier Risk Governance Structure. Our single-minded approach to Risk Management is reflected in the significant investments in people and technology for it.

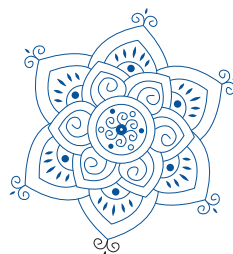
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### Managing risk

- 120-member dedicated team of risk professionals including the Business Risk Officers, Global Risk Group and Global Risk Committee; they form a multi-tiered framework that approaches risk responsibly. Additionally, the Edelweiss Board of Directors plays a critical role in guiding the organisation's risk management philosophy and policies.
- The Gross NPAs in credit business are satisfactory at 0.43% of the total loan book; Edelweiss holds an average collateral cover of 2.37 times on wholesale loans; Loan-to-Value Ratio in case of Mortgages is just 56%.
- Appointed Towers Watson, a global risk consulting firm, to conduct an enterprise-wide survey to assess Edelweiss employees' understanding and attitude toward Risk; have used the findings to improve our approach to risk management and increase awareness amongst employees.







## Create your own identity

In a hyper-competitive market like India, differentiation is the key to success. At Edelweiss, we believe that a competitive advantage in the products and services we offer will set us apart. Through efficient systems and processes and a customer centric approach, we aim to be both differentiated and relevant to the needs of the customer.

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### A noticeable FY13

- Edelweiss has been voted India's No. 1 Midcap Company by readers of Finance Asia in its 13<sup>th</sup> annual poll on Asia's Best Companies 2013.
- Edelweiss Group won the award for 'Best Corporate Governance, India, 2013' from the London, UK, based Capital Finance International jury.
- Multi Commodity Exchange of India's USD 135 million IPO, won the Best Mid-Cap Equity Deal award by Finance Asia where Edelweiss was the Book Running Lead Manager.
- Edelweiss Investment Banking successfully organised Convergence 2012 with participation of more than 40 unlisted companies and 100 investors.
- Edelweiss' flagship India Conference saw participation by over 85 Indian Corporates, over 420 global and Indian investors; it facilitated over 2,900 meetings among them.
- Edelweiss Tokio Life Insurance launched a brand campaign based on the core and proprietary approach which ensures that the customers' needs are analysed in detail before an insurance product or solution is offered.



## Respect relationships

In India we value every relationship and people take precedence over transactions. At Edelweiss we believe that only by building sustainable relationships can we create value for our clients, investors and employees.

### People-focused FY13

- Launched 'Customer Centricity' programme guided by Ron Kauffman, a globally renowned customer services specialist; initiated a four-pronged programme that has many evangelists across India. Already over 700 of our employees have participated in the programme and the goal is to have all employees trained in customer centricity.
- Taking the Customer Centric approach on ground, Edelweiss Tokio Life Insurance follows its globally designed proprietary Need-Based Selling approach to ensure detailed analysis of customers' needs before a product or solution is offered to them.
- In FY13, Edelweiss launched its Financial Planning business offering highly customised professionally drawn up long term financial plans for the mass affluent segment.
- Edelweiss' Global Wealth Management provides clients with a 360 degree holistic approach to Wealth Management by leveraging Edelweiss expertise across asset classes. The business doubled its Assets Under Advice through FY13.





## Seeding the future

To enjoy the fruits from an orchard, you need to plant the seeds and nurture the saplings. At Edelweiss, we invest in the long term for sustainable growth. Since inception, our focus on diversification has ensured that cyclical downturns in one market segment do not affect the entire company.

In doing this our vision has been bi-focal. Invest and scale up businesses with focus on the long term without losing sight of short term gains for mature businesses.

### Breaking the mould

- In the last five years, we have successfully launched and consistently scaled up our businesses of Life Insurance, Housing Finance, Asset Management and Commodities.
- Both of Edelweiss' newest businesses, Housing Finance and Retail Financial Markets have already started making a positive contribution to the bottom line in FY13.
- To insulate itself from volatility in credit markets, Edelweiss has been following a conscious strategy of reducing the dependence on short term borrowings while diversifying its sources of borrowing. As a result of this twin strategy, borrowings of less than three months tenure (excluding the asset-backed borrowings) constitute only 16% of the Group's total liabilities while dependence on debt markets has reduced by a third as on March 31, 2013.
- Investment in a robust technology infrastructure enables us to support a network of about 4,200 trading terminals across over 260 locations; the platform handles over 300,000 transactions in a day on an average and can scale up to 1.3 million transactions in a day.



## Everyone counts

Even the most daunting tasks seem easy when teams work together and follow the leadership matrix. At Edelweiss our people strategy centres around “Build Leaders and Business Leadership will follow.”

Edelweiss has one of the most comprehensive Learning & Development initiatives in the Indian financial services industry.

The special focus on leadership identification and grooming has also ensured a strong and stable bench across the various management tiers in the organisation.



### Leading by example

- Edelweiss Leadership Group is a four-tier structure that covers over 5% of the total employees and consists of the Management Committee, Senior Leaders, Advancing Leaders and Emerging Leaders.
- Edelweiss has a dedicated Training Centre, Fountainhead Leadership Centre at Alibaug, with a residential capacity for over 120 guests; 50 rooms, six conferencing facilities, a 100-seat auditorium and a 300-seat amphitheatre.
- Edelweiss employees covered under Learning and Development initiatives stood at 2,615 (67% of the total employee strength) with 7,235 total participant man-days.
- Edelweiss Retail Broking launched a Systematic Learning Plan targeting over 800 people to impact knowledge, skills and attitude across three levels of front-end employees.
- A similar programme for HNI business, called DNA was launched, targeting 70% of the team.



# Letter from the Chairman

## *Dear Fellow Shareholders,*

In a year of mixed fortunes, I am happy to report that your company has turned in a good performance with sustained increase in Gross Income and Profit after Tax (PAT).

Our Consolidated Revenues for the financial year ended March 31, 2013 were ₹2,184 crore (USD 376 million), an increase of 31% over FY12. PAT grew at 40% to ₹178.5 crore (USD 30.77 million) as compared to ₹127.7 crore (USD 22 million) in FY12. The company's PAT was adversely impacted by about ₹65 crore (USD 11.2 million) due our continued investments in our life insurance business. Shorn of this impact, the PAT for FY13 would have been in the region of about ₹243 crore (USD 41.9 million). I am happy to note that we have shown steady growth over the last six quarters starting from Q2FY12 all the way up to Q4FY13.

We continued to scale up our newer businesses – Retail Finance, Commodities and Life Insurance, while maintaining our market share in mature businesses like Financial Markets. Two of our new businesses -- Retail Finance and Retail Financial Markets -- have broken even and started making positive contributions to your company's bottom line.

Edelweiss today has touch points in 545 cities including 280 tier 3 to 6 towns. This includes our own 211 offices in 106 cities. This presence helps the Group service a wide spectrum of over 450,000 clients ranging from clients in the rural and urban economically weaker sections of society to mass retail, mass affluent & HNIs, corporate, Private Equity Funds, Domestic Institutional Investors, Foreign Institutional Investors and International Sovereign Funds.



## **Understanding our Strategy**

Since inception we have followed a strategy of moving into adjacent spaces and steadily expanding our product and service offerings. Starting with Investment Banking in FY96 we set up our Institutional Equities business in FY01, soon establishing our leadership position. In the last five years we have launched seven businesses -- Corporate Credit in FY08, Commodities and Retail Financial Markets in FY09, Retail Credit in FY11, Life Insurance in FY12 and SME and Small Ticket Housing Finance in FY13.

In each of these businesses, we entered mature markets. Yet through a combination of a well-thought out strategy, excellent execution, cutting-edge research and investments in people and technology, we have managed to build a leadership position in our mature businesses. I am confident that even in the newer businesses these strengths will stand us in good stead.

Launching and scaling up these businesses in the last five years – what I call *Edelweiss 2.0* – meant we had to go through a period of investment. Since this coincided with the global economic crisis and slowing growth at home, the period has been a challenging one. While we have always remained profitable, some of our ratios like Return on Equity have suffered. However, given our focus on long-term growth of the company, we opted to suffer short-term profitability pains.

At the end of this investment phase we have emerged a much stronger company. This strategy of diversifying across asset classes, product and consumer segments and expanding geographical reach has helped us increase our relevance while at the same time de-risked our business model significantly. This is

also reflected in our Book Value per Share which has increased at a CAGR of about 48% over the last ten years to touch ₹36.11 at the end of FY13. We have also maintained our profitability track record since inception – 17 years ago -- with a compounded annual growth of 81% in profitability over the last decade.

More critically, this diversification strategy has given us huge headroom for future growth. According to our estimates, by diversifying across asset classes, we have increased our total addressable revenue pool by 20 times. The Management expects this pool to grow five times by 2020. What this means is that from where we were in 2008 to where we and the industry are likely to be in 2020, our total addressable revenue will have increased 100 times.

## Overview of FY13

The first half of FY13 was marked by a growing concern over India's inability to tackle its economic woes. While WPI inflation continued to hover around 7% and Consumer Price Index (CPI) inflation into double digits, GDP growth slowed down to a decadal low. Current Account Deficit (CAD), driven by rising oil and gold imports rose to an all time high of about 5% of GDP. Exactly around the time the economy most needed foreign investments, investors were spooked by GAAR and a retrospective tax regime.

However the second half of the year, saw the government taking a series of steps including liberalising FDI regime for certain sectors, rationalisation of retail fuel prices and reining in fiscal spending. These steps, some of them taken at the cost of political support, have stabilised the macro environment to some degree.

For Edelweiss, FY13 was the year we launched the next phase of our growth story -- what I call *Edelweiss 3.0*. This phase will see consolidation leading to non-linear growth. This is being done by focusing on increasing efficiencies, continuing investment in technologies, robust risk management systems, stabilising newer businesses and supporting a high quality leadership pool.

As we go forward, we are clear that Edelweiss will be defined by four dimensions – Diversification, Efficiency, Growth and Quality.

**Diversification:** We have managed to achieve this across products, asset classes and businesses and at the organisation level. This has de-risked our business model and laid the foundation for secular growth in the future.

**Efficiency:** This has always been a hallmark of Edelweiss operations. However during the investment phase, we had necessarily taken a hit on efficiency parameters. In the latter half of FY12 and entire FY13 we have managed to improve almost all our efficiency metrics through relentless focus on bringing back

efficiency. We have invested in technology, processes, communication and execution. This has seen our ex-insurance Cost-Income ratios improving for six straight quarters. We will continue to push on this vector.

**Growth:** In the last few years, during our investment and diversification phase, while Total Income had grown we had taken a hit at the PAT level. In FY12 our diversification strategy started to pay early, albeit modest dividends. In FY13, we have strengthened this trend. Future growth will be more distributed, balanced and better paced.

A key element in this process will be decentralisation. Each of Edelweiss' businesses has reached a stage where they need to function as standalone companies. It is incumbent that they have the necessary control over the functions that impact their ability to execute well. Given the opportunities that lie ahead, the hope is that in the next few years, each of these businesses becomes “Edelweiss” in its own right. We took the first steps towards this during FY13.

But key to the success of this decentralisation process is also retaining common values, a common culture, flexibility in leadership and financial resources and central oversight over compliance and risk. It is a difficult task, but not an impossible one. Successful conglomerates have achieved this quite well, both in India and abroad.

These first three will give us the numbers, but **Quality** will define us. In a hyper-competitive market, where innovation is only incremental, a high quality organisation - made of high quality products, businesses and people is what will give us lasting competitive advantage. We need to focus intensely on this. This means further strengthening our culture of collaboration, compassion and empathy, innovation, customer centricity, great execution and high self-aspiration and self-expectations.

The key business highlights for FY13 are being dealt with at some length in the Management Discussion & Analysis (MD&A) and I would urge you to go through it carefully to understand our strategy and our achievements for FY13. I would instead like to share with you a few of the initiatives that will have a bearing on the long term growth and strength of your company.

## Corporate Initiatives

### Treasury and Balance Sheet Management

As a large diversified financial services group, Edelweiss requires sizeable working capital for various businesses and day-to-day liquidity management becomes a critical function. In addition, as the housing finance portfolio scales up the asset side duration lengthens, requiring greater attention to management of liabilities.



Edelweiss' Treasury & Balance Sheet Management Unit, therefore, manages the Group's liquidity in a way similar to a commercial bank ensuring that maturing liabilities are repaid smoothly. It also manages key components of the balance sheet, monitors interest rate sensitivity in the portfolio and takes pre-emptive steps to mitigate any potential risks.

Over the last two years we had embarked on a strategy of reducing our dependence on short term (less than three months) liabilities as a percentage of total liabilities; thereby insulating your Company from volatility in the credit markets. We have simultaneously diversified our sources of borrowing and reduced dependence on debt markets. This has been a focus area in FY13 and we have successfully realigned our ALM to ensure that our assets and liabilities have similar tenure. Our liquidity management efforts have made the balance sheet stronger in this year reflected by the fact that our borrowings that are due for maturity within the next three months (excluding the asset-backed borrowings) constitute only 16% of our total liabilities while dependence on debt markets has reduced by a third as on March 31, 2013 during the past two years.

#### **Risk Management**

Edelweiss has made significant investments in people and technology for risk management. The Group employs over 120 dedicated risk professionals who use state-of-the-art technology to remain ahead of the curve.

This focus on Risk has ensured that at the end of FY13 the Gross NPAs in the credit business – our largest business – are under control at 0.43% of the total loan book. The Group holds an average collateral cover of 2.4 times on wholesale loans and Loan-to-Value Ratio in case of Housing Finance is just 56%.

In FY13, your Company retained global risk consulting firm, Towers Watson, to conduct an enterprise-wide survey to assess Edelweiss employees' attitude to and understanding of Risk. Among the first such surveys to be conducted across every member of the staff of any Indian financial services group, the findings are being used to further strengthen the Risk Culture within the Organisation.

#### **Technological Advantage**

Edelweiss has always believed in leveraging technology to give it a strategic competitive advantage, improve productivity, performance, efficiency and autonomy while enabling development and management of new businesses that rely on state-of-the-art technological solutions. In your Company, Information Technology has emerged from being computational intensive; powering tasks and transactions alone to being collaboration intensive, powering inter-organisational processes and relationships. As we diversified our financial services

offerings, we have leveraged technology effectively to enable growth, build robust risk management and provide enhanced customer experience for its Credit, Financial Markets, Commodities and Life Insurance business.

These technological skills give us a critical competitive edge which will become even more relevant as we expand our businesses across product and service offerings, geographies and customer segments.

#### **Leadership Development**

We continue to invest time, effort and resources in upgrading skills of our people. Edelweiss has one of the most comprehensive Learning and Development initiatives in the Indian financial services industry. During FY13, 2,615 (67% of the total employee strength) Edelweiss employees were covered under these initiatives with 7,235 participant man-days.

We invest in nurturing and developing leadership among employees. Your company follows a four-tiered leadership architecture that covers over 5% of the total employees and consists of the Management Committee, Senior Leaders (SL), Advancing Leaders (AL) and Emerging Leaders (EL). Specialised training and mentoring programmes ensure that these leaders are equipped to play progressively larger and more important roles within the organisation.

#### **Customer Centricity**

Edelweiss has always focused on its customers' needs. In all our businesses, understanding customers' objectives and providing real solutions has been paramount. During FY13, we embarked on an ambitious and far-reaching programme of Customer Centricity covering the entire Group. A series of training programmes have been conducted to "train the trainers" who so far have trained over 700 employees across the Group. The goal is to have each employee of Edelweiss trained in the tenets of customer centricity over a period of three years. This process will help us institutionalise the approach and provide clients a unique '*Edelweiss experience*'

#### **Corporate Social Responsibility**

From its very inception, Edelweiss has believed in giving back to society. In the last five years, these efforts have been channelised through EdelGive Foundation, which was founded in FY09.

EdelGive Foundation's mission is to leverage the resources of Edelweiss for the benefit and empowerment of the social sector. Its investments in non-profits, which are evaluated through an intensive due diligence process, are in the form of financial support and, more importantly, capacity building support.

Tapping into the expertise and skills of Edelweiss' mid-to-senior management, it provides a range of non-financial assistance to include strategic and business planning, mentoring as well as business and technological solutions. EdelGive also builds partnerships with foundations, trusts and corporates for effective philanthropy. This investment banking and venture capital approach to the social sector ensures that EdelGive Foundation's involvement is not just restricted to the disbursement of funds, but also becomes a catalyst for social change.

All support is measured through the impact it achieves through tangible frameworks, which include emphasis on measurable outcomes, achievement of objectives, financial accountability and management competence.

Every employee of Edelweiss is encouraged to directly spend time with any of the NGOs that EdelGive engages with. In the last five years, over 700 employees have volunteered with EdelGive and have provided over 6,500 hours of pro bono support. Since 2010, we have seen a growth of over 167% in the number of volunteers.

One of the key focus areas for EdelGive Foundation has been supporting NGOs working in the area of financial inclusion. EdelGive investee NGOs like Rajasthan Shram Sarathi Association (RSSA), Chehak Trust, Pratham, Make a Difference, Mann Deshi Foundation, AROEHAN, Sabuj Sangha and Samaritan Help Mission have been working on a range of programmes on financial literacy, bank linkages and financial linkages like insurance and pension schemes to disadvantaged populations in urban and rural areas as well migrant populations in Rajasthan, Maharashtra, Bihar and West Bengal.

## Awards

Our strategy of growing in a calibrated and cost-efficient manner while concentrating on areas like Corporate Governance, Risk Management, Leadership Development and Customer Centricity has started attracting increasing favourable attention globally. This is evident from the fact that Edelweiss has recently won two coveted awards.

Your company was voted India's **"Best Managed Mid Cap Company"** by Asia's leading financial publishing house, Finance Asia in its 13<sup>th</sup> Annual Poll on Asia's Best Companies.

Edelweiss also won the award for **"Best Corporate Governance, India 2013"** from the London-based Capital Finance International magazine.

## Challenges and Opportunities

While overall, FY13 has been a good year of consolidation for Edelweiss, there are several challenges and opportunities that lie ahead.

The Indian economy is not out of the woods. High CAD and fiscal deficit together present some of the most serious challenges to bringing Indian economy back on the path of growth. The slowdown has been the result of confluence of factors – lingering administrative bottlenecks and associated delays in project clearance, large fiscal spending, tight monetary conditions and weak external demand. The government will have to continue to show political will to address these structural problems, though looming general elections means that its manoeuvring room will probably get limited.

On the internal front, your Company's management will continue to focus on challenges of improving profitability, strengthening the organisation structure and culture even as we continue to expand in terms of businesses, people and geographies.

## Vision for the Future

Our long term vision for Edelweiss is to be a group with cutting edge businesses in the Financial Services space. We believe that our core lies in identifying new and exciting long term opportunities in this space and building great and differentiated businesses in those niches.

There is no magic wand for this that one can wave and achieve results. It is a slow grind that requires focus on the end objectives, excellent execution, continuous process of leadership development and ensuring that each and every new employee of Edelweiss imbibes the key tenets of our Guiding Principles.

Stanford University professors James Collins and Jerry Porras came across a common theme when they conducted a study about most admired companies. These were companies which had "a powerful drive for progress that enabled them to change, adapt and grow without compromising their cherished core ideals."

That in sum and substance is also our vision for the future of Edelweiss.

Regards,



Rashesh Shah  
Chairman

Place: Mumbai

Date: May 15, 2013



## EdelGive - A Movement to Empower

EdelGive Foundation is the strategic philanthropic initiative of the Edelweiss Group. EdelGive's mission is to leverage its resources with a view to empowering social entrepreneurs and organisations towards achieving systemic change.

### EdelGive snapshot:

- Current portfolio of 18 NGOs
- Committed ₹20 crores till date
- Impacted over 125,000 lives
- Over 6,000 hours of pro bono support from Edelweiss employees
- Engaged over 1,050 Edelweiss employees via volunteering and contributions in FY13

### Our capacity building support to investees:

Successful for-profit organisations invest considerable time and money in leadership development and in improving their systems and processes to enhance organisational growth and development. Similarly, the social sector needs support to build strategies for execution and growth, for training and development of staff, and to monitor and improve performance. This is why, apart from grant making, EdelGive also provides capacity building support in areas of:

- Strategy & leadership
- Financial planning & sustainability
- Systems, processes & technology
- Human resources

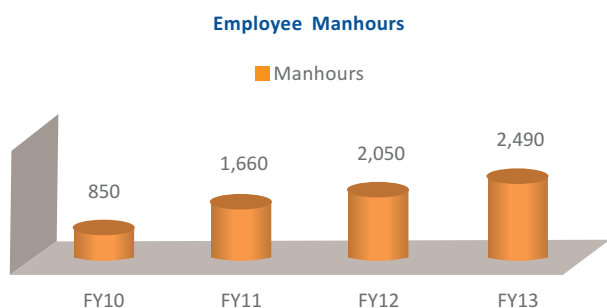


### Employee Engagement Model for Edelweiss employees

What EdelGive also brings to the table is Edelweiss' intellectual capital. The Foundation's Employee Engagement Model leverages the expertise and talents of Edelweiss employees and encourages them to volunteer and utilise their skills to support non-profits. This is effectively done by matching the talents of Edelweiss employees with the requirements of our non-profit investees; thereby bridging the gap between the corporate and social sector.

EdelGive offers employees a range of opportunities for participation through:

- Direct program volunteering
- Capacity Building for the investee
- Field visits
- EdelGive Systematic Donation Plan



### Value proposition to investors

1. Strategic Partner: EdelGive provides qualified investment options in non-profits to philanthropists and foundations looking to invest in the social sector. Where their focus areas resonate with EdelGive's areas, the Foundation combines

grants to form a co-funding partnership and create a larger social impact.

2. Zero-cost platform: Funds that are raised through EdelGive go directly to the non-profit organisations without any cost to the funder.
3. Managed philanthropy: EdelGive shares its due diligence processes and also undertake monitoring and reporting of the investee recommended by us to the funder as a value added service.

### EdelGive investment processes

EdelGive Foundation follows a structured, thorough and highly selective process of due diligence with a strong focus on impact measurement. Its pre-investment process is stringent and three tiered - Research and sourcing, Evaluation of NPO based on organisational and financial parameters and Proposal stage. EdelGive's post investment process is more rigorous which consists of high level of impact measurement mechanisms.

- Planning, reviewing and managing our portfolio of non-profit organisations
- Equipping philanthropists with investment advice customised for the non-profit sector
- Analysing outcomes of philanthropic investments
- Keeping track of individual program milestones and their broader impact, via Quarterly Monitoring Systems

### EdelGive focus areas

Within the Foundation's education portfolio, the investments today reflect the need to move beyond literacy and enrollment to improvements in the public delivery system, particularly the impact on children's learning competencies, shifts in their attitudes and aspirations and the critical link between education and employability.



In the Foundation's livelihoods portfolio, they focus on organisations working to reduce social and economic vulnerability, enhancing the earning potential and negotiating abilities of those at subsistence level and below, and ensuring the sustainability of natural resources on which they depend.

In the women's rights sphere, EdelGive Foundation has partnered with Rockefeller Foundation and Resource Alliance to manage the India NGO Award. It recognises and celebrates excellence in the non-profit sector and creates examples and inspiration for other non-profits, thus promoting overall credibility and cross learning. This year, over 270 applications have been received from across the country from NGOs working on a wide range of issues related to women and children, education, health, livelihoods, environment and arts and culture. The selection of winners is through a rigorous six month multi-stage process and presentations made by the finalists to the eminent panel of jury members.

#### Investee Snapshot

##### Agastya International Foundation

The latest addition to the EdelGive investee portfolio is Agastya International Foundation. Agastya runs the largest hands-on science program in the world. It seeks to build creativity and curiosity in disadvantaged children and teachers in rural India through this science program.

Agastya's most innovative program, Science on Wheels (Mobile Lab) reaches out to remote rural schools through a fleet of mobile science lab that demonstrates experiments to children and teachers across seven states. EdelGive is supporting Agastya in creating a science mobile lab at Alibaug (Maharashtra), which would be equipped with hands-on science models and experiments.

##### Rajasthan Shram Saarthi Association (RSSA)

RSSA was set up by the non-profit organisation, Aajeevika Bureau in 2006, as a Section 25 company, to exclusively address the financial needs of migrant workers and their families who lack access to basic financial services and exclusion from formal economy. RSSA provides migrant families with various financial products and services

- a) For families: Gullak savings, insurance and pension services, credit facilities and referral services.
- b) For migrants: Opening of bank accounts and assisting with remittances to their families.

In FY12-13, RSSA has reached out to over 1700 migrants. RSSA has successfully linked several migrant workers with insurance, bank accounts, loan services and Gullak savings in addition to financial literacy and wealth management services for migrants and their families.

EdelGive has been supporting RSSA since 2010 with funding and returnable grant support.

#### Our Key Events:

##### Palette 2013

Edelweiss and EdelGive Foundation hosted the second edition of 'Palette 2013 - Art under Palms', held at Fountainhead Leadership Center, Alibaug on February 17, 2013. Palette is a unique charity art event that brought beautiful and affordable art to over 600 guests in order to raise funds for non-profit organisations supported by EdelGive Foundation. The event helped raise awareness about EdelGive's work and raise funds from the sale of art for 10 NGOs that support the cause of Education among underprivileged children.

##### Marathon 2013

The EdelGive Marathon fund raising campaign was a huge success that brought together 40 Edelweiss employee runners who dedicated their Marathon run in support of good causes. Over 1000 employees supported and backed them by contributing to this campaign.

##### EdelGive Impact Workshop

EdelGive Foundation conducted its annual 'EdelGive Impact Workshop', a capacity building workshop on fundraising for all its investees. This workshop brought together non-profit organisations from diverse sectors and geographical backgrounds under a common platform to exchange thought ideas and enable peer-to-peer learning. The workshop consisted of uniquely designed sessions conducted by Edelweiss employees and industry practitioners.

##### Olympic Champion Mary Kom

On the success of MC Mary Kom at the London 2012 Olympics where she made India proud by securing a Bronze medal in the 51kg category, a felicitation event at Edelweiss House was hosted for the Olympic medalist and world boxing champion. EdelGive Foundation has been supporting the training costs of Mary Kom over the last three years in association with Olympic Gold Quest.

# Board of Directors

## Mr. Rashesh Shah

### Chairman & Managing Director

Mr. Shah, co-founder of the Company has over 20 years of diverse experience in the financial services industry in India and has been instrumental in building Edelweiss into one of India's leading diversified financial services companies. Prior to founding Edelweiss, he worked with ICICI Limited. He serves on the Boards of various companies and has also served on the Executive Committee of the National Stock Exchange of India Ltd., India's premiere securities exchange. He has in the past served on the Executive Committee of the National Stock Exchange of India Ltd. and presently serves as Chairman, Maharashtra Council of FICCI. He currently serves on the SEBI committee to review the Insider Trading Regulation. His academic qualifications include an MBA from IIM, Ahmedabad and a Diploma in International Trade from the Indian Institute of Foreign Trade, New Delhi.

## Mr. Venkat Ramaswamy

### Whole-time Director

Mr. Venkat Ramaswamy, co-founder of the Company spearheads one of the Company's most strategic businesses Financial Markets & Asset Management. He brings significant experience and expertise on client relationships to Edelweiss. Prior to Edelweiss he worked with Spartek Emerging Opportunities Fund and ICICI Limited. His academic qualifications include an MBA from the University of Pittsburgh, United States of America and a Bachelor's Degree in Electronics Engineering.

## Mr. Himanshu Kaji

### Executive Director

Mr. Kaji is the Group Chief Operating Officer. He is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Stakeholder Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group. Mr. Kaji is a qualified Chartered Accountant with a post graduate diploma in securities law.

Mr. Kaji has over 20 years experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange (BSE) between 1999-2002. Presently he is a member of the Secondary Market Advisory Committee of SEBI.

## Mr. Rujan Panjwani

### Executive Director

An Electrical Engineer by qualification, Mr. Rujan Panjwani has over two and half decades of experience in the financial services industry working across all asset classes. At Edelweiss he helped set up the Group's Treasury and Balance sheet unit. Rujan is now a member of the Assets & Liabilities Committee (ALCO) that primarily oversees the implementation of an effective process for managing Edelweiss' interest rate, liquidity and similar market risks relating to the balance sheet and associated activities, including the adoption of policies, risk limits and capital levels from time to time. He also set up Edelweiss' Global Risk Group – the nodal point for all risk monitoring and management. He is now a member of the Global Risk Committee – the highest decision making body in Edelweiss on Risk-related issues. He also played a role in setting up several businesses for the Edelweiss Group including Asset Management and Credit, for which he had oversight responsibilities till 2012.

## Mr. Narendra Jhaveri

### Independent Director

Mr. Jhaveri specialises in public finance and has over 40 years of experience in the financial services sector. He has occupied important positions in various prestigious institutions including National Council of Applied Economic Research (NCAER), Reserve Bank of India and ICICI Ltd. Mr. Jhaveri rose to become Joint Managing Director and then the Executive Chairman of ICICI Securities Ltd. His academic qualifications include a Masters in Economics from Gujarat University and M.Sc. in Economics from the London School of Economics.



## **Mr. Kunnasagaran Chinniah**

### **Non-Executive Director**

Mr. Chinniah is Managing Director/Global Head of Portfolio, Strategy & Risk Group with GIC Special Investments ("GIC SI"), the Private Equity arm of the Government of Singapore Investment Corporation ("GIC"). He joined GIC in 1989 and has held various positions with the Special Investments Department of GIC in their North American, European and Asian regions. Mr. Chinniah is a Chartered Financial Analyst and his other academic qualifications include a Bachelor's Degree in Electrical Engineering from the National University of Singapore and an MBA from the University of California, Berkeley.

## **Mr. P.N. Venkatachalam**

### **Independent Director**

Mr. Venkatachalam has over 35 years of experience in the banking sector in India and abroad and five years of experience in the software industry in Banking & Finance verticals. He joined State Bank of India in 1967 and retired in 2004 as its Managing Director. He was a member of the Interim Pension Fund Regulatory Authority of India and a Director on the Board of Small Industries & Development Bank of India (SIDBI). He holds a Master's Degree in Economics and is a Certified Associate from the Indian Institute of Bankers.

## **Mr. Berjis Desai**

### **Independent Director**

Mr. Desai is the Managing Partner of J. Sagar & Associates, one of India's leading law firms. He has been practicing for more than 30 years and has a rich and varied experience in the legal field, with specialisation in corporate law, Mergers & Acquisitions, derivatives, securities & financial laws, International Business laws and International Commercial Arbitration. He holds a Masters degree in Law from the University of Cambridge.

## **Mr. Sanjiv Misra**

### **Independent Director**

Mr. Misra has a rich and varied experience of over 25 years in the financial services industry, having worked with various organisations including Goldman Sachs and Citigroup. Mr. Misra is the President of Phoenix Advisers Pte. Ltd., an advisory and principal investing firm and Senior Advisor with Apollo Management. Mr. Misra holds a Bachelor of Arts degree in

Economics from St Stephen's College, Delhi University, an MBA from IIM, Ahmedabad and a Master of Management from the J. L. Kellogg Graduate School of Management.

## **Mr. Sunil Mitra**

### **Independent Director**

Mr. Mitra holds a bachelor's degree in Science from Delhi University and belongs to the 1975 batch of the Indian Administrative Service. He possesses rich and varied experience in public administration and general management having held diverse positions in Government of India such as Disinvestment Secretary, Revenue Secretary & Finance Secretary. In his stint with the Ministry of Finance, Government of India, Mr. Mitra was engaged in the design of significant tax reforms. During his earlier stint with the West Bengal Government, Mr. Mitra was responsible for designing and implementing widespread policy reforms in the State-owned public sector. He also played an important role in the successful demutualisation of the Calcutta Stock Exchange.

## **Mr. Navtej S. Nandra**

### **Independent Director**

A veteran of the global financial services industry, Mr. Nandra is the President of E\*TRADE Financial Corporation. He also serves on the Board of Directors of the Center of Governance, Institutions and Organizations, at the Business School, National University of Singapore.

Most recently, Mr. Nandra was Head of International for Morgan Stanley Investment Management and Chief Strategy Officer for Real Estate Investing and Merchant Banking. In addition, he was CEO of Morgan Stanley Investment Management Ltd., and also served on the Boards of Directors of Morgan Stanley Huaxin Fund Management Company, Morgan Stanley International Ltd., and Morgan Stanley & Co. International plc. Prior to Morgan Stanley, Mr. Nandra's career included senior roles at DTZ Holdings, Merrill Lynch Global Wealth Management, Merrill Lynch Global Investment Banking, The Cambridge Group Inc., and BoozAllen and Hamilton Inc. (now Booz & Co.). He has also served on the Board of Directors of Nuveen Investments, Inc., and Merrill Lynch India Technology Services. Mr. Nandra holds an MBA from the IIM, Ahmedabad, and a Bachelor's degree in Commerce (honors) from the University of Delhi.

# Company Details

## Board of Directors

Rashesh Shah  
Venkat Ramaswamy  
Kunnasagaran Chinniah  
Narendra Jhaveri  
P. N. Venkatachalam  
Berjis Desai  
Sanjiv Misra  
Himanshu Kaji  
Sunil Mitra  
Navtej S. Nandra  
(Appointed w.e.f. May 15, 2013)  
Rujan Panjwani  
(Appointed w.e.f. June 24, 2013)

## Company Secretary

B. Renganathan

## Statutory Auditors

B S R & Associates

## Internal Auditors

Haribhakti & Co.

## Bankers

Allahabad Bank  
Andhra Bank  
Axis Bank Ltd  
Bank of Baroda  
Bank of India  
Canara Bank  
Central Bank of India  
Citi Bank N.A.  
Dena Bank  
Development Credit Bank Ltd.  
Federal Bank Ltd.  
HDFC Bank Ltd.  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
IndusInd Bank Ltd.  
ING Vysya Bank Ltd.  
The Karnataka Bank Ltd.  
Kotak Mahindra Bank Ltd.  
Lakshmi Vilas Bank Ltd  
Oriental Bank of Commerce  
Punjab National Bank  
Ratnakar Bank Ltd.  
SIDBI  
State Bank of Bikaner and Jaipur  
Standard Chartered Bank  
State Bank of Hyderabad  
State Bank of India  
Syndicate Bank  
The Karur Vysya Bank Ltd  
Union Bank of India  
Vijaya Bank  
Yes Bank Ltd

## Edelweiss presence

Across 545 cities  
Covering ~450,000 clients

### Major cities:

#### Domestic

- Ahmedabad • Allahabad
- Bengaluru • Bhavnagar
- Bhopal • Bhubaneswar
- Chandigarh • Chennai
- Goa (Panaji) • Hyderabad
- Indore • Jabalpur • Jaipur
- Jalandhar • Jamnagar
- Jamshedpur • Kochi • Kolkata
- Lucknow • Ludhiana
- Madurai • Mangalore
- Mumbai • NCR • Rajkot
- Ranchi • Surat
- Thiruvanthapuram • Udaipur
- Vadodara • Varanasi
- Vijayawada
- Vishakapattanam

#### International

- Dubai • Hong Kong
- Mauritius • Singapore

### Registered Office

Edelweiss House,  
Off C.S.T. Road,  
Kalina, Mumbai - 400 098.

### Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078.  
Tel: 022-2594 6970 | Fax: 022-2594 6969  
Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)



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# Directors' Report

To the Members of Edelweiss Financial Services Limited,

The Directors hereby present their 18<sup>th</sup> Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended March 31, 2013:

## Financial Highlights

### I. Consolidated Financial Information:

(₹ in million)

	2012-13	2011-12
<b>Total Income</b>	<b>21,840.24</b>	<b>16,706.87</b>
Total Expenditure	19,246.99	14,719.90
<b>Profit before tax</b>	<b>2,593.25</b>	<b>1,986.97</b>
Provision for tax	881.51	680.86
<b>Profit after tax</b>	<b>1,711.74</b>	<b>1,306.11</b>
Less: Share of Minority Interest	(72.87)	28.68
<b>Profit for the year after Minority interest</b>	<b>1,784.61</b>	<b>1,277.43</b>
Add: Surplus brought forward from previous year	8,182.50	7,716.86
Less: Disinvestment in a subsidiary during the year	3.08	-
<b>Profit available for appropriation:</b>	<b>9,964.03</b>	<b>8,994.29</b>
Less: Appropriations		
Interim Dividend	421.67	226.99
Proposed Dividend	76.74	227.34
Transfer to Reserves	403.91	272.22
Dividend Distribution Tax	91.74	85.24
<b>Surplus carried to the Balance Sheet</b>	<b>8,969.97</b>	<b>8,182.50</b>
Earnings per equity share (Face Value - ₹1)		
Basic (₹)	2.35	1.69
Diluted (₹)	2.31	1.66

**II. Standalone Financial Information of Edelweiss Financial Services Limited :**

(₹ in million)

	2012-13	2011-12
<b>Total Income</b>	<b>1,568.69</b>	<b>2,072.91</b>
Total Expenditure	1,097.59	1,313.13
<b>Profit before tax</b>	<b>471.10</b>	<b>759.78</b>
Provision for tax	3.19	73.44
<b>Profit after tax</b>	<b>467.91</b>	<b>686.34</b>
Add: Surplus brought forward from previous year	283.44	106.23
<b>Profit available for appropriation</b>	<b>751.35</b>	<b>792.57</b>
Less: Appropriations		
Interim Dividend	421.67	226.99
Proposed Dividend	76.74	227.34
Transfer to Reserves	46.79	68.63
Dividend Distribution Tax	0.86	(13.83)
<b>Surplus carried to the Balance Sheet</b>	<b>205.29</b>	<b>283.44</b>
Earnings per equity share (Face Value - ₹1)		
Basic (₹)	0.62	0.91
Diluted (₹)	0.60	0.89

**Abridged Financial Statements**

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the abridged annual report containing salient features of the audited Balance Sheet as at March 31, 2013, Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and the Auditors' Report on the Abridged Financial Statements forms part of the Annual Report. Full version of the annual report will be available on the Company's website [www.edelweissfin.com](http://www.edelweissfin.com) and will also be made available to the members of the Company upon request.

**Dividend**

During the year, your Directors had declared and paid an interim dividend of ₹0.55 per share (on the face value of ₹1 each). The Board recommended a final dividend of ₹0.10 per share (on the face value of ₹1 each) for the financial year ended March 31, 2013.

The payment of the final dividend is subject to the approval of the members which is being sought at the ensuing Annual General Meeting and shall be paid to those members whose names appear in the Register of Members of the Company as on

July 15, 2013. The Register of Members and the share transfer books will remain closed from July 16, 2013 to July 26, 2013, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on July 26, 2013.

**Information on the status of affairs of the Company**

Information on the operational and financial performance, among others, is given in the Management Discussion and Analysis Report which is annexed to this Report and has been prepared in accordance with Clause 49 of the Listing Agreement.

**Share Capital**

During the year under review, the Company had allotted 70,43,000 equity shares of ₹1 each on exercise of the options granted to the employees under various ESOP Schemes of the Company.

The disclosures required under the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are given as an annexure to the Report.

## Finance

Your Company had raised money through issue of Commercial Papers from time to time.

Your Company had obtained credit rating of 'CRISIL A1+' from CRISIL for an amount of ₹48.50 billion with respect to short term borrowing, '[ICRA] AA-' for ₹4.50 billion, '[ICRA]AA-pn' for ₹0.80 billion and 'PP-MLD[ICRA]AA-' for ₹0.25 billion from ICRA and 'CRISIL AA-/Stable' from CRISIL for an amount of ₹0.22 billion with respect to various long term debt programme.

## Public Deposits

Your Company did not accept public deposits during the year under review.

## Subsidiaries

During the year under review, the following companies became the subsidiaries of your Company:-

- Affluent Dealcom Private Limited; and
- Edelweiss Securities (Hong Kong) Private Limited.

During the year under review, Allium Finance Private Limited ceased to be a subsidiary of the Company.

During the year under review, Edelweiss Stock Broking Limited (ESBL) merged with Edelweiss Financial Advisors Limited. Consequently, ESBL ceased to be a subsidiary of the Company.

In terms of the General Circular No. 2/2011 dated February 8, 2011 (the Circular) issued by the Central Government in respect of Section 212 of the Companies Act, 1956, the Board of Directors of the Company had accorded their consent for not attaching the balance sheet of the subsidiaries with the accounts of the Company.

Pursuant to the Circular, the financial data of the subsidiaries have been furnished under "Summary of Financial information of Subsidiary Companies" and forms part of this Annual Report.

The Annual Accounts of the subsidiaries shall be available to the members of the Company and its subsidiaries on request and also for inspection at the Registered Office of the Company.

## Directors

In accordance with the requirements of the Companies Act, 1956, Mr. Narendra Jhaveri and Mr. P. N. Venkatachalam, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment.

Mr. Navtej S. Nandra was appointed as an Additional Director of the Company w.e.f. May 15, 2013. He holds office upto the ensuing Annual General Meeting. The approval of the members for appointing Mr. Nandra as a Director of the Company is sought at the ensuing Annual General Meeting.

## Auditors

B S R & Associates, Chartered Accountants, the auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their re-appointment for the current financial year 2013-14 and authorise the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224 (1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit of the Company for the financial year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

### A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken - The operations of your Company are not energy-intensive. However, adequate measures have been initiated for conservation of energy.



- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Not applicable in view of the nature of activities carried on by the Company.
- c) Impact of the measures taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods - Not applicable in view of the nature of activities carried on by the Company.
- d) Total energy consumption and energy consumption per unit of production as per Form A to the Annexure to the Rules in respect of industries specified in the Schedule thereto - Not applicable.

#### B. TECHNOLOGY ABSORPTION

Not applicable in view of the nature of activities carried on by the Company.

#### C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange earnings and outgo (including dividend) during the year under review were ₹65.51 million (previous year ₹133.53 million) and ₹58.33 million (previous year ₹46.01 million) respectively.

#### Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time, forms part of this Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the members of the Company excluding the aforesaid information.

Any member interested in obtaining a copy of this information under section 217(2A) of the Companies Act, 1956, may write to the Company Secretary, at the Registered Office of the Company.

#### Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance together with the Certificate issued by M/s Manish Ghia & Associates, Practising Company Secretaries on compliance in this regard forms a part of this Annual Report.

#### Acknowledgments

The Board of Directors wishes to acknowledge the continued support and co-operation extended by the Securities and Exchange Board of India, Reserve Bank of India, Stock Exchanges, Commodity Exchanges, Insurance Regulatory and Development Authority, Forward Markets Commission, other government authorities, Banks and other stakeholders. Your Directors would also like to take this opportunity to express their appreciation for the dedicated efforts of the employees of the Company.

**For and on behalf of the Board of Directors**  
**Edelweiss Financial Services Limited**

**Rashesh Shah**  
**Chairman & Managing Director**

May 15, 2013

## Annexure to the Directors' Report

### Disclosures as required under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

The Company has seven employee stock option plans, the details of which and the details of options granted upto March 31, 2013 are as under:

Particulars	ESOP 2004 (Scheme F)		ESOP 2006 (Scheme G)			ESOP 2007			ESOP 2008				ESOP 2009	ESOP 2010	ESOP 2011
	I	II	I	II	III	I	II	III	I	II	III	IV			
Approval	Approved by a special resolution passed by the Company at its EGM dated September 17, 2004 for the grant of 2.4 million options under ESOP 2004 Scheme F.	Approved by a special resolution passed by the Company at its EGM dated January 9, 2006 for the grant of 4.8 million options under ESOP 2006 Scheme G.	Approved by a special resolution passed by the Company at its EGM dated July 20, 2007 for the grant of 8.1 million options under ESOP 2007 Scheme I, II & III.	Approved by a special resolution passed by the Company at its AGM dated July 11, 2008 for the grant of 1.2 million options under ESOP 2008 Scheme I, II & IV	Approved by a special resolution passed by the Company at its AGM dated July 11, 2008 for the grant of 1.2 million options under the "ESOP Scheme 2009".	Approved by a special resolution passed by the Company at its AGM dated July 11, 2008 for the grant of 1.2 million options under the "ESOP Scheme 2010".	Approved by a special resolution passed by the Company at its AGM dated July 11, 2008 for the grant of 1.2 million options under the "ESOP Scheme 2011".								
Options granted*	2,77,71,000	1,88,82,000	65,37,500	1,16,45,000	2,17,49,000	56,00,000	-	56,00,000	-	-	-	-	2,63,75,000	2,28,10,000	4,23,94,600
The pricing formula	Note 2														
Options vested	2,33,49,320	1,57,80,000	65,37,500	1,16,45,000	2,17,49,000	54,52,000	-	54,52,000	-	-	-	-	-	46,06,500	-
Options exercised	1,64,67,360	99,00,000	12,09,000	1,64,000	1,22,000	-	-	-	-	-	-	-	-	-	-
Total number of shares arising out of exercise of options	@1,64,67,360	^99,00,000	#12,09,000	1,64,000	1,22,000	-	-	-	-	-	-	-	-	-	-
Options forfeited/lapsed/cancelled	96,93,140	15,66,000	35,06,000	65,93,000	81,33,000	56,00,000	-	29,22,000	-	-	-	-	1,03,00,500	65,85,500	50,61,050
Variation of terms of options	-	-	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	-	-	-	-	-	-	-	-	-	-
Money realized by exercise of options (₹)	7,38,31,051	8,77,97,373	2,82,32,166	93,71,332	1,01,82,920	-	-	-	-	-	-	-	-	-	-
Total number of options in force	16,10,500	74,16,000	18,22,500	48,88,000	1,34,94,000	-	-	26,78,000	-	-	-	-	1,60,74,500	1,62,24,500	3,73,33,550

\*Includes re-issue of forfeited / lapsed / cancelled options. @2,47,800 Options were exercised in FY2012-13 but the equity shares were allotted subsequently in FY2013-14. ^26,76,000 Options were exercised in FY2013-14. #26,76,000 Options were exercised in FY2012-13 but the equity shares were allotted subsequently in FY2013-14.

**NOTES:-****1. Details of options granted during the fiscal 2013:**

Particulars	Options granted under ESOP 2011 Scheme
a) Directors and key managerial personnel	
Mr. Narendra Jhaveri	50,000
Mr. Berjis Desai	50,000
Mr. P. N. Venkatachalam	50,000
Mr. Sanjiv Misra	50,000
Mr. Sunil Mitra	50,000
Mr. Himanshu Kaji	8,00,000
Mr. S. Ranganathan	3,00,000
Mr. B. Renganathan	37,750
b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	
Mr. Durga Prasad Jhawar	12,00,000
c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None

**2. Pricing Formula :**

a) ESOP 2004 Exercise price of options	₹1.04 to ₹16.67
b) ESOP 2006 Exercise price of options	₹7.92 to ₹16.67

**c) ESOP 2007 (I)**

Period during which vested options are exercised	From October 1, 2010 to September 30, 2014
Exercise price payable for such vested options	₹21.70

**ESOP 2007 (II)**

Period during which vested options are exercised	From July 1, 2010 to June 30, 2011	From July 1, 2011 to June 30, 2015
Exercise price payable for such vested options	₹50.00	₹33.30

**ESOP 2007 (III)**

Period during which vested options are exercised	From January 1, 2010 to December 31, 2013
Exercise price payable for such vested options	₹51.70



**d) ESOP 2008 (I)**

Period during which vested options are exercised	From January 1, 2011 to December 31, 2011
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

**ESOP 2008 (II)**

Period during which vested options are exercised	From January 1, 2012 to December 31, 2012
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

**ESOP 2008 (III)**

Period during which vested options are exercised	From January 1, 2013 to December 31, 2013
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

**ESOP 2008 (IV)**

Period during which vested options are exercised	From the vesting date to December 31, 2013	From January 1, 2014 to December 31, 2014
Exercise price payable for such vested options	Higher of price after 10% discount to the Market Price as on the exercise date or ₹120.00.	Price after 10% discount to the Reference price.

**e) ESOP 2009**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

**f) ESOP 2010**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

**g) ESOP 2011**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

3. Diluted EPS for Fiscal 2013 - ₹0.60 per Equity Share

4. Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options):

The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, the employee compensation would have been higher by ₹204.36 million and the profits would have been lowered by ₹204.36 million.

5. Impact on the profits and EPS for fiscal 2013, if the Company had followed the accounting policies specified in Clause 13 of the ESOP Guidelines:

Impact on Profit	Impact on Basic EPS	Impact on diluted EPS
Lowered by ₹204.36 million	Lowered by ₹0.27	Lowered by ₹0.26

6. Significant assumptions made during the year to estimate the fair value of options:

i. Risk-free interest rate	6.50% - 8.00%
ii. Expected life	3.19 – 9 years
iii. Expected volatility	16.29% - 47.70%
iv. Expected dividend yield	0.4% - 2.19%

The following statement summarises the information about stock options outstanding as at March 31, 2013:

Particulars	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010	ESOP 2011
- Range of exercise price	₹1.04 to ₹16.67	₹7.92 to ₹16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	₹39.44 to ₹50.26	₹41.40 to ₹61.00	₹24.60 to ₹37.80
- Number of shares arising out of options	16,10,500	74,16,000	18,22,500	48,88,000	1,34,94,000	26,78,000	1,60,74,500	1,62,24,500	3,73,33,550
- Weighted average life of outstanding options (in years)	1.49	1.99	1.50	2.25	0.75	0.75	3.18	3.41	4.65
<b>Weighted average exercise prices of stock options</b>									
- outstanding at the beginning of the year (₹)	10.26	9.46	21.70	33.30	51.70	34.82	40.11	48.93	37.27
- granted during the year (₹)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	29.04
- forfeited/cancelled during the year (₹)	N.A.	7.92	21.70	33.30	51.70	34.82	39.44	47.18	33.39
- exercised during the year (₹)	8.13	7.92	21.70	33.30	N.A.	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year (₹)	13.35	10.75	21.70	33.30	51.70	34.82	40.14	48.89	32.63
- exercisable at the end of the year (₹)	13.35	10.75	21.70	33.30	51.70	34.82	40.14	48.89	37.25

The weighted average market share price during the year is ₹32.86 (previous year: ₹30.61).

Note: Exercise price of grants and number of Option has been computed after making adjustment for splits, bonuses and consolidation since institution of the employee stock option plans.

**For and on behalf of the Board of Directors**  
**Edelweiss Financial Services Limited**

**Rashesh Shah**  
**Chairman & Managing Director**

May 15, 2013

# Management Discussion & Analysis Report

## MACRO-ECONOMIC ENVIRONMENT

### ECONOMY: REVIEW AND OUTLOOK

The Indian economy has seen a sustained downturn over the last two years with the result that GDP growth was merely ~5% in FY13 – slowest pace of expansion in nearly a decade. Despite such a sharp slowdown, inflation concerns have persisted with WPI inflation ruling over 7% in FY13 and CPI inflation still running close to double-digits. At the same time, Current Account Deficit (CAD) as a percentage of GDP has continued to widen in recent years and was at an all time high of ~5% in FY13. Along with this, the fiscal deficit also continued to present challenges to economy; though the Union Budget 2013-14 did try to assure greater level of discipline over fiscal deficit. High CAD and fiscal deficit together present some of the most serious challenges to bringing Indian economy back on the path of growth. Such a prolonged slowdown has been the result of a confluence of factors – lingering administrative bottlenecks and associated slowdown in project clearance, large fiscal spending, tight monetary conditions and weak external demand.

However, during second half of FY13, there was some stability in macro environment, largely as a result of a series of steps undertaken by the government such as liberalising of FDI regime in certain sectors, rationalisation of retail fuel prices and reining in of fiscal spending; although a lot more remains to be done. While the situation appeared to be improving, some recent developments on political front have once again raised concerns about Government's ability to carry forward the reform process.

The early signs of macroeconomic stability that we are seeing are:

- a) **Receding inflation concerns:** After a long phase of elevated inflation, price pressures (particularly with regard to core inflation) are receding in the economy led by weakening demand and recent fall in international commodity prices. In the coming year, in which we can expect core inflation to remain contained to around 5-5.5% as indicated by RBI, trend in food inflation will be determined by the ensuing monsoon and quantum of MSP hikes by Government.
- b) **Signs of a more accommodative Monetary Policy:** Amidst a sustained phase of high inflation and expansionary fiscal

policy, RBI had to pursue a tight monetary regime to contain inflation. However in the beginning of FY13, it started to reverse the rate cycle in a cautious manner. As we moved into FY14, RBI once again announced a calibrated reduction in repo rate while adding that further cuts may have to wait. However, the monetary transmission so far has been very poor in the banking industry, though the same has been significant in the bond markets. Going forward, RBI will have to support liquidity conditions so that policy rate cuts can be transmitted to wider economy.

- c) **Attempts to revive business confidence:** One of the major reasons for investment cycle slowdown is significant erosion in business confidence. Administrative logjam has intensified over last couple of years, leading to a large number of projects being shelved and businesses holding back fresh capex plans. However, since September, Government has taken a slew of politically difficult measures like diesel price hikes and FDI in retail, etc. to tackle the same. The Finance Minister also assured a stable and equitable tax regime and deferred the implementation of GAAR to boost confidence of foreign investors.
- d) **Record Current Account Deficit (CAD) amidst considerable fiscal tightening:** Current Account Deficit (CAD) in FY13 is the highest ever at ~5% of GDP as gold and oil imports rose sharply, while exports declined on weak external demand. High CAD increases macro vulnerability, as the country has to rely on fickle foreign flows to fund the CAD. However, recent fall in oil and gold prices and restrictions on gold imports should contain CAD. Moreover, improving global economy has also resulted in exports gaining traction. So overall CAD may have seen its worst and is expected to improve in FY14.
- e) **Global developments:** The external economy has been weak throughout FY13 and this is reflected in poor performance of India's exports. However, financial risks in global economy have subsided substantially with interventions by major central banks, particularly ECB. In late 2012, ECB provided a much-needed lifeline to European troubled sovereigns by announcing Asset Purchase Programme. Meanwhile, economic data particularly from the US, suggests an improving trend including better US housing and labour markets, which have been at the heart of global problems since 2008. Both these developments augur well for global economy.



However, despite these expected improvements, expected GDP growth for the country in FY14 is likely to be marginally higher at ~6% only.

### Capital Markets

FY13 bought some respite to investors, after a dismal FY12. The year started on a worrying note, owing to announcement of retrospective taxing of FIIs. However, a change of guard at Finance Ministry turned things around, with Government announcing a series of reforms like FDI in retail, diesel price hike and restructuring of SEBs etc. ECB's announcement of OMT (Outright Monetary Easing) and Fed's QE3 further added liquidity and support to markets. This resulted in India's outperformance among Emerging Markets, with FIIs pumping in ~USD 26 billion of inflows during the year. However, markets corrected in the last quarter owing to global cues and political uncertainty faced by Government. Within Capital Markets however, fresh capital raising activity continued to suffer the most with capex investment cycle grinding to a near halt. Going forward, FY14 looks like a year of improving macros, but politics could be an overhang on the markets with national elections barely a year away and corporate business confidence being low.

### Emerging Markets

FY13 was a volatile year for Emerging Market equities with markets rallying in Q2 and Q3 of FY13 but declining in the first and last quarters. Improvement in US data, Japan's "Abenomics" and growth not recovering in Emerging Markets resulted in the outperformance of Developed Markets. Among Emerging Markets, Brazil, Russia and South Africa were among the worst performers, while smaller markets namely Turkey, Philippines and Mexico outperformed. Main highlights of FY13 were ECB's commitment that it will do anything to save the Euro and Quantitative Easing in US. Going forward in FY14, global liquidity should continue to remain high. However, growth would be the main attraction of foreign investors to Emerging Market equities.

### Commercial Credit Markets

Indian commercial banks' non-food credit grew around 14% in FY13, lower than that of the previous year. Though interest rates began their journey southward this year, lack of investment demand on the back of slowing economy resulted in subdued growth, when seen in the backdrop of 20%+ growth witnessed till about two years ago. Apart from this, banks, especially public sector banks, also had to combat deteriorating asset quality as a direct fallout of slowing economy. Credit growth and asset quality

of PSU and private banks going forward, is likely to show divergent trends. While PSU banks' slippages will remain high in the near term, we expect private players to fare well. With a cut in lending rates, coupled with gradual improvement in macro conditions, we expect stress to reduce over the medium term and credit growth to occupy centre stage once again.

While commercial banks continue to remain the dominant source of debt capital in India, NBFC credit also supports credit growth in the country. NBFCs have been growing at a higher rate than banks due to a smaller base. Non-bank credit growth thus presents a large and growing opportunity in both Corporate and Retail Finance.

### Debt Markets

The Government's commitment to rein in fiscal deficit and associated reforms in H2FY13 were welcomed by debt markets. These steps have ushered a regime of much needed fiscal discipline and averted the spectre of a sovereign rating downgrade. This together with reduction in repo rates resulted in a sharp uptick in appetite for debt market instruments in second half of the year compared to a cautious first half.

The efforts of Government and regulatory bodies continue to be directed at deepening bond markets, especially the Corporate Debt segment, where volumes are yet to pick up. Attracting liquidity to various sub-segments is key to achieving this momentum and it is with this objective that SEBI has decided to provide a dedicated debt segment on the exchanges. The availability of a screen based trading interface is expected to bring in increased pricing transparency, thereby widening investor base and ramping up liquidity. This can potentially have a favourable impact on some of currently dormant initiatives like Corporate Bond Repos and CDS, which are imperative for an integrated debt market ecosystem. With the monetary transmission being more efficient in bond markets, a large number of top rated corporates have mobilised significant amount of debt capital in the beginning of FY14 which augurs well for the bond markets.

Other big-ticket reforms in debt space have been enhancement of FII debt limits and liberalisation of FII debt investment norms. FII appetite for Indian rupee debt was robust despite weakening currency and net foreign flows into Indian bonds aggregated around USD 5 billion in FY13. The Government responded to FII demand by hiking investment limits by USD 10 billion in Government long-term debt and USD 5 billion in corporate long-term debt. Overall, investment process was also further

simplified and an auction mechanism to secure limits has been replaced by an “on-tap” system in case of corporate debt until limit utilisation reaches 90%. These reforms coupled with improving macroeconomic outlook will keep up the pace of FII inflows.

## EDELWEISS OVERVIEW

### A FULLY DIVERSIFIED FINANCIAL SERVICES GROUP

Edelweiss Financial Services Limited (EFSL), incorporated in 1995, started as a niche Investment Banker with a focus on private equity advisory. Over the last 17 years, Edelweiss has successfully followed a strategy of synergistic diversification of its businesses and built a portfolio of cutting-edge high growth businesses in financial services. It has de-risked and reduced volatility by diversifying across businesses, asset classes, client segments and geographies. It has created a portfolio of scalable and high growth businesses by expanding addressable market segments and client segments. This strategy has well supported operations of Edelweiss across cycles by bringing stability to its performance. As a result, Edelweiss has emerged as a truly diversified leading financial services organisation with a large range of products and services covering multiple asset classes and consumer segments and well diversified revenue streams.

The Company's research and analytics driven approach and consistent ability to spot, innovate and capitalise on Emerging Market trends has enabled it to foster strong relationships across clients spanning sovereign funds, corporates, SME, institutions – foreign and domestic, HNI, mass affluent, retail and low income group clients.

Edelweiss in its early days focused on being a niche player in private equity under corporate finance advisory and then diversified into other wholesale and financial markets businesses. Until 2008, Edelweiss was earning about 70% of its revenue from financial market related activities and wholesale segment accounted for almost 100% of its revenue. However, in order to diversify and enter into retail businesses which presented large opportunities, the company followed its objective of building a fully diversified set of businesses in financial services during the period 2008-2012. As a result, after five years, today financial markets related businesses account for only about 20% of the consolidated revenue of EFSL. The Company is also well on its chosen path of achieving its objective of having a healthy mix of revenue from wholesale and retail businesses.

**From catering to a few hundred wholesale clients in 2008, Edelweiss Group now has an account base of nearly 450,000 clients from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 250,000 DP accounts.**

While diversifying and continually adding newer businesses to its portfolio, the Company has also demonstrated a strong track record of growth over the last several years with its 10 year CAGR for Revenue at 71% and PAT at 81% till the end of FY13. The company's phenomenal growth has been powered by strategic vision, strong belief and adherence to its core values and guiding principles, its ability to raise capital and deploy it judiciously, attract and retain talent and a strong focus on technology, corporate governance and risk management.

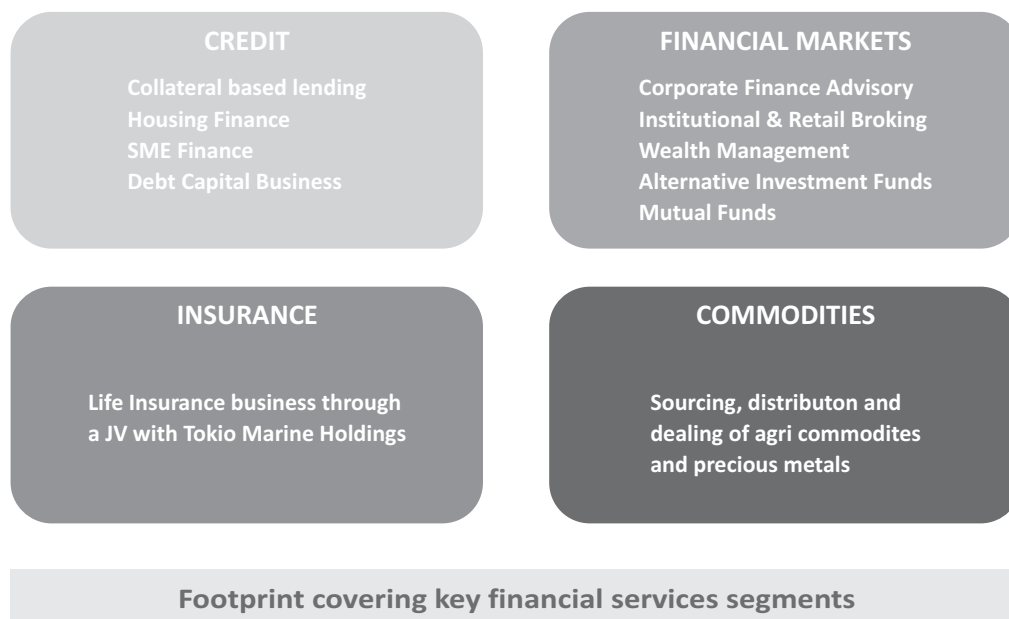
**We are happy to note that Edelweiss Financial Services Limited has been voted “Best Midcap Company” in India by the readers of Hong Kong based Finance Asia, Asia's leading financial publishing house, in its annual poll recently.**

**Edelweiss has also recently won the award for “Best Corporate Governance, India 2013” from the London based Capital Financial International Jury.**

### ORGANISATIONAL STRUCTURE

At Edelweiss, we have constantly worked towards building our product lines and managing our growth in the last decade. As we pursue more business opportunities, and as the Company grows and becomes more complex, we have to ensure that we remain efficient and effective. This requires constant effort towards organisation building, leadership growth and sharpening our backend systems, processes and technologies. Further, as our client base gets larger, more diverse and geographically spread, we must find newer ways of meeting their expectations in an innovative, customer-centric and consistent manner. We also must remain on our toes to identify and control newer risks.

To meet future challenges, we have organised the businesses of Edelweiss around four broad business groups – **Credit including Housing and SME Finance, Financial Markets including Asset Management, Commodities and Life Insurance**. Each of these four business groups is, in turn, organised around Strategic Business Units (SBUs) catering to a specific vertical within the business group, based on commonality of business drivers, client segments, resources and backend support required. Finally, each SBU comprises several lines or sub-lines of businesses (LoBs) to impart greater focus on customer-centricity and performance evaluation of their specific business.



With the designed diversification in nature of businesses from agency-based to capital-based, the Group also has to increasingly manage its liquidity and liabilities as also to ensure proper asset liability match. The Treasury & Balance Sheet Management Unit (BMU) manages these vital functions.

These four business groups and Treasury & BMU are controlled and supported by a core of Enterprise groups that provide consistent quality and rigour to key process functions. These groups focus on improving efficiency and productivity and enhance our ability to deal with increasing complexity. As a part of organisation build out, we have also invested significantly in our risk management policies, HR processes, people and technology so that we are able to build a large efficient organisation and manage its complexities well.

Our organisational structure is nimble, supple and evolving. While all the SBUs will drive synergies as well as address common needs, at an overall Edelweiss level there is oneness on key areas such as core value systems, culture, long-term strategy and allocation of key resources. At the same time, in order to build the SBUs into large independent businesses, some of the enterprise functions are being gradually decentralised so that they resemble, think and function like independent companies. This will align the enterprise functions to specific business requirements of respective SBUs and improve decision-making process. We have made a beginning in this direction in FY13 and will take it forward in the next year.

The diverse businesses of Edelweiss are conducted through an organisational structure consisting of 44 subsidiaries. These subsidiaries are regulated by various regulators in the country depending upon the business being handled by them. We have a presence in 106 major cities through 211 offices including three international offices as on March 31, 2013. Together with a nearly 4,000 strong network of Authorised Persons and Sub-brokers, Edelweiss footprint covers nearly 545 cities across India including about 280 tier 3 to 5 towns. Edelweiss Group employs 3,907 employees, leveraging a strong partnership and ownership culture.

## EDELWEISS STRATEGY

Ever since its inception, Edelweiss has successfully followed the strategy of synergistic diversification while focusing on people, processes, products and structure. This strategy has stood us in good stead as demonstrated by the resilience of our business model across cycles. Since inception, Edelweiss has recorded significant improvement in its topline by adding newer lines of businesses. In recent past, the diversification strategy has resulted in growth in financial and business parameters successively in the past six quarters on a quarter-on-quarter basis despite the operating environment being challenging.

At the core, our broad strategy, which has resulted in our success over the years, has remained tied to following eight key pillars:

- Strong Governance & Compliance Culture
- Focus on Risk Management
- Strong and Liquid Balance Sheet
- Commitment to People and Leadership Development
- Leveraging Technology for Strategic Advantage
- Quality Customer Centricity
- Research & Analytics based decision making
- Culture of Social Responsibility

These pillars constitute **key strengths** of Edelweiss vis-a-vis competition. They have enabled us launch new businesses, scale them up, gain market share and achieve a leadership position over past 17 years. As a result, we have a core leadership team, a broad array of products and services, a strong foundation of large financial capital, a brand that is well recognised and most of all: clients who want to do business with us repeatedly. At its core, the strategy is governed by the aspiration to become a bridge between savers of capital and users of capital, by channelising savings into investments efficiently. Following this broad strategy, despite environment in recent past having been tough, we have grown our share in financial services industry in both relative and absolute terms as well as post perceptible improvement in our financial and business performance.

## FINANCIAL PERFORMANCE HIGHLIGHTS

In the post-global financial crisis era, year 2010-11 had witnessed return of growth and higher levels of activity in markets. As a result, most of the corporates had posted slightly better earnings in FY11 compared to previous year. However, improvement in business climate was short-lived as towards the end of FY11, environment had again turned challenging on the back of Eurozone sovereign debt crisis and a weak U.S. recovery coupled with a host of domestic issues. As a result, the next year i.e. FY12 turned out to be significantly worse. At the same time, we at Edelweiss continued to run the last lap of the marathon to diversify our businesses, which we started in 2008-09. This also entailed significant investment in building new businesses, which passed through our Profit & Loss account. Tough operating conditions and investment in new businesses, therefore, resulted in our profitability bottoming out in Q2FY12.

However, with investment phase nearing its end and despite no significant improvement in operating conditions, strategy of diversification of businesses started paying out dividend and our financial and business parameters have started improving since Q2FY12. We have maintained the trend of recording consistent

improvement in our financial and business parameters quarter on quarter in whole of FY13 as well, taking the trend to six consecutive quarters by now. As a result, we recorded a YoY growth of 31% in our total revenue this year and our profit after tax and minority was higher by 40% over FY 12.

We also devoted FY13 to improving capital and operating efficiencies. With no significant improvement expected in environment, we will continue to focus our energies towards eking out incremental growth and further improving efficiency and productivity in FY14. This should hopefully place us on path to strong growth in the following years.

As mentioned earlier, over last 10 years, our total revenue has grown at a CAGR of 71% and net profit has increased at a CAGR of 81% as at the end of FY13. Thus, our performance across market cycles demonstrates our ability to withstand impact of external forces and yet be able to build a robust and agile company that can exploit growth opportunities and turn them into business whenever they re-appear.

## CONSOLIDATED FINANCIAL HIGHLIGHTS FOR FY13

- \* **Total Revenue of ₹21,840 million** (₹16,707 million for FY12), up 31%
- \* **Profit after Tax of ₹1,785 million** (₹1,277 million for FY12), up 40%
- \* **Diluted EPS of ₹2.31** (₹1.66 for FY12) (FV ₹1)

The Board of Directors has recommended a final dividend of ₹0.10 per equity share (on a face value of ₹1) for FY13, subject to approval of members of the company at the ensuing Annual General Meeting. During the year, the Company had paid interim dividend of ₹0.55 per equity share (on a face value of ₹1). The total dividend for FY13, therefore, works out to ₹0.65 per equity share (FV ₹1), which is equal to 65% Dividend Rate.

## BUSINESS INCOME HIGHLIGHTS

Of the four business groups of Edelweiss, Credit and Commodities businesses together with Treasury & BMU are capital-based contributing to the revenue by way of interest and other capital-based income. Of the remaining two, Financial Markets business is an agency businesses generating fees & commission and Life Insurance business earns premium income. Some of the capital businesses also generate fee & commission income while executing client transactions.



### Capital Based Revenue

Our capital-based businesses earned interest and treasury related revenue of ₹18,122 million for FY13 (₹13,387 million for FY12), a significant rise of 35% over the previous year. Out of this, interest income was ₹15,355 million (₹10,660 million for FY12), up 44%.

Continuing our efforts since FY11, with scale up of credit book this year, interest on loans emerged as a major revenue stream for us and accounted for nearly one-third (32%) of our total revenue for FY13.

### Agency Fee & Commission

Our agency businesses recorded a fee & commission revenue of ₹3,194 million for the year, similar to FY12 revenue of ₹3,213 million. This included Securities Broking Income of ₹1,394 million (₹1,401 million for FY12) and Advisory & Other Fees of ₹1,632 million (₹1,670 million for FY12). Securities Broking income accounted for 6.4% of our total revenue for FY13.

The slowdown in capital market activity levels, which began in third quarter of FY11, continued through FY12 and FY13. Corporate Finance and Advisory services were also lacklustre with new capital raising from the markets at extremely low levels. Hence, the industry witnessed its revenue pool being static and even lower in some verticals in FY13 compared to previous year. Despite this, we have been able to protect our Agency Fee & Commission revenue.

### Premium from Life Insurance Business

Our life insurance business was launched in second quarter of FY12 and it recorded a total premium of ₹525 million for the year (₹107 million for FY12) reflecting the planned scale-up of this business. We expect this revenue stream to grow significantly in the years to come.

### Net Revenue

With growth in income from our capital-based businesses, the concept of Net Revenue (net of interest cost) has become more appropriate to us. This is because interest cost, as with all Banks and large NBFCs, should reflect above the expenses line. On a net revenue basis, our Agency fee & commission and insurance premium for the year was ₹3,719 million (₹3,320 million for FY12) and Capital based net revenue – net of interest cost, all the interest cost being for capital revenue – was ₹6,988 million (₹5,090 million for FY12). Thus the total net revenue for FY13 was

₹10,707 million (₹8,410 million for FY12), showing a 27% growth. At the net revenue level, Agency & Insurance revenue and Capital based net revenue contribute a balanced mix of 35% and 65% respectively.

### EXPENSES

Our total costs this year were ₹19,247 million compared to ₹14,720 million in FY12, an increase of 31%.

With the scale up of insurance business, amount of change in life insurance policy liability – actuarial passing through the P&L Account is also increasing. This year onwards we have, therefore, started showing it as a separate expense item. This will also enable a more consistent comparison of operating expenses.

Despite economic downturn, we continued to invest in build out of our new and growth businesses and carried on hiring for some of the new businesses like Life Insurance and Retail Finance. We also continued to hire selectively in senior positions as part of our organisation building process. As a result, we added about 800 employees during the year contributing partly to the 34% escalation in our employee costs in FY13.

Our borrowings in FY13 were higher compared to the previous year by ₹11.19 billion reflecting the scale up in credit book by ₹17.87 billion. However, at the same time our average cost of borrowings for FY13 was 10.1%, higher by about 40 basis points YoY. Both these factors resulted in our finance cost increasing by 34% in FY13 over FY 12.

### PROFIT AFTER TAX

Our Profit after Tax and Minority for FY13 was ₹1,785 million compared to ₹1,277 million for FY 12.

### Analysis of Profitability

As mentioned earlier, despite the operating environment being tough, we have demonstrated consistent improvement in profitability in each of the past six quarters on a QoQ basis because of the diversification strategy that we have actively implemented. While our profitability is on an upward trajectory, it was still impacted by the following factors:

- FY13 was one of the toughest years for Financial Market businesses leading to industry revenue pool remaining static or even shrinking in some verticals. This reflected in our Agency Fee & Commission remaining flat in FY13 compared to FY12.
- Despite marked slowdown in the industry, we continued to invest in building our new businesses, namely, Life Insurance

and Retail platforms – Housing & SME Finance, Retail Financial Markets and AMC for long-term growth. Investment in all these initiatives by way of build out cost passed through our Profit & Loss Account.

- We also continued to invest in organisation building and infrastructure upgrade. In addition, certain investments such as loan to our employee trust, which are currently non-yielding but long-term accretive, are causing a drag on our profitability.
- Cash burn in our newest business, Life Insurance, while being as per the plan, also impacts our profitability as we currently hold 74% equity in the JV.

All these factors, therefore, affected our bottom line and margins for the year. While some of the businesses like Retail Financial Markets and Retail Finance have now broken even, the costs associated with planned scale up of insurance business will be somewhat higher going forward. However, excluding the loss in insurance business, our net profit for FY13 would have been around ₹2,430 million. With our Tangible Equity at ₹26,550 million as on March 31, 2013 (excluding goodwill, deferred tax assets and loan to employee trust), the return on tangible equity thus comes to around 11% for FY13, which is around 4% higher than the reported Return on Equity. Our Cost to Income Ratio excluding insurance has moved from 71% in FY12 to 67% in FY13. The improving trend is better visible if we see that this ratio for Q4FY13 is 63%.

Since the Life Insurance business has a long gestation period and the capital structure of our Life Insurance JV leads to cash burn passing through P&L, though its effect at the balance sheet level is different, we consider it appropriate to analyse our profitability ex-insurance. The year FY13 was thus a year of consolidation for us and marks the point of inflection in our financial performance. At the same time, with the investment phase complete, we are currently focusing on improving efficiency and productivity. Our profitability ex-insurance, therefore, should maintain its upward trajectory barring any drastic changes in environment.

Our Profit before Tax margin for the year was 12% and Profit after Tax margin 8%. Since a larger share of revenue is now coming from capital-based businesses (83%), the profit margins are aligned with those of the banking and large NBFCs industry.

As a part of our constant efforts to enhance our disclosure levels, we had included an analysis on profitability and capital efficiency of our main business groups in the Annual Investor Presentation for FY12, which was shared with all the stakeholders and is available on our website. Continuing this endeavour, the business-wise financial data based on Management's estimates for FY13/as on March 31, 2013 is as under:

(₹million)	Revenue	Profit before Tax	Tangible Equity <sup>1</sup>	Tangible Capital Employed <sup>1</sup>	Pre-tax RoE	Pre-tax RoA
Credit	8,950	1,990	10,250	60,650	19%	3.3%
Financial Markets & Asset Management	4,570	320	3,400	12,570	10%	2.6%
Commodities	4,270	880	3,950	23,470	22%	3.7%
Treasury BMU <sup>2</sup>	3,070	360	2,350	29,950	15%	1.2%
Corporate & Unallocated <sup>3</sup>	-	-310	2,040	10,680	N/A	N/A
Total - Ex Insurance	20,860	3,240	21,990	137,320	15%	2.4%
Insurance	980	-650	4,560	4,560	N/A	N/A
Total	21,840	2,590	26,550	141,880	10%	1.8%

Notes: Numbers are Management Estimates

<sup>1</sup> Does not include Goodwill, Deferred tax assets and shares owned by employee trust; capital employed in Financial Markets and Asset Management includes Retail Loans against Securities ₹5,070 million

<sup>2</sup> Treasury and Balance Sheet Management Unit

<sup>3</sup> Investments in office building, Strategic Investments and Advance tax paid

The above table shows that all our existing businesses, except Life Insurance, are now either already achieving acceptable profitability and capital efficiency parameters or are on the way of doing so in the next one year or so. The Life Insurance business, given its inherent nature, will take a while before it breaks even.

## Balance Sheet

Edelweiss has a total net worth of ₹29.95 billion at the end of FY13, including minority interest. Amount of debt on the Balance Sheet as on March 31, 2013 was ₹115.33 billion, a Gearing Ratio of 3.85 times. However, a significant part of our borrowings is backed by liquid assets like Bank Fixed Deposits and Government Securities. Excluding such back-to-back borrowings, our adjusted Gearing Ratio stands at 2.80 times as on March 31, 2013. Such a comfortable leverage allows us enough headroom to continue to invest in businesses.

The pre-tax Return on Assets (ROA) tax for the Group increased from 1.5% in FY12 to 1.8% in FY13. The Group registered a pre-tax Return on Equity (ROE) tax of 8.7% in FY13 compared to 6.9% in FY12 (an increase of 26%).

The effective Balance Sheet size at the end of FY13 was ₹145.28 billion, ₹12.39 billion or 9% higher than the corresponding number of ₹132.89 billion at the end of FY12. During the same period, Credit book scaled up by ₹17.87 billion, thus indicating a release of assets by treasury operations. More importantly, Net Profit ex-insurance increased by 66% in the same period as against an increase of 10% in assets ex-insurance, clearly indicating the non-linear growth that we have achieved evidencing capital efficiency in FY13. We hope to continue non-linear growth in FY14 as well, though may not be at the same percentage level.

## BUSINESS PERFORMANCE HIGHLIGHTS

### CREDIT BUSINESS

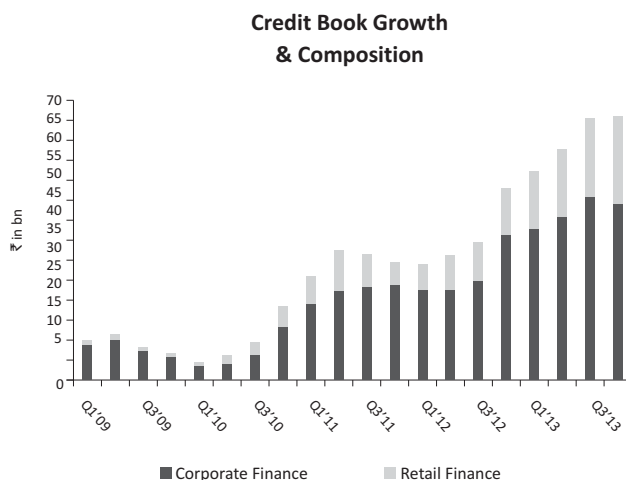
Our Credit business includes Wholesale Finance SBU and Retail Finance SBU. The Wholesale Finance SBU comprises Corporate Finance and Debt Capital business including Fixed Income Advisory (Syndication and Restructuring). The Retail Finance SBU encompasses LoBs such as Housing Loans, Loan against Property (LAP), Lease Rental Discounting (LRD) and SME Finance. Mid-to-large corporates, HNI, Retail and SME customers constitute key clientele.

Edelweiss had launched wholesale finance business in 2007 and has successfully diversified into many different, though interdependent, lines of credit businesses, which enable us to capture opportunities across entire fixed income domain by harnessing synergies between the principal and agency sides of

this business and providing alternative solutions to clients for meeting their debt requirements. Similarly, the Retail Finance SBU draws synergies across the large retail segments together with other similarly grouped lines of businesses.

In the business environment, though commercial credit from banks witnessed subdued growth in FY13, NBFCs were still able to grow their books selectively. In addition, with equity capital raising being on the backburner, debt markets presented better opportunities for scale up of Credit business. The total loans in Edelweiss' Credit book touched a level of ₹65.72 billion as on March 31, 2013 compared to ₹47.85 billion as on March 31, 2012, a growth of 37%. The book comprised of corporate loans of ₹44.37 billion and retail loans of ₹21.35 billion. Retail loans now constitute 32% of credit book.

The growth and composition of the Credit Book over the past few quarters has been as under:



Average **collateral cover** in our credit book, collateralised with securities, was 2.4 times as on March 31, 2013. We continue to enforce prudent risk management policies to ensure that our capital is always preserved. As a part of this policy, we also avoid undue sector/industry concentration in our credit book.

**Asset quality** of our credit book broadly continues to remain satisfactory. However, with the investment climate worsening and markets being volatile, there was some pressure on collateral cover for our loans and in sporadic cases, the delinquencies also went up. Gross non-performing loans thus went up to ₹285 million at the end of FY13 compared to ₹226 million at the end of FY12. However, growth in Gross NPLs was lower in percentage

terms than the growth in the overall Credit book leading to a lower Gross NPA ratio of 0.43% as on March 31, 2013 compared to 0.47% as on March 31, 2012. Our Net NPA ratio is 0.11% as on March 31, 2013 compared to 0.14% as on March 31, 2012 indicating a healthy Provision Coverage Ratio of 74%. We provide general loan loss reserve on standard assets as per the RBI guidelines. Including this prudential provision, total provision cover on our Gross NPLs stands at 131%.

### **Retail Finance**

As a part of our articulated strategy of diversifying into retail segment, Edelweiss launched Housing Finance as a part of Retail Finance in the third quarter of FY11. It has now further diversified into Loans Against Property, Small Ticket Housing Loans and SME Finance.

### **Housing Finance**

The Indian housing finance market continues to grow significantly (year on year basis) on the back of young demographic profile that India enjoys and the fact that it is the aspiration of every Indian to own a home. In addition, migration of working class from rural to semi-urban and urban cities will also drive demand for housing in these cities. This business, therefore, presents exciting and large opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams. This business, including Loan against Property, is also an integral part of our strategy to diversify our asset classes and cover a larger retail footprint together with significant opportunities to cross-sell our other products to retail clients. During the year under review, we forayed into grant of Small Ticket Housing Loans in five cities in Tamil Nadu as a part of our strategy to cover all sections of society.

The business is now present in 13 cities across the country. Going forward, operations will be extended to about seven more Tier 2 and 3 locations during FY14 covering a large part of the addressable market in the country.

### **SME Finance**

Edelweiss expanded into SME Financing towards the end of FY12 considering the significant contribution of Small and Medium Enterprises to the Indian Economy. The SME business disbursed around ₹2 billion across 400 SME clients in FY13. The business currently operates in three cities - NCR, Mumbai and Pune - and will add a few more locations in the next financial year. Given the

sizeable contribution of SMEs to the Indian Economy, this business presents a significant opportunity to build a highly profitable and scalable business.

By the end of FY13, Edelweiss Retail Finance had built a book of ₹16.27 billion achieving a handsome growth of 110% over the FY12 end level of ₹7.76 billion. The retail book included Housing Loans and LAP of ₹14.39 billion and SME loans ₹1.88 billion. In addition, retail loans against securities were ₹5.07 billion.

The retail businesses of housing and SME finance follow conservative underwriting standards and do not have any NPAs as of March 31, 2013.

### **Debt Capital Business**

FY13 began with a 50 bps repo rate cut in the month of April 2012, thereby signalling end of the monetary tightening phase. Although next rate cut had to wait for three quarters and with investment cycle revival still not in sight, debt capital market activity received an overall fillip. While number of deals was similar to last year, a higher deal ticket size resulted in a 35% uptick in quantum of funds mobilised via bonds/NCDs after flattish growth in FY12. FY13 saw about 1,190 bonds/NCD placements mobilising funds worth ₹3,090 billion compared to ₹2,195 billion raised via 960 deals in FY12. The short-term debt segment too witnessed a similar spike in activity – number of CP issuances rocketed to over 5,000 raising ₹3,900 billion versus 4,440 CP issuances totalling ₹2,900 billion in FY12. With the RBI announcing a 25 bps rate cut in May 2013, debt markets look set to carry forward the momentum into FY14.

Edelweiss Debt Capital business reinforced its position amongst top private debt arrangers in the country – we were involved in almost 9% of the total market volume raising ₹620 billion over 190 deals. Having achieved a leadership position in wholesale debt segment earlier, Edelweiss forayed into public debt offering space this year being lead managers in three of six non-tax free public debt issuances to hit the market in FY13. These three transactions involved raising over ₹12 billion for leading NBFCs, namely India Infoline Finance, Shriram City Union Finance and Muthoot Finance via retail bond public issuance. In addition, our origination and distribution capabilities came to the fore in private placement of debt for a host of leading corporate names including PFC, REC, PGCIL, NHPC, HUDCO, HDFC, Syndicate Bank, Aditya Birla Finance, Tata Capital, Tata Housing, L&T Finance, Bajaj Finance, Sundaram Finance and Elecon Engineering, etc.



The sales and broking franchise strengthened its position during the year recording higher turnover with 15% share of corporate bond trades on exchanges. Our FII client base and trading turnover is set to witness sustained growth as we facilitate debt market investments for these investors with the government liberalising norms for their investment in debt markets.

The Edelweiss Debt Capital business is backed by a comprehensive research and analytics portfolio providing regular updates on bond markets and analyzing impact of macroeconomic indicators/RBI policy actions on rates.

## FINANCIAL MARKETS

Edelweiss began its journey in 1996 with focus on Corporate Finance Advisory and later forayed into Institutional Equities. These two established businesses continue to form the base of our Financial Markets business group that has now expanded to cover Retail Financial Markets and Asset Management as well. Under the SBU structure, this business group is divided among four SBUs, namely Wholesale Financial Markets, Retail Financial Markets, Alternative Asset Management and Retail Asset Management.

### Wholesale Financial Markets

This SBU comprises our oldest and mature lines of business of Corporate Finance Advisory and Institutional Equities. We harness natural synergies between these two LoBs while maintaining appropriate Chinese walls to avoid any conflict of interest between them.

#### Corporate Finance Advisory

Our Corporate Finance Advisory business includes Equity Capital Markets (ECM) business and Advisory Services supported by Financial Sponsors Group. Our Financial Sponsors Group builds and strengthens relationships with financial sponsors, corporates and business groups. It is a significant part of our strategy to reach a wider range of clients with products and services across asset classes. Our client segments range from the Private to the Public Sector and from Mid-caps to Large caps across industries.

#### Equity Capital Markets (ECM)

The ECM LoB provides a wide range of services from IPO transaction execution, FPOs, QIPs to Rights Issues. The weak equity capital markets in FY13 witnessed extremely low level of

activity with only 39 transactions across IPOs, FPOs, QIPs and Rights raising in aggregate ₹261 billion compared to about 61 transactions raising nearly ₹146 billion in FY12. The total quantum of capital raised is higher in FY13 because of a few large value transactions. The Top 10 transactions in FY13 raised an amount of ₹167 billion while the rest 29 raised only ₹94 billion. FY13, therefore, continued to witness very subdued activity with corporates not feeling confident to restart capex investment. However, despite this gloomy scenario, our ECM business managed to execute three IPOs/Rights/QIPs in FY 13 including the prestigious transaction of CARE Ratings for ₹5.4 billion.

During the year, the IPO for **Multi Commodity Exchange (MCX)** for ₹6.6 billion executed by us in March 2012 won the **“Best Mid-Cap Equity Deal of 2012” Award** from Finance Asia Magazine, Hong Kong.

#### Advisory Services

Advisory services offer mergers and acquisitions advisory, capital raising advisory, real estate & infrastructure advisory and transaction execution relating to structured finance.

#### Mergers & Acquisitions Advisory

Our Mergers and Acquisitions (M&A) team provides strategic and financial advice to our clients in relation to mergers, acquisitions, takeovers, tender offers, divestments, spin-offs, restructuring, joint ventures, strategic alliances and de-mergers. Our services encompass strategy formulation, identification of buyers or targets, valuation, negotiations and bidding, capital structuring, transaction structuring and execution.

#### Capital Raising Advisory

Among our Capital Raising Advisory practice, Structured Finance team provides a range of innovative structured solutions, including acquisition financing and sponsor financing. Our Private Equity Advisory arranges capital from private equity funds for companies across sectors.

Similar to ECM, Advisory transactions were also on a low key in the industry in FY13. Despite tough environment, we were able to close four transactions in FY13 including one PE placement. We have successfully handled private equity placements or strategic exits of over ₹50 billion since May '09 and continue to be one of the leading players in PE space.

Across ECM and Advisory, therefore, we executed seven transactions in FY13. Taken together with DCM, we executed 46 transactions in FY13 compared to 40 transactions in FY12.

During the third quarter of FY13, we arranged the second edition of our conference, **“Convergence – The Edelweiss Private Companies Conference”**, which witnessed huge response and served as a platform for more than 40 unlisted companies to present their vision and growth outlook to over 100 private and public markets investors. This, we believe, was India's largest unlisted company conference.

### **Institutional Equities**

The broking industry continued its structural shift in composition of the market transactions in favour of Options compared to Cash and Futures. This trend accentuated in FY13 continuing an apparent paradox wherein market volumes grew 17% yet the broking commission for industry continued to shrink. The average daily Cash volumes on BSE and NSE were lower at ₹130 billion in FY13 compared to ₹140 billion in FY12 resulting in substantially lower brokerage earnings for industry. The Futures average daily volumes (ADV) were also lower at ₹275 billion in FY13 compared to ₹315 billion in FY12. Only Options volumes increased to ₹1,275 billion in FY13 from ₹975 billion in FY12 accounting for about 76% of total transactions for FY13 compared to 68% in FY12. The Options transactions are either proprietary in nature or are happening more and more through automated platforms with very low yields and hardly add to the top line.

The structural shift towards options transactions coupled with increasing competitive intensity in the industry resulted in broking yields continuing to slide for the industry. In such a scenario, the only way for a broker to keep the head above water is to control costs and improve efficiency.

Our Institutional Equities business that started in 2001 continues to be a market leader. We provide equity and equity-derivatives sales and trading services to a large and diversified base of FIIs and domestic institutional investors. We continued to be among the largest Indian Institutional Broking Houses in the country with a market share of about 4 to 4.5% by revenue despite challenging environment and increase in competitive intensity.

### **Equities Research & Analytics**

Edelweiss has been a pioneer in building a well-developed

research and analytics platform to provide professional insights and perspective on investing ideas and strategies. Research distinguishes one broker from another providing a sustainable competitive edge. In line with this, we have constantly invested in building human capital in this business segment. The quality and depth of our research has helped our Institutional Equities business emerge stronger. We continued to invest in building our capabilities in fundamental, thematic and quant research. Our fundamental research covers 187 stocks among 20 sectors representing over 70% of total market cap.

### **Corporate Access**

To complement the research effort in building a sustainable Institutional Equities business, it is essential to provide extensive corporate access to clients. Our clients depend on access to management of companies in which they are interested in order to be able to take informed investment decisions. We fulfil this vital need through roadshows to showcase Indian companies to clients in addition to organising investor trips to meet company managements.

In addition, we provide our clients opportunities to interact with a large number of corporates through our hosting of annual Indian and International conferences. Our flagship India Conference in Mumbai in February 2013 met with excellent response with participation of over 85 Indian Corporates and over 420 global and Indian investors, facilitating over 2,900 meetings among them.

### **Retail Financial Markets**

This SBU comprises of Retail Broking and Global Wealth Management (GWM) LoBs. Retail Broking includes the organically built online broking format through our internet portal [www.edelweiss.in](http://www.edelweiss.in) and the offline broking format through acquisition of Anagram in FY11.

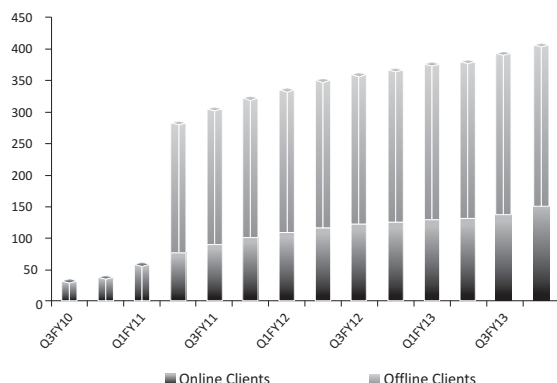
### **Retail Broking**

The Retail Broking business was launched about four years ago as a part of our articulated strategy of diversification in client segments to include a larger retail footprint.

It has continued to gain scale and by the end of FY13 we had over 403,900 broking clients compared to about 372,000 clients at the end of previous year. The online portal emerged as a popular site among investors with 6.37 million unique visitors viewing over 93

million pages during 26 million visits since its launch. The Retail Broking business offers innovative products along with one of the widest research recommendations for individual clients.

**Retail Broking Clients in '000**



We continue to build scale in this business with the aspiration to emerge as a leading retail broking house.

### Global Wealth Management (GWM)

Our GWM business offers Wealth Management Advisory and investment services to HNI clients with an emphasis on research and analytics. It offers clients customised value-added services and asset allocation strategies with innovative and structured solutions. We continued to be the largest domestic issuers of structured products with outstandings touching ₹10.8 billion by the end of FY13 compared to ₹6.3 billion at the end of FY12. Our Assets Under Advice for GWM increased to ₹32 billion by the end of FY13.

### Financial Planning

GWM offers fee based **Financial Planning** services for individual clients that enable a client to prioritise financial needs, goals and aspirations and guides to achieve the same. This is part of conscious strategy to provide value added services to a wider set of clients including the mass affluent.

### Broking Volumes & Income

Our total clients' broking average daily volumes (ADV) for FY13 (including institutional equities, online & offline retail volumes) was ₹29.4 billion in FY13 compared to ₹25.9 billion in FY12. Our Securities Broking business earned a broking commission of ₹1.39 billion in FY13, almost flat compared to FY12. Thus, while clients' broking volumes recorded a growth of 13% during FY13, broking income did not register any increase due to higher Options

volumes and higher competitive intensity as discussed earlier. Our Securities Broking income accounts for 6.4% of our total revenue for FY13 compared to 8.4% in FY12.

### Asset Management

Our Asset Management business includes Alternative and Retail Asset Management SBUs.

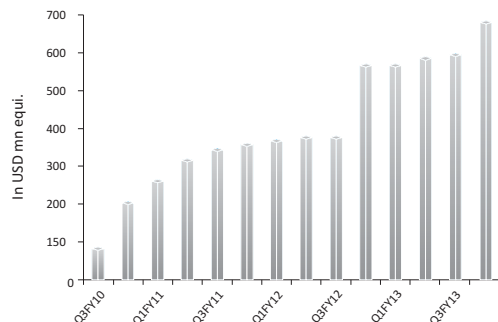
### Alternative Asset Management

The Alternative Asset Management business was launched in 2007 and focuses on mobilising subscriptions from offshore and domestic institutions and HNIs through funds structures to invest in alternative asset classes in India. It also includes our Asset Reconstruction Company (ARC) and related businesses. Our approach in creating this SBU has been to offer innovative and differentiated products to institutional and HNI investors. We achieve this by combining Edelweiss platform with investment capabilities to create a superior investment performance.

Our product portfolio at the end of FY13 comprised of EW Special Opportunities fund, a Real Estate domestic fund, an Asset Reconstruction fund, EW SBIH Crossover fund in joint sponsorship with SBI Holdings, Inc. of Japan and EWI Special Assets fund. The ARC manages assets of ₹2.9 billion and the asset reconstruction LoB has recently launched an Edelweiss Stressed & Troubled Assets Reconstruction fund (E-STAR). At the same time, scaling up the size of these funds has proved to be challenging given the lack of enthusiasm of offshore investors to commit funds to India for medium-term in view of declining GDP and depreciating currency.

The AUMs/AUAs of this business now stand at about \$685 million equivalent as on March 31, 2013 including Structured Products. This business represents a growth opportunity for Edelweiss and we continue to invest in building this business.

**Alternate Assets AUMs/AUAs**



## Retail Asset Management

The Indian mutual fund industry continues to struggle in the wake of regulatory changes effected in the last 3-4 years and lack of retail participation in equity markets. The skewed distribution of AUMs in favour of debt funds continues with equity schemes accounting for around 30% of the total AUMs. Excessive reliance on institutional funds for AUMs also continues. However, given low Indian penetration of MF AUMs, which are just around 10% of bank deposits in India, we are confident that the mutual fund industry has the potential of a sustainable long-term growth.

Our domestic mutual fund, launched in September 2008, manages 10 funds across Equity and Debt Schemes, with average AUMs of ₹2.6 billion during the fourth quarter of FY13. We now have an active base of over 9,000 investors compared to about 6,000 investors at the beginning of this year. The distribution network comprises a force of over 3,100 distributors. The focus of this business continues to be on developing a variety of products and building investment track record. We will continue to nurture our domestic asset management business, an integral part of our overall retail strategy, and be ready to capture growth when the industry fortunes change for the better.

## COMMODITIES

Edelweiss Group set up its commodities business about five years ago in order to diversify across adjacent asset classes. It has emerged as a strategically important business and a relevant asset class. We are building the commodities business across two large verticals – agri commodities and precious metals.

### Agri Commodities – Edelweiss Approach:

Agriculture remains a key sector of the Indian economy and continues to play a pivotal role in driving economic growth. After decades of under-investments in agri related infrastructure, irrigation, logistics, warehousing and food processing, we have come a long way in moving towards self-reliance. Along with this, agri business industry in India is entering a critical phase in its development and we are seeing increasing financialisation of this business. New markets are opening up as leading players in the industry globalise in order to broaden their portfolios and reach new consumers. By expanding operations and sales into these markets, agri business companies can fuel new growth in this sector.

Agri business presents a significantly large and untapped

opportunity in India. Essentially, we are looking at this from three value-creation perspectives – sourcing of commodities through our infrastructure and intermediary network, making credit available to participants in the value chain and better distribution. We believe that what would be visible in the foreground is sourcing and distribution strength; however, the backbone of this business is a deep understanding of the value chain from an operations and risk perspective.

We had taken our first steps in this space a little over three years ago. We are now building our infrastructure, people strategy, technologies, risk and operations processes around the above three vectors of growth and are in the process of investing to build a solid and robust backbone. Our business model includes flow business and dealing in physical agri commodities. The flow book aims at running a market neutral book at all times with extremely rigid risk controls and limits. We have access through our own licences in large mandis and have our network of brokers and clients for most large commodities such as chana, jeera, mustard, pulses, etc. In addition, we have extensive tie-ups with large warehousing service providers. We have taken adequate measures to mitigate any risk arising out of damage or diminution to goods stored in warehouses through our own insurance cover. Necessary controls are in place to manage other risks including credit, market and operational risk.

While this business is in a nascent stage at present, we believe that our long-term edge is through better sourcing and warehousing/logistics tie-ups in the short term, and building our own expertise and experience in sourcing and warehousing over the long term. Access to all key commodities exchanges gives us risk management and hedging platform, a key requirement for this business. All this coupled with Edelweiss Group's financial strength, credit worthiness and reputation will help us build a large and sustainable business.

India imports many commodities in large quantity – oil seeds, pulses, chana, etc. While there are risks associated with narrow or local commodities, we have chosen to be present in large, globally relevant commodities with significant consumption in India. We also believe that exploring international markets for sourcing and trading could be a next large opportunity for Indian agri industry. We thus see a large opportunity in agri commodities space.

### Precious Metals: Edelweiss Approach

India has seen a very robust demand for precious metals in all forms – jewellery, medallion, investments. We are now seeing the impact exchange-traded mutual funds are creating in a small but



meaningful manner to allow investors to access the asset class with same convenience as equities with an option to convert into physical metal. Thus, sourcing and distribution of precious metals present a large business opportunity.

We are in the business of procuring/importing of precious metals (gold and silver) and distributing it to our clients who are precious metals end-users (jewellers, manufactures or traders). A company in our group is an associate member of London Bullion & Metals Association (LBMA), the premier global industry organisation for precious metals business. We have become entitled to a direct import license to import gold into India, which has added efficiency to our business model.

Our USP is to ensure door delivery of precious metal requirement at a time and place of our clients' choice along-with ensuring continuous availability of material. In addition, we service our clients beyond the traditional banking hours giving clients more flexibility. As a result, clients get to trade with us until the close of trading on international exchanges since price discovery activity extends beyond normal banking hours in India. We distribute precious metals at 13 centres to over 400 active customers. We have access to key international and domestic commodities exchanges for our hedging and risk management needs. The business is run on conservative lines and robust risk practices are in place to guard against price movements or counterparty defaults and other risks.

Over the period of last few months, worried over the large Current Account Deficit, Government of India and RBI have imposed various restrictions on import of gold. These restrictions have the potential to reduce the quantum of gold imports into India and also to increase the cost of transaction.

## LIFE INSURANCE

Life insurance business offers exciting opportunities in India given the current low level of penetration where India ranks 136<sup>th</sup> in the world. However, given the demographics in India, it is expected to emerge as one of the top three markets in the world by the end of current decade. Rising life expectancy and absence of state social security will also propel demand for insurance products.

Edelweiss Tokio Life Insurance (ETLI), our joint venture with Tokio Marine Holdings Inc. of Japan, one of the oldest and biggest Insurance companies globally, was launched to participate in this opportunity. ETLI was launched with a capital of ₹5.5 billion – among the highest start-up capital for any Indian life insurer, signifying our commitment to building a long-term sustainable

business. The Insurance business will also diversify our revenue streams and significantly expand our retail footprint. Currently, Edelweiss holds 74% equity in this JV with Tokio Marine holding the rest.

ETLI commenced operations in second quarter of FY12 and offers diverse products to meet the basic needs of customers on education funding, wealth accumulation & enhancement, income replacement, retirement funding and living with impaired health. Currently ETLI offers a bouquet of 18 products comprising of 15 individual products and three group products. It has scaled up its presence to 45 branches in 38 cities by opening 16 new branches in different regions of India during FY13. The number of Personal Financial Advisors (PFAs) comprising the Agency channel has grown to about 3,400. ETLI now has a strength of about 1,275 employees compared to 659 in the previous year. ETLI has also entered into a Bancassurance tie-up with The Catholic Syrian Bank Limited.

ETLI's distribution strategy is based on **“Need based Sales”** philosophy and the key message in its communication, **“Insurance se badhkar hai aapki zaroorat”**, continues to emphasise the core value of customer centricity.

Within a short period of about 21 months, it has already written over 29,000 policies. Its premium income for FY13 was ₹525 million compared to ₹107 million in FY12. The business had a net loss of ₹647 million in FY13, which is in line with the plan. Its Solvency Ratio as on March 31, 2013 is 196% compared to minimum regulatory requirement of 150%.

Tokio Marine Group, Joint Venture partner in ETLI, has actively contributed in various facets of building the insurance business such as actuarial risk management, product development and asset liability management.

## TREASURY & BALANCE SHEET MANAGEMENT UNIT

For a large diversified financial services group like ours where we require sizeable working capital in various businesses, such as Credit, Commodities or Institutional Equities business, day-to-day liquidity management becomes a critical function. In addition, as our Housing book scales up, the asset side duration lengthens requiring greater attention to management of liabilities. Our Treasury & BMU, therefore, manages our Group's liquidity in a way similar to a commercial bank, while also managing the balance sheet and ensuring that maturing liabilities are repaid smoothly. It also manages key components of balance sheet,

monitors interest rate sensitivity in our portfolio and takes pre-emptive steps to mitigate any potential liquidity and interest rate risks.

Our treasury assets as at the end of FY13 were ₹29.95 billion, which mainly include fixed income securities and bank fixed deposits, compared to ₹48.70 billion as at the end of the previous year. Thus, as other Capital businesses have grown, Treasury operations have released assets to fund their growth. Treasury assets form about 21% of our effective Balance Sheet size as on March 31, 2013. Treasury assets are structured to maintain sufficient liquidity to address capital needs of our businesses as also to manage interest rate risk. As a result, we ensure that a large part of our book can be liquidated within a short period with minimal impact costs. Our strong focus on enterprise wide risk management ensures optimum returns in this business while preserving our capital.

In addition to Treasury & BMU, the Asset Liability Management Committee actively reviews any asset liability mis-match effectively plugging possible mis-matches.

### Balance Sheet Management

For any financial services firm, its capital is the bedrock on which the entire edifice is constructed. From its earliest days, Edelweiss has recognised this and has always focused its energies in creating a strong and liquid balance sheet. This enables us to deploy capital for launching and scaling up new businesses, which are integral to our core strategy of risk-mitigation by diversification. A strong balance sheet also enables us easier access to market borrowings on the back of a strong credit rating. A liquid balance sheet simultaneously permits Edelweiss to redeploy capital efficiently towards business opportunities that appear at short notice. It also helps in confidence building exercise with our lenders. At the same time, a growing balance sheet like ours requires Management to be constantly on their toes to identify and manage newer risks and adopt newer strategies.

In order to manage Balance Sheet actively, we prepare a daily balance sheet for real time monitoring and adopt a process of projecting a balance sheet rolling monthly, for end of the quarter and year-end, which eliminates any surprises. Any abrupt change in assets or liabilities is examined and situation rectified in time.

In order to manage liquidity, we employ a Liquidity Scenario Model to monitor environmental liquidity conditions based on various market indicators. We also quantify our consolidated liquidity position, which gives us a broad idea of our liquidity scenario for the next 90 days. We take care to ensure an adequate liquidity cushion is maintained by way of unencumbered assets

and undrawn bank lines to take care of immediate requirements of next seven days. Thus, pro-active balance sheet and liquidity management covers various possible scenarios in the short-term and medium-term with a back-up plan.

The Company has not only continued to maintain a liquid balance sheet, but over the last two years has embarked on a strategy of reducing its short term liabilities as a percentage of total liabilities as a part of prudent risk management. This has been a focus area for us in the past year and we have successfully brought down dependence on short term borrowings to within acceptable limits by contracting stable bank lines of funding and increasing liabilities in the six months to three years bucket. As a result, our borrowings falling due for maturity within next three months (excluding asset-backed borrowings) constitute only 16% of our total liabilities as on March 31, 2013 compared to 26% a year ago and 38% two years ago.

### Asset Liability Management Committee (ALCO)

Edelweiss ALCO primarily oversees implementation of an effective process for managing the Company's **interest rate, liquidity, capital and similar market risks** relating to the balance sheet and associated activities, including adoption of policies, risk limits and capital levels from time to time. Some of the major functions of ALCO are as under:

- Monitoring of various macro-economic indicators and using them to take decisions regarding liquidity situation, borrowing plans and deployment strategies.
- Monitoring of liquidity GAP and recommending appropriate financing and asset deployment strategies, depending on whether the GAP is a Net Asset position or a Net Liability position respectively.
- Monitoring interest rate GAP and recommending re-pricing options for asset and liability portfolios.
- Reviewing various “what-if” scenarios and preparing contingency plans.
- Approving liquidity risk and interest rate risk tolerance levels by reviewing how these risks may adversely affect the Company's earnings and capital.
- Monitoring capital management of the Company to ensure that capital levels are maintained in accordance with regulatory requirements and Company's policy.
- Considering product pricing for advances, desired maturity profile and mix of incremental assets and liabilities taking into account all available data.

- Deciding source and mix of liabilities or sale of assets, by developing a view on future direction of interest rate movements.
- Deciding on funding mixes between fixed vs. floating rate funds, wholesale vs. retail funding, money market vs. capital market funding, etc.

## OUTLOOK & STRATEGY

The year FY13 started on a note of optimism. However, stubborn inflation, high fiscal and Current Account Deficit, slow pace of reforms, sluggish recovery of US economy and continued Eurozone crisis soon led to the sliding of Indian GDP growth to around 5%. Renewed political uncertainty at the centre currently is continuing to cast its shadow on the return of growth. However, with inflation falling and RBI cutting rates in March 2013 and May 2013, Indian macro-economic indicators appear to have bottomed out. At the same time, RBI has indicated that scope for further rate cuts is limited as headline inflation is still above its comfort zone. It has pegged the outlook for inflation at 5.5% and GDP growth at 5.7% for FY14. Given that FY14 is likely to be a second consecutive year of sub-6% growth, the operating environment in FY14 may not be significantly different from that of FY13, as macro-headwinds will take some time to abate.

Given this none-too-rosy scenario for FY14, the mantra for this year will be improving operating efficiency. As for Edelweiss, we have completed the articulated diversification phase. While established businesses of Credit, Commodities and Wholesale Financial Markets have reached a mature level, Retail Financial Markets and Retail Finance businesses have broken even in FY13 leaving only the Life Insurance business to break even (which, given the long gestation period required by insurance companies, will take some time).

While we were diversifying our businesses, it had its effect of impacting our profitability in the short-term. Given our focus on long-term growth of the company, we opted to suffer short-term profitability pains. With the investment in most of new businesses complete, we are now focusing on improving operating and capital efficiency. We expect to achieve these efficiencies including significant improvement in our Cost to Income ratio excluding Insurance in FY14, though we need to still push this vector for the next couple of years to be best in class. Even as the visibility on when the environment might improve continues to be poor, our new businesses along with the mature businesses will continue to improve our overall business and financial performance in the coming years.

At the same time, some of our other organisational priorities for FY14 include rigorous balance sheet management, continue non-linear growth in assets and profitability, instil customer centricity, gradual decentralisation to other organisational structure strengthening, institutionalisation of culture and strengthening our strategic planning and review processes.

Our Vision of Edelweiss for future is to be a group of cutting-edge businesses in financial services. Our core is in identifying new exciting long term opportunities in financial services and building great and differentiated businesses in these areas.

With the long-term India growth story intact and given the diversified model of Edelweiss, we are confident of capturing our share of growth and build Edelweiss as per the Vision that we have.

## OPPORTUNITIES

We firmly believe that Indian economic growth and hence growth of financial services sector presents us exciting opportunities as under:

- India's long-term growth story remains intact notwithstanding declining growth in the past year or two. This presents exciting and large opportunities for us to grow our various businesses in the medium to long term, though short-term pain remains a possibility. Broadly, financial services markets are expected to grow four to five folds by 2020 as per our path-breaking India 2020 Research Report.
- With nearly 70% of Indian household financial savings currently flowing to banks, scope for channelising savings to other modes like mutual funds or insurance and through diversification in other asset classes like equities, bonds and commodities is enormous.
- Our retail businesses are scaling up well and we are strategically placed to garner our share of growth in this client segment.
- Increasing use of internet or mobile-based technologies for financial transactions presents vast opportunities for tech-savvy companies to offer convenient solutions to customers. Our online options in Life Insurance and online & mobile options in retail broking aim to capture this opportunity.
- We believe the policy liberalisation and forward-looking regulatory changes will help markets grow in size, thus making available newer opportunities for all participants in financial services.

## THREATS

At the same time, we perceive following threats for growth of financial services sector:

- Macroeconomic environment including inflation above the threshold of RBI, limited scope to further reduce interest rates, liquidity issues, high fiscal and Current Account Deficit, political uncertainty that refuses to go away and Eurozone developments can derail the return of growth. While monsoon is predicted to be normal this year, it remains an indeterminate factor.
- With the Indian growth declining in the past year or two, corporates are not feeling confident of their expansion plans with the result that investment activity is at one of its lowest. Lack of determined action from Government to jump-start investment cycle and carry on the reforms may continue to affect the financial services sector.

## ENTERPRISE FUNCTIONS

The four business groups of Edelweiss and Treasury & BMU are controlled and supported by a core of Enterprise Groups that provide consistent quality and rigour to key process functions. Following discussion highlights some of the initiatives taken by us to improve efficacy of Enterprise functions.

## CUSTOMER CENTRICITY

For the growth of a services oriented company, the *raison d'être* is the customer. Decades ago, Mahatma Gandhi had said “Customer is the King” and hence we too require a special focus on customer centricity. While most companies would believe that they are customer oriented, the degree of focus on customers' experience and the centricity that customers enjoyed in their approach varies.

As Edelweiss re-orient its businesses and goes more and more retail, we believe that customer centricity is going to be THE key driver of our business. The fact is that all our businesses are heavily regulated -- Financial Markets, Credit or Insurance. The scope for innovation either in terms of products or marketing is limited. Even if any innovation is introduced, India being such a hyper-competitive market, it would be copied, blunting the competitive edge in no time.

The only way, therefore, we can build a competitive advantage is by being customer centric. Customer centricity actually goes far beyond just great customer service. It goes to the heart of how we

think and manage our businesses. It is about how we design our products, how we build our internal systems and processes, how we sell and finally how we service our customers.

**We feel that in Edelweiss we truly differentiate on this parameter.** Customer Centricity potentially provides us with the **single biggest competitive advantage**. Great customer service transcends experience and becomes a memory, which we associate with a brand. If we are able to provide each customer of Edelweiss a unique experience that translates into a happy memory, we have the potential to turn customers into brand ambassadors.

**Three big insights** that have helped us in enhancing customer centricity are:

- Customer experience is **not only about Retail businesses!** While retail businesses need a higher level of customer experience, wholesale businesses have similar challenges; customer feedback is usually immediate and the tendency of wholesale customers to walk away at the slightest instance is high if we are not focused on their needs.
- Customer centricity **starts with enterprise groups** within a company as they have internal 'customers'. They too need to provide great customer experience by aligning their internal systems and support mechanism to this.
- Customer centricity goes beyond customer service. **Customer centricity is a way of life.** It is core to everything we do internally and externally.

Keeping this critical need in mind, we have launched a new strategic initiative on Customer Centricity. We have engaged the services of an internationally renowned expert in this field and his team has conducted a series of training programmes to train the trainers who are now evangelising this concept across Edelweiss. So far, almost 700 employees have been trained in this programme.

We have set up a central LoB to focus on Customer Centricity, which is already working with various SBUs on specific projects to measure and enhance the customer experience. A system of measuring customer feedback – internal as well as external customers – has been developed using the Net Promoter Score (NPS) Methodology and going forward upping the scores based on this feedback will be an integral part of the KRAs of each LoB. We are also putting in place a suitable system of Reward and Recognition for this.

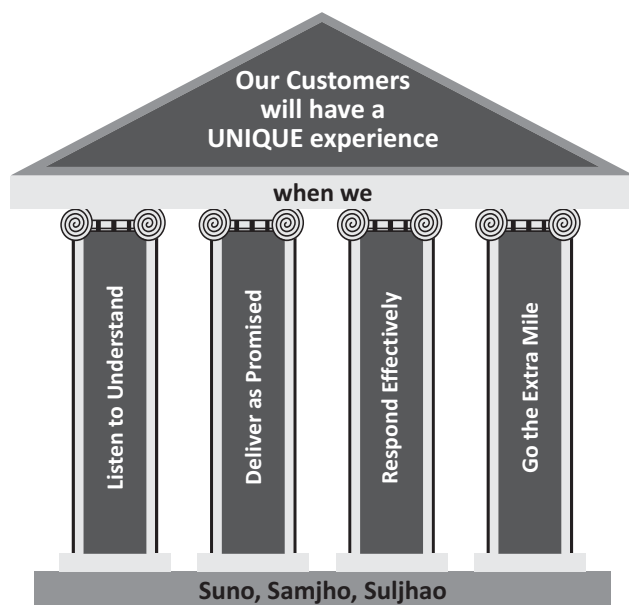


We have now articulated a simple Customer Service promise:

*Customer Vision Statement:*

**“Edelweiss Customers will have a unique experience”**

#### 4 Pillars of Customer Centricity at Edelweiss



*Our Motto to the Customer:*

**“Listen to Understand. Respond to Solve”**

*In Hindi this motto is aptly stated as*

**सुनो, समझो, सुलझाओ**

We realise that while a lot is being done on this front, we still have a long way to go. We are confident that the renewed focus on Customer Centricity with the help of these initiatives will make Edelweiss one of the most respected and unique financial services organisations.

## HUMAN RESOURCES

At Edelweiss, we believe that our human capital is one of our most important strengths and is the driver of growth, efficiency and productivity. Year on year we have deepened our philosophy by investing in developing our talent and leadership through various initiatives.

Through FY13, defined structures of Wholesale and Retail clusters were further strengthened and each SBU under them further scaled up to create a New and Improved Edelweiss. The year has seen us grow in size and reach. The Group strength at the end of

the year stands at 3,907 employees with around 800 new hires and attrition levels among seniors remaining stable around 13%.

Continuing our focus on training and developing our people, we launched several initiatives aimed at strengthening the ability of our managers to bring together people, strategies, and execution to drive business results. The focus is to enhance their skills of planning, execution and effectively managing their teams. We also strengthened the Edelweiss Leadership Program with the objective of massively multiply leadership capability, growing internal leaders and providing for seamless execution of organisation's growth target over the next 8-10 years. The three-tiered Edelweiss Leadership Pool (ELP), consisting of ~8% of the organisation employee base, comprises of Senior Leaders (SL), Advancing Leaders (AL) and Emerging Leaders (EL), each of whom undergo a structured Engagement, Communication and Development (ECD) programme in the span of their membership period.

'Fountainhead', our Leadership Centre at Alibaug was used extensively during the year to build employee connect and team work. 496 training sessions were conducted across various levels in the organisation covering base of 2,616 unique employees (7,235 participant man-days). The three-tiered ELP and Learning & Development programmes help inculcate and strengthen the partnership and ownership culture across Edelweiss besides institutionalising eight key business pillars discussed earlier.

Rewards and Recognition platforms were also launched at the SBU levels to enhance employee motivation and engagement. We regularly measure employee engagement scores, which have improved from 64% last year to 68% placing the organisation in High Performance Zone as per established standards.

We continue to enhance efficiencies through the support of technology and automation of systems; thus strengthening the processes for 360-degree Appraisal, KRA, Employee Engagement, Performance & Compensation Management, while making them less people-dependant.

## TECHNOLOGY

Edelweiss has always believed in leveraging technology to give it a strategic competitive advantage, improve productivity and performance, enable new ways of managing and organising and develop new businesses and give customers a better experience. Over the years, Edelweiss has constantly invested in building and upgrading its technological infrastructure. The company has a 100-member technology team with relevant BFSI domain expertise that helps in providing contemporary, robust and

flexible technology solutions. As Edelweiss diversified its financial services offering, it has leveraged technology effectively to enable growth, build robust risk management and provide enhanced customer experience for its Credit, Financial Markets, Commodities and Life Insurance businesses.

Edelweiss' current technology capabilities include:

- Tier 3+ Energy efficient Green Datacenter Data centre facility at Edelweiss House that is built for 99.99+% availability
- Secondary Tier 2 Business Continuity Plan (BCP) data centre that offers infrastructure for continuous data replication and operations encompassing availability, reliability and scalability
- Fully Functional BCP seating Site setup leveraging virtualisation and cloud technology
- Highly resilient 3 Tier state-of-the-art and low latency network infrastructure and connectivity
- Mission critical trading infrastructure Trading set-up with connectivity to all major stock exchanges - NSE, BSE, MCX, MCX-SX, NSDEX, NSEL and USE
- ISO 27001 certified Infrastructure and processes

Edelweiss technology infrastructure supports a network of about 4,200 trading terminals across over 130 locations. On an average, this infrastructure handles approximately 300,000 transactions a day and can scale up to handle over a million transactions a day.

We have developed modular technology set-up models that can help quick rollout to distant locations. This can help in reaching out to remote locations with agility. The company can use these effectively for financial inclusion initiatives.

Edelweiss is the only company in financial services to have been given permission by stock exchanges for setting up a multi broker multi-asset class ASP (Application Service Provider) set-up so far. This set-up can support 4,000 concurrent users with multiple levels of redundancies and provides multiple channels available for client transactions such as Web, Mobile-WAP, Mobile application for windows, iPhones/Android phones.

Thus, at Edelweiss Information Technology has emerged from being computational intensive powering tasks and transactions alone to being collaboration intensive, powering inter-organisational processes and relationships giving us the required cutting edge.

## RISK MANAGEMENT

Edelweiss has instituted Risk Management techniques and market safeguards to ensure that every risk we take has been thoroughly assessed, and that identified risks are commensurate with the potential return.

With an endeavour to assessing the perception of risk across the organisation, Edelweiss engaged Tower Watson, a global risk-consulting firm, to conduct a detailed risk survey across the organisation. The results have helped us reinforce our risk philosophy at all levels of organisation.

### Key Risks

Edelweiss is active in various markets and in its course of doing business with various counterparties the organisation is exposed to various risks. These risks can be broadly classified as market risk, credit risk and operational risk. It is an endeavour of the risk teams at Edelweiss to evaluate these risks prior to entering into a transaction and to put necessary mitigation measures in place so that in extreme scenarios, the response time is minimum.

#### Market Risk

Edelweiss actively participates in various asset classes such as equity, fixed income securities, commodities and foreign exchange markets. These asset classes experience volatility from time to time due to economic growth levels, inflation, prices, interest rates, foreign exchange rates, and other macroeconomic factors. A detailed framework of monitoring daily positions, durations and value at risk helps in managing market risk. Limits on concentration, liquidity mismatches between assets and liability and limits on margin utilisations ensure that market risk is monitored and mitigated in a timely manner. Care is taken at all times to maintain enough liquidity cushion overnight and in the short term to meet any unforeseen requirement or maturing liabilities. Sources of borrowings are also adequately diversified to avoid over dependence on any single source. For a more detailed discussion on risks involved in managing our Balance Sheet please refer to the Balance Sheet and BMU section appearing earlier in this report.

#### Credit Risk

Edelweiss, as a financial organisation, deals with multiple clients. As a part of our credit risk framework, we assess credit worthiness of counterparties comprehensively before taking any exposure on them. Limits assigned to clients based on credit evaluation and monitoring mechanism ensure that our exposure to a single client does not cross the laid down threshold limit. Apart from limits,

Edelweiss follows a multi-tiered Risk Management and Oversight Structure:



### Oversight by Board Risk Committee

Edelweiss also collects collateral from clients to adequately cover its exposure. Client profiling based on credit risk is carried out to ensure timely mitigation.

#### Operational Risk

Edelweiss faces operational risks arising from people, systems and processes through which it operates. Operational risk broadly encapsulates other categories of risk also such as reputation risk, fraud risk, legal risk and environmental risk among others.

Edelweiss has well-defined processes and systems to check and balance operational risk at key points. A platform for exception reporting has been adopted to record and escalate violations in processes. These exceptions are reviewed regularly and summarised to identify areas of operational risk. Adequate emphasis is placed on compliance related issues to keep reputation risk at bay.

Edelweiss has state-of-the-art Data Centre at Edelweiss House to ensure uninterrupted and reliable service to our clients and businesses. We continue to have a comprehensive Business Continuity Plan that is periodically tested.

#### Know Your Client Process

Edelweiss group provides diversified financial services to a wide cross section of clients. The individuals/entities desiring to become clients of Edelweiss Group open an account to carry out those specific activities. The clients are registered separately for separate activities. These individuals/clients are required to

complete the **Know Your Client (KYC) process** including the KYC compliant application form and submission of required proof of identity & address and other documentary requirement before opening their account. **In-Person Verification (IPV)** of these clients is carried out by Edelweiss to verify the actual identity of the client. IPV process is aligned to the regulatory requirements.

Politically Exposed Persons (PEPs) are also identified at the time of account opening and monitored subsequently. A more rigorous checking process is carried out for identification of clients coming under this category. Additionally, the clients are also scanned through (1) List of SEBI debarred clients and (2) Financial Action Task Force (FATF) list issued by RBI. If the client name appears in any of these lists, further scrutiny is carried out before taking a call to register them as per the instructions of the regulators/Government. In the event of the clients being registered for availing credit services, these clients are also scanned through various lists such as CIBIL list, Watch-out Investor list and other data available in public domain to ascertain their credit worthiness.

The KYC details of clients are also uploaded to KYC Registration Agency (KRA), which has a centralised database to avoid hassles of clients going through same KYC registrations again.

To sum up, Edelweiss group of entities follow very stringent client registration process with zero tolerance before any individual/ entity is accepted as a client by any of Edelweiss Group of entities.

## Prevention of Money Laundering

The Prevention of Money Laundering Act, 2002 (PMLA) has imposed certain responsibilities on various financial institutions and intermediaries with regard to preventing terrorist financing and money laundering. The financial institutions and intermediaries are advised by SEBI/RBI/Exchanges to ensure that a proper policy framework on anti-money laundering measures is put into place.

### Internal Controls:

Edelweiss has put in place required internal controls for preventing and impeding money laundering and terrorist financing as follows:

- As required under PMLA Rules, Edelweiss has appointed a senior officer of the organization as Principal Officer to facilitate onward reporting of suspicious transactions and for playing an active role in identification and assessment of potentially suspicious transactions.
- Client identification, IPV and acceptance are done rigorously as per the KYC Process enumerated above.
- In line with the PMLA guidelines, a risk based approach is adopted at the time of establishing business relationship with a client. The client is categorised based on the information available in 'Know your Client' (KYC) forms at the time of registering the client/opening of his account. Further, in case the client falls in Special Categories, the client is invariably classified as High Risk client.
- On an ongoing basis, appropriate due diligence, monitoring and scrutiny is conducted to ensure that the transactions being conducted are consistent with the knowledge level of the customer.
- Suspicious transactions are reported to FIU India through the FINnet gateway as per the PMLA Rules.
- Employees of group entities undergo proper training on PMLA provisions in order to equip them to meet requirements of the Guidelines. The business entities also assess key roles within the organisation with regard to risk of money laundering and terrorist financing to ensure that employees taking up such key roles are suitable and competent to perform their duties.

## Internal Control Systems

Edelweiss has adequate internal audit and control systems across all businesses. These are responsible for independently

evaluating the adequacy of all internal controls and ensuring that operations and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. Our Internal Audit and Control team defines and reviews scope, coordinates and conducts **Risk based Internal Audits** across Edelweiss through external audit firms as well as an in-house team. All operational activities are also subject to concurrent internal audits periodically. Existing audit and inspection procedures are reviewed frequently to enhance effectiveness, usefulness and timeliness. The Internal Control Procedures include segregation of roles and responsibilities, third party confirmations, physical verification, checks and balances and preventive checks on Compliance Risk and Balance Sheet Management, etc.

Statutory and Standard Auditing Practices employed include, among others, compliance to accounting and auditing standards, consideration of Laws and Regulations in an audit of Financial Statements – Tax, Governance and Compliance to ensure compliances, risk assessment and internal control, system audit, control over assets of the Company, analytical procedures and review of related party transactions and reporting them to the Audit Committee, etc.

Edelweiss has institutionalised a strong compliance culture across the Group recognising that transparency and trust amongst all its stakeholders can be achieved only through this. We have a centralised Compliance Department that ensures compliance with all the applicable laws.

Edelweiss believes in conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. To this end, Edelweiss has put in place a strong **Whistleblower Policy** that not only encourages employees to report wrongdoing within the organisation, but also ensures that their identity is protected so that they do not face any adverse repercussions. Edelweiss was one of the first Indian financial services companies to sign up for Corporate Whistleblower Initiative (CWI), via a portal ([www.cwiportal.com](http://www.cwiportal.com)) that facilitated complete anonymity of whistleblower and aimed at encouraging and protecting whistleblowers in the corporate sector.

## CREDIT RATINGS

Edelweiss Financial Services Limited (EFSL) and five subsidiaries, namely Edelweiss Securities Limited (ESL), ECL Finance Limited

(ECLF), Edelweiss Housing Finance Limited (EHFL), Edelweiss Commodities Services Limited (ECSL) and Edelweiss Finance and Investments Limited (EFIL) enjoy the highest short-term credit rating of “Crisil A1+” from Crisil. ECLF has a long-term debt and bank facilities rating of “Crisil AA-/Crisil AA-r” from Crisil. EHFL has a long-term debt and bank facilities rating of “Crisil AA-” from Crisil. ESL and ECSL have a long-term bank facilities rating of “Crisil AA-” from Crisil. EFSL and ECLF also enjoy a long-term debt rating of “AA-” from ICRA. All the long-term ratings from Crisil and ICRA have a Stable outlook. All ratings are current as at the end of FY13.

## STAKEHOLDER RELATIONS

We continue to view Stakeholder Relations as an important link between Edelweiss and stakeholders facilitated by an open and transparent channel of communication with them. Our Stakeholder Relations efforts include frequent interaction with institutional investors, analysts and other stakeholders through one-on-one meetings and attendance at investor conferences. These are complemented by the quarterly earnings conference call, dissemination of quarterly performance updates via Press Release and Investor Presentation and constant and immediate updating of information useful to stakeholders on our corporate website. The transcripts from all our earlier Earnings Calls are available on our website. Investors and other stakeholders can subscribe to receive quarterly updates automatically at [www.edelweissfin.com](http://www.edelweissfin.com). During the year, we held more than 200 interactions with our stakeholders.

With growing complexities in their operations, companies are facing increasing demands for information from a diverse range of stakeholders. How we prioritise them and reconcile their needs with the need to protect certain information to maintain competitive edge in the market place is a constant issue for the Stakeholder Relations function. Balancing these conflicting needs, we have been constantly enhancing our disclosures to the maximum possible extent. We are focusing on a much more comprehensive discussion of our individual businesses and the balance sheet and the investor relations material put out by us during FY13 is a testimony to our commitment to this end. We hope this would enable stakeholders to understand and appreciate our diverse businesses and our long-term strategy in a true perspective.

We will continue to implement best-in-class practices that promote steady communication with investors, analysts and other stakeholders so that we are perceived as an open, responsible and transparent organisation.

## REGULATORY STRUCTURE

EFSL (formerly Edelweiss Capital Limited) commenced operations in 1996 as a SEBI registered Category I Merchant Banker governed by SEBI (Merchant Banking) Regulations, 1992. Over the next 17 years, the company has diversified into a number of financial services businesses run by separate subsidiaries and a JV, which are regulated by different regulators.

Edelweiss conducts its business of stock broking mainly through subsidiaries Edelweiss Securities Limited (ESL), Edelweiss Broking Limited (EBL) and Edelweiss Financial Advisors Limited (EFAL), governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. While ESL is a SEBI registered Depository Participant with CDSL, EBL is SEBI registered participant with NSDL.

The business of commodities broking and trading is mainly carried out through subsidiaries Edelweiss Commodities Services Limited, EC Commodity Limited and Edelweiss Comtrade Limited, governed by Forward Contracts (Regulation) Act, 1952 under the oversight of FMC.

The mutual fund business is conducted through subsidiary Edelweiss Asset Management Limited, registered with SEBI.

The non-banking financing activities are mainly conducted through subsidiaries ECL Finance Limited, Edelweiss Finance & Investments Limited and Edel Finance Company Limited. These entities are registered with RBI as Non-Banking Financial Companies not accepting public deposits. Housing finance business is conducted through subsidiary Edelweiss Housing Finance Limited, registered with National Housing Bank as a non-deposit accepting housing finance company.

Edelweiss Tokio Life Insurance Company Limited, the life insurance Joint Venture with Tokio Marine Holdings, is regulated by IRDA. Insurance advisory business is conducted through subsidiary Edelweiss Insurance Brokers Limited, which is also regulated by IRDA.



## REGULATORY CHANGES POSING CHALLENGES AND OPPORTUNITIES

We are constantly aware of regulatory changes and related challenges and opportunities that affect our business environment. We are also proactive in aligning ourselves in terms of adherence to compliance requirements and to make the most of opportunities that arise from regulatory changes.

Some of the key regulatory changes introduced during FY13 are narrated below:

Regulation/Act	Changes	Implication
Listing Agreement	<ul style="list-style-type: none"> <li>Reduction of timeline for transfer of equity shares from one month to 15 days.</li> <li>It is now mandatory for listed companies to provide e-voting facility to shareholders, for businesses, which are transacted through postal ballot.</li> </ul>	<ul style="list-style-type: none"> <li>It is in the interest of investors and shall expedite transfer process.</li> <li>This would enable increased participation of shareholders.</li> </ul>
Reserve Bank of India	<ul style="list-style-type: none"> <li>RBI issued new guidelines regarding securitisation of standard assets and direct assignment of loan.</li> <li>RBI Revised guidelines on Fair Practice Code requiring NBFCs to display prominently details of grievance redressal officer belonging to NBFC as also that of the local office of RBI.</li> <li>Based on Smt. Usha Thorat Committee report, RBI issued draft guidelines for public comments relating to NBFCs. Final guidelines are yet to be issued.</li> <li>New guidelines/framework for issuing license to new private banks.</li> </ul>	<ul style="list-style-type: none"> <li>This brings clarity about securitisation and assignment of loans.</li> <li>This step is aimed at improving customer grievance redressal mechanism.</li> <li>The guidelines are welcome as they aim at bringing more regulatory control on NBFCs.</li> <li>This provides an opportunity for NBFCs to apply for banking licenses and opening up of banking sector.</li> </ul>
The Union Budget 2012-13 Direct Taxes	<ul style="list-style-type: none"> <li>Increase in Surcharge on Income for Companies having Income above ₹100 million</li> <li>Increase in DDT</li> <li>GAAR implementation postponed to 2016</li> <li>Reduction in STT</li> <li>Commodities Transaction Tax</li> </ul>	<ul style="list-style-type: none"> <li>Increase in tax outflow</li> <li>Increase in tax outflow</li> <li>Increase in confidence in Indian Economy as policies are stable for next few years</li> <li>Tax cost on each transaction will reduce</li> <li>Tax cost on each transaction will increase</li> </ul>
The Union Budget 2012-13 Indirect Taxes	<ul style="list-style-type: none"> <li>Negative List introduced for Service Tax</li> </ul>	<ul style="list-style-type: none"> <li>Now virtually all transactions, which are not sale of goods, attract Service Tax unless specifically exempt.</li> </ul>
Foreign Account Tax Compliance Act (FATCA) - US	<ul style="list-style-type: none"> <li>A new compliance from US Internal Revenue Department requires registration of entities for FATCA compliance.</li> <li>Periodical submission of Data on income earned by US Citizens/Assets</li> </ul>	<ul style="list-style-type: none"> <li>Withholding @ 30% from US sourced income if the entity is non Compliant. Additional compliance cost.</li> <li>May be a deterrent for US investors.</li> </ul>

Regulation/Act	Changes	Implication
SEBI	SEBI has notified general criteria subject to which draft offer documents filed for issue of securities, may be rejected.	This will ensure that only reasonably credible issuers with adequate disclosures documents are allowed to access the public issuances route.
SEBI	SEBI has introduced additional mechanism for investors relating to public issues in electronic form and use of nationwide broker network for submitting application forms.	This will facilitate greater investor participation in public issues.
SEBI/Exchanges	Existing clients' KYC details to be uploaded in the KYC Registration Agency (KRA) system by intermediaries.	The KRA agency database will help clients and intermediaries with simplified process for registration.
SEBI/Exchanges	SEBI has prescribed a framework of dynamic trade based price checks to prevent aberrant orders or uncontrolled trades.	This will require intermediaries to ensure Value/Quantity Limit per order. New checks and balances are required to be put in place by brokers. This will minimise risk at systemic level.
SEBI/Exchanges	Rajiv Gandhi Equity Savings Scheme, 2012 announced in the Union Budget 2012-13.	This scheme will help small investors to channelise savings into financial instruments and improve the depth of domestic capital market.
SEBI/Exchanges	Guidelines for dedicated Debt Segment on Stock Exchanges issued.	This step will streamline trading in Debt segment in line with other segments.
SEBI/Depositories	SEBI has decided that all depository participants (DPs) should make available a "Basic Services Demat Account" (BSDA) with limited services to retail clients.	This will encourage small retail investors to open Demat accounts and invest in capital market and is a welcome step.
IRDA	New Regulations on Life Insurance products have brought material changes on product offering and designing of linked and non-linked life insurance products.	The products to be now offered must have high cover through defined floor for sum assured. This may impact offerings of products to aged customers.
IRDA	New Regulation issued on "Need Based Sales" approach by designing Standard Proposal Form for individual policies.	This is a welcome step in the direction of customer centricity to promote insurance sales based on need-based analysis of customer's profile.

### Cautionary Statement

Statements made in this Management Discussion and Analysis contain certain forward looking statements based on various assumptions on the Edelweiss Group's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and Edelweiss does not undertake any obligation to update these statements. Edelweiss has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed. The discussion relating to financial performance of various businesses of Edelweiss contains some data, which may be based on Management estimates or internal Management Information System.

# Corporate Governance Report

## Company's philosophy on Corporate Governance

Corporate Governance is about promoting corporate fairness, transparency, accountability and integrity of the management. It also aims to align as nearly as possible the interests of individuals, corporates and society and enhancing the stakeholders' value. Best results are achieved when the companies begin to treat the Corporate Governance system not as a mere structure but as a way of corporate life. Good corporate governance practices have always been an integral part of your Company's philosophy and is committed to achieving and maintaining the highest standards of corporate governance.

## Board of Directors

The Board of Directors provide strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

## Composition

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2012-13 and at the last Annual General Meeting (AGM), as also the number of directorships and committee positions held by them in other public limited companies as on March 31, 2013 are as under:

Name	Category	Relationship with other directors	No. of Board Meetings		Attendance at the last AGM held on July 26, 2012	No. of directorships in other public limited companies	Committee Position*	
			Held	Attended			Member	Chairman
Mr. Rashes Shah [Chairman, Managing Director & CEO]	Executive (Promoter)	None	4	4	Yes	3	1	-
Mr. Venkat Ramaswamy	Executive (Promoter)	None	4	4	Yes	4	1	-
Mr. Kunnasagaran Chinniah	Non-Executive - Non Independent	None	4	3	No	2	1	-
Mr. Narendra Jhaveri	Non-Executive - Independent	None	4	4	Yes	6	2	1
Mr. P. N. Venkatachalam	Non-Executive - Independent	None	4	4	Yes	5	1	1
Mr. Berjis Desai	Non-Executive - Independent	None	4	3	Yes	9	6	1
Mr. Sanjiv Misra	Non-Executive - Independent	None	4	3	Yes	-	-	-
Mr. Himanshu Kaji	Executive	None	4	4	Yes	1	-	-
Mr. Sunil Mitra	Non-Executive - Independent	None	4	4	Yes	6	2	2

\* Only Audit Committee and Shareholders'/Investors' Grievance Committee, in other public companies, have been considered for the Committee positions.

Mr. Navtej S. Nandra was appointed as an Additional Director by the Board at its meeting held on May 15, 2013.

The Board met four times on the following dates during the financial year 2012-13:

May 16, 2012, July 26, 2012, November 6, 2012 and January 25, 2013.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) of the Listing Agreement, across all the public limited companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited companies.

## Board Procedure

The annual calendar of Board Meetings is agreed upon at the beginning of the year. The agenda is circulated in advance to the Board Members. The items in the agenda are backed by a comprehensive background information to enable the Board to take appropriate decisions.

### Code of Conduct for Directors and Senior Management

The Company has a Code of Conduct ('Code') for the Directors and senior management personnel including all Functional Heads, which is in compliance with the requirements of Clause 49 of the Listing Agreement. The Code has been posted on the Company's website.

Further, all the Board Members and senior management personnel have affirmed compliance with the Code. A declaration to this effect signed by the Chairman & CEO forms part of this Report.

### Committees:

#### Audit Committee

##### Composition as at March 31, 2013:-

Mr. Narendra Jhaveri	--	Chairman
Mr. P.N. Venkatachalam	--	Member
Mr. Berjis Desai	--	Member
Mr. Sanjiv Misra	--	Member

All the members of the Committee are Independent Directors and have financial management expertise. The constitution and terms of reference of the Committee are in compliance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49(II)(A) of the Listing Agreement.

#### Brief Description of the Terms of Reference

1. Oversight of the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management, the annual, half yearly and the quarterly financial statements before submission to the Board for approval.
3. Discussion with the Internal Auditors any significant finding and follow-up there on.
4. Review of the items listed in Clause 49(II)(D) and (E) of the Listing Agreement.

#### Meetings held

During the financial year 2012-13, four meetings were held on May 16, 2012; July 26, 2012; November 6, 2012 and January 25, 2013.

#### Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Narendra Jhaveri	4	4
Mr. P. N.Venkatachalam	4	4
Mr. Berjis Desai	4	3
Mr. Sanjiv Misra	4	3

The Statutory Auditors, Internal Auditors, Chief Financial Officer and the Sr. Vice-President (Finance & Accounts) are invited to attend the meetings of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

Mr. Narendra Jhaveri, the Chairman of the Committee, was present at the last Annual General Meeting (AGM) held on July 26, 2012.

#### Remuneration Committee

##### Composition as at March 31, 2013:-

Mr. Berjis Desai	-	Member
Mr. Sanjiv Misra	-	Member
Mr. Kunnasagaran Chinniah	-	Member

#### Meetings held

During the financial year 2012-13, two meetings were held on May 16, 2012 and November 6, 2012.

**Attendance:**

Name of Member	No. of meetings	
	Held	Attended
Mr. Berjis Desai	2	2
Mr. Sanjiv Misra	2	1
Mr. Kunnasagaran Chinniah	2	2

The terms of reference of the Remuneration Committee include formulating the policies for payment of remuneration to the Executive Directors and such other functions as may be delegated to it by the Board of Directors.

**Remuneration to the Directors****Non- Executive Directors**

The Company pays sitting fee of ₹20,000/- per meeting to the Independent Directors for attending the meetings of the Board and Committees thereof. The members of the Company have authorised the payment of commission of upto 1% of the net profits of the Company to the Non-executive Directors of the Company. The Commission is distributed amongst the Non-executive Directors *inter alia* based on their attendance and contribution at the Board and various Committee Meetings.

The details of sitting fees & commission paid and the ESOPs granted to the Independent Directors during the year ended March 31, 2013 are as under:

Name of the Director	Sitting fees (₹)	Commission (for the financial year (2011-12) (₹)	No. of Options granted under ESOP 2011
Mr. Narendra Jhaveri	2,80,000	10,00,000	50,000
Mr. P. N. Venkatachalam	2,00,000	10,00,000	50,000
Mr. Berjis Desai	2,60,000	10,00,000	50,000
Mr. Sanjiv Misra	2,00,000	10,00,000	50,000
Mr. Sunil Mitra	80,000	5,00,000	50,000

**Executive Directors**

The details of the remuneration paid to the Executive Directors during the year ended March 31, 2013 is as under: (in ₹)

Particulars	Mr. Rashes Shah Chairman, MD & CEO	Mr. Venkat Ramaswamy Whole Time Director	Mr. Himanshu Kaji Executive Director
Basic Salary	79,30,308	79,53,495	74,51,086
Perquisites	39,600	-	39,600
Bonus (2011-12)	1,00,00,000	70,00,000	55,00,000
Total	1,79,69,908	1,49,53,495	1,29,90,686
Service Contract	April 1, 2011 to March 31, 2014	April 1, 2011 to March 31, 2014	November 1, 2011 to October 31, 2014
No. of Stock Options granted	NIL	NIL	8,00,000
Notice period	N.A.	N.A.	N.A.
Severance fee	N.A.	N.A.	N.A.

The shareholding of the Directors in the Company as on March 31, 2013 is as under:

Sr. No.	Director	No. of equity shares*	% of the paid up capital
1.	Mr. Rashes Shah	13,43,01,730	17.58
2.	Mr. Venkat Ramaswamy	5,30,26,560	6.94
3.	Mr. Narendra Jhaveri	78,000	0.01
4.	Mr. Berjis Desai	-	-
5.	Mr. P. N. Venkatachalam	20,000	0.00
6.	Mr. Kunnasagaran Chinniah	-	-
7.	Mr. Sanjiv Misra	-	-
8.	Mr. Himanshu Kaji	-	-
9.	Mr. Sunil Mitra	-	-

\* Shares held singly or as a first shareholder are only considered



**Shareholders' /Investors' Grievance Committee****Composition as at March 31, 2013:-**

Mr. Berjis Desai	-	Member
Mr. Kunnasagaran Chinniah	-	Member
Mr. Venkat Ramaswamy	-	Member

**Meetings held**

During the financial year 2012-13, two meetings of the Committee were held on May 16, 2012 and November 6, 2012.

**Attendance:**

Name of Member	No. of meetings	
	Held	Attended
Mr. Berjis Desai	2	2
Mr. Kunnasagaran Chinniah	2	2
Mr. Venkat Ramaswamy	2	2

Mr. B Renganathan is the Company Secretary & Compliance Officer of the Company.

Based on the report received from Link Intime India Private Limited, the Registrar & Share Transfer Agent, the Company received 40 requests/complaints during the year ended March 31, 2013 which were satisfactorily resolved/replied to. As on March 31, 2013 there were no pending requests/complaints.

**General Body Meetings**

The date, time and venue of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Venue	No. of special resolutions passed
2011-2012	July 26, 2012	3.00 p.m.	Edelweiss House, Off C.S.T. Road, Kalina, Mumbai- 400 098.	2
2010-2011	July 25, 2011	3.00 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021.	2
2009-2010	July 30, 2010	3.00 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai-400 020.	3

**Postal Ballot**

The Company was not required to pass any resolution through postal ballot during the year 2012-13

Resolution, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when required.

**Disclosures**

- i. The Company did not have any material significant related party transactions having a potential conflict with the interest of the Company at large. Transactions with the related parties are disclosed in the Notes to accounts.
- ii. The financial statements have been prepared in accordance with the accounting standards and policies generally accepted in India.
- iii. There were no instances of non-compliance by the Company on any matter related to the capital markets, resulting in disciplinary action against the Company by the Stock Exchanges or Securities & Exchange Board of India (SEBI) or any other statutory authority, during the last three years, except the following:-
  - a) that the Company had submitted an offer of settlement with Securities and Exchange Commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings, in relation to their charges of non-registration as a broker dealer while acting as a Book Running Lead Manager /Co lead manager in the private placement / initial public offering / further public offering of Indian issuers, wherein shares were sold or marketed and also for providing brokerage services to U.S. investors during the period 2008-2011; and
  - b) SEBI has settled and passed the Consent Order on May 11, 2011, disposing off the proceedings against the Company, with respect to its Merchant Banking operations.

- iv. The Company has implemented the mandatory requirements of Corporate Governance as set out in the Listing Agreement. In respect of compliance with the non-mandatory requirements, the Company has constituted a Remuneration Committee, the details whereof are given under the heading "Remuneration Committee".
- v. The Company has a Whistle Blower Policy for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy and confirms that no personnel have been denied access to the Audit Committee.
- vi. The Company has a Risk Management Policy for risk identification, assessment and control to effectively manage risks associated with the business of the Company.

**vii. CEO / CFO Certification**

The CEO and the CFO have certified to the Board, the requirements of Clause 49(V) of the Listing Agreement.

**viii. Compliance Certificate**

Pursuant to Clause 49 of the Listing Agreement, a certificate from a Practising Company Secretary, certifying the compliance by the Company with the provisions of the Corporate Governance of the Listing Agreement is given as an Annexure to this Report.

**Means of Communication**

- i. The quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and published in one English daily, and one Marathi daily. The quarterly/annual results, press releases and the presentation made to the institutional investors/analysts are also uploaded on the website of the Company [www.edelweissfin.com](http://www.edelweissfin.com).
- ii. The Management Discussion and Analysis Report, in compliance with the requirements of Clause 49 of the Listing Agreement is annexed to the Directors' Report which forms part of this Annual Report.
- iii. The consolidated financial statements of the Company and its subsidiaries form part of this Annual Report.

**iv. General Shareholder Information**

- i. AGM : Date, time and venue Friday, July 26, 2013 at 3.00 p.m.at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400098.
- ii. Financial Year April 1, 2012 to March 31, 2013
- iii. Book Closure dates July 16, 2013 to July 26, 2013 (both days inclusive)
- iv. Dividend payment date Between August 5, 2013 and August 12, 2013

**v. Listing of equity shares on Stock Exchanges:**

The equity shares of the Company are listed on BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The Company has paid the listing fees to these to the Stock Exchanges for the financial year 2013-2014.

**vi. Stock Codes (Equity Share):**

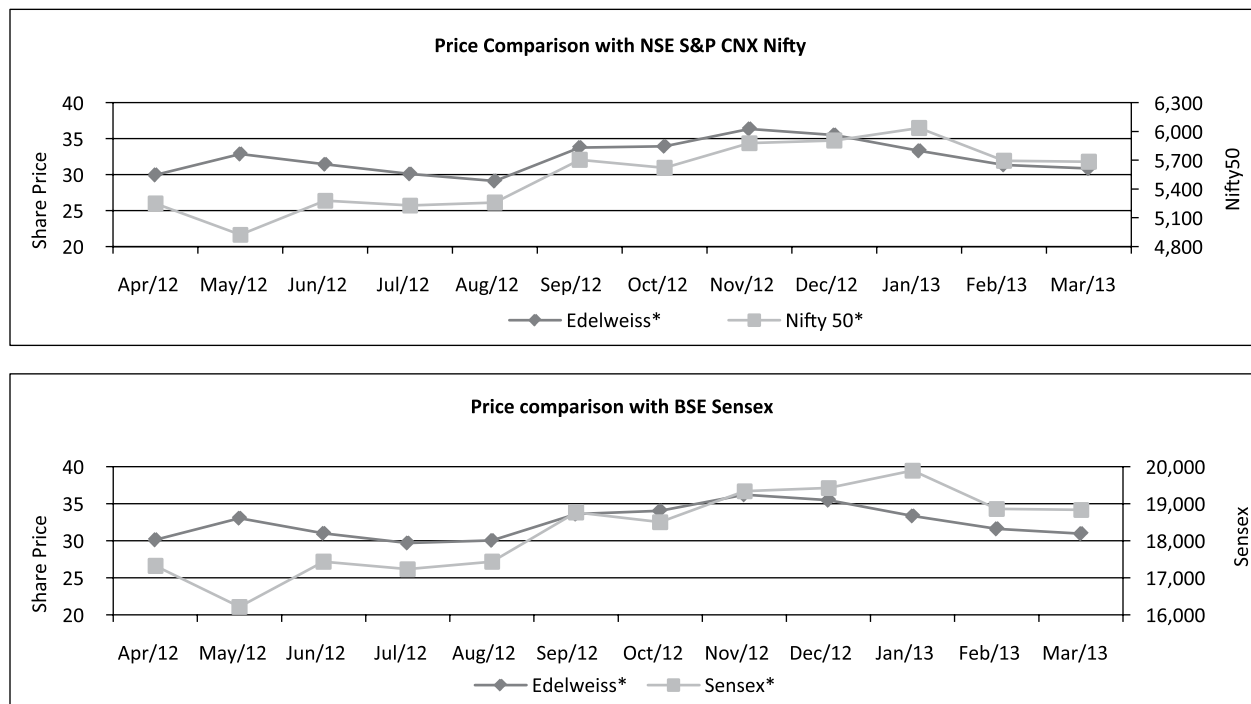
**Trading Symbol**

BSE Limited	532922
National Stock Exchange of India Limited	EDELWEISS
ISIN with NSDL and CDSL	INE532F01054

- vii. **Market Price Data:** Stock Market price data for the financial year 2012-2013. High / Low of daily closing market price of the Company's shares traded at BSE and NSE during each month in the financial year ended March 31, 2013 are as under:

Month	BSE			NSE		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
Apr-12	31.55	28.50	40,48,555	31.65	28.50	25,71,027
May-12	33.05	27.15	4,27,477	32.90	27.20	15,94,008
Jun-12	35.25	30.70	8,61,630	35.05	30.75	48,30,831
Jul-12	35.75	28.50	69,61,413	35.70	28.40	78,63,169
Aug-12	31.25	29.65	2,94,809	31.20	29.10	12,63,136
Sep-12	33.60	29.20	6,78,546	33.75	29.20	54,50,145
Oct-12	45.15	34.05	26,68,226	45.20	33.95	1,1451,109
Nov-12	36.35	33.60	74,99,090	36.45	33.70	1,02,29,618
Dec-12	36.80	33.10	17,99,817	36.85	33.15	55,16,168
Jan-13	37.50	33.35	17,35,110	37.50	33.30	50,95,501
Feb-13	33.90	30.10	9,65,315	33.85	30.20	33,42,485
Mar-13	32.90	29.75	4,03,668	32.95	29.95	52,17,043

## viii. Performance of share price in comparison with the broad – based indices viz., NSE Nifty &amp; BSE Sensex:



- ix. **Registrar and Share Transfer Agent:** Link Intime India Private Limited is the Registrar and Share Transfer Agent of the Company. The Registrar and Share Transfer Agent acknowledges and executes the transfer of shares and arranges for issue of dividend warrants and also undertakes the dematerialisation/rematerialisation of equity shares. The Registrar and Share Transfer Agent also accepts, deals with and resolves complaints of the shareholders.
- x. **Share Transfer System:** The Company's shares are traded on the Stock Exchanges in compulsory demat mode. The transfer of Physical shares are processed and returned to the shareholders within a period of 15 days. With a view to expediting the process of share transfers, transmissions etc., the Managing Director, the Whole-time Director and the Company Secretary, have been severally empowered to approve the same.
- xi. **Distribution of shareholding as on March 31, 2013:**

No. of Equity Shares	No. of Shareholders	% of Share holder	No. of Shares held	% of Shares held
1 - 500	1,27,311	94.55	1,34,29,316	1.76
501 - 1000	3,846	2.86	31,26,933	0.41
1001 - 2000	1,651	1.23	25,02,591	0.33
2001 - 3000	591	0.44	15,08,424	0.20
3001 - 4000	246	0.18	8,85,503	0.11
4001 - 5000	275	0.20	13,21,562	0.17
5001 - 10000	310	0.23	22,67,708	0.30
10001 and above	417	0.31	73,88,00,243	96.72
<b>Total</b>	<b>1,34,647</b>	<b>100</b>	<b>76,38,42,280</b>	<b>100</b>

**SHAREHOLDING PATTERN AS ON MARCH 31, 2013**

Sr. No.	Category	No. of Shares	% of Holding
1.	Promoters & Persons acting in Concert	32,33,10,960	42.33
2.	Mutual Funds / FIs / Banks / Insurance Companies	1,99,164	0.03
3.	FII's	16,08,64,459	21.06
4.	NRIs / Foreign Nationals / Foreign Bodies Corporate	15,40,80,715	20.17
5.	Public and Others	12,53,86,982	16.41
	<b>Total</b>	<b>76,38,42,280</b>	<b>100.00</b>

xii. **Dematerialisation of shares:** As on March 31, 2013, 76,20,97,910 equity shares representing 99.77% of the issued share capital of the Company was held in dematerialised form and 17,44,370 equity shares representing 0.23 % of the issued share capital was held in physical form. At the end of each quarter, reconciliation of share capital audit is conducted by a Practising Company Secretary to reconcile the total issued capital, listed capital and capital held by depositories in dematerialised form.

xiii. **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

The Company has not issued GDRs/ADRs/Warrants or any other instrument convertible into equity.

xiv. **Details of shares lying in the suspense account (pursuant to Clause 5A of the Listing Agreement):**

Sr. No.	Particulars	Details	
		No. of Shareholders	No. of shares
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	112	8,970
2	Number of shareholders who approached the Company for transfer of shares from the suspense account during the year	None	None
3	Number of shareholders to whom shares were transferred from the suspense account during the year	None	None
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	112	8,970

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

xv. **Plant locations** – Not Applicable

xvi. **Address for correspondence:** For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialisation of shares, change of address, non-receipt of annual report, dividend warrant and any other query relating to the shares of the Company, the investors may please write to the following address:

Link Intime India Private Limited  
Unit: Edelweiss Financial Services Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai – 400078, India  
Tel: +91 22 2594 6970  
Fax: +91 22 2594 6969  
e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

The Company Secretary  
Edelweiss Financial Services Limited  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098, India.  
Tel: +91 022 – 4009 4400  
Fax: +91 022 – 4019 4890  
E-mail: [efsl.shareholders@edelweissfin.com](mailto:efsl.shareholders@edelweissfin.com)

xvii. **For queries relating to the financial statements and investor information, other than those relating to shares/dividend, please write to:**

Mr. Shailendra Maru,  
Associate Director - Investor Relations  
Edelweiss Financial Services Limited,  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098, India.  
Tel: +91 22 4009 4400  
Fax: +91 22 4019 4890  
E-mail: [ir@edelweissfin.com](mailto:ir@edelweissfin.com)

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**Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the Edelweiss Code of Conduct**

In accordance with Clause 49 (I) (D) of the Listing Agreement, I hereby declare that for the financial year ended March 31, 2013 the Directors and Senior Management Personnel of the Company have affirmed compliance with the Edelweiss Code of Conduct applicable to all the Directors and Senior Management.

**For Edelweiss Financial Services Limited**

**Rashesh Shah**  
**Chairman & CEO**  
May 15, 2013

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**Certificate on compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement**

To the members of Edelweiss Financial Services Limited,

We have examined the compliance of conditions of Corporate Governance by Edelweiss Financial Services Limited ("the Company"), for the financial year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Manish Ghia & Associates**  
*Company Secretaries*

**Manish L. Ghia**  
*Partner*

M. No. FCS 6252, C.P. No. 3531

Place: Mumbai  
Date: May 15, 2013



## **Abridged Consolidated Financial Statements**

# Independent Auditors' Report on Abridged Consolidated Financial Statements

## To the Board of Directors of Edelweiss Financial Services Limited

The accompanying abridged consolidated financial statements, which comprise the abridged consolidated balance sheet as at 31 March 2013, the abridged consolidated statement of profit and loss and abridged consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Edelweiss Financial Services Limited ('the Company') for the year ended 31 March 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 15 May 2013.

The abridged consolidated financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") applied in the preparation of the audited consolidated financial statements of the Company. Reading the abridged consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Company.

## Management's Responsibility for the Abridged Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 and are based on the audited consolidated financial statements for the year ended 31 March 2013, prepared in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures, prescribed by the Companies (Accounting Standards) Rules, 2006.

## Auditor's Responsibility

Our responsibility is to express an opinion on the abridged consolidated financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

## Opinion

In our opinion, the abridged consolidated financial statements, prepared in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 are derived from the audited consolidated financial statements of the Company for the year ended 31 March 2013 and are a fair summary of those consolidated financial statements.

## Other matter

We did not audit the financial statements and other financial information of certain subsidiaries and associates whose financial statements reflect total assets of ₹ 35,277 million as at 31 March 2013, total revenues of ₹ 4,840 million and net cash outflows of ₹ 2,152 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, are based solely on the report of the other auditors.

The actuarial valuation of insurance liabilities is the responsibility of the Group's life insurance subsidiary's appointed actuary ('the Appointed Actuary'). The actuarial valuation of these liabilities as at 31 March 2013 has been duly certified by the Appointed Actuary. The Appointed Actuary has certified to the life insurance subsidiary that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Institute of Actuaries of India in concurrence with IRDA. The statutory auditors of Edelweiss Tokio Life Insurance Company Limited have relied upon Appointed Actuary's certificate in this regard.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No: 116231W

Mumbai  
15 May 2013

**N Sampath Ganesh**  
Partner  
Membership No: 042554

# Independent Auditors' Report

**To the Board of Directors of  
Edelweiss Financial Services Limited**

## **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Edelweiss Financial Services Limited ('the Company') and its subsidiaries and associates (collectively referred to as 'the Group') which comprise the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2013;
- (ii) in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

## **Other Matter**

We did not audit the financial statements and other financial information of certain subsidiaries and associates whose financial statements reflect total assets of ₹ 35,277 million as at 31 March 2013, total revenues of ₹ 4,840 million and net cash outflows of ₹ 2,152 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, are based solely on the report of the other auditors.

The actuarial valuation of insurance liabilities is the responsibility of the Group's life insurance subsidiary's appointed actuary ('the Appointed Actuary'). The actuarial valuation of these liabilities as at 31 March 2013 has been duly certified by the Appointed Actuary. The Appointed Actuary has certified to the life insurance subsidiary that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Institute of Actuaries of India in concurrence with IRDA. The statutory auditors of Edelweiss Tokio Life Insurance Company Limited have relied upon Appointed Actuary's certificate in this regard.

**For B S R & Associates**  
*Chartered Accountants*  
Firm's Registration No: 116231W

Mumbai  
15 May 2013

**N Sampath Ganesh**  
*Partner*  
Membership No: 042554

# Abridged Consolidated Balance Sheet as at 31 March 2013

(Statement containing salient features of Consolidated Balance Sheet as per section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	As at 31 March 2013	As at 31 March 2012
<b>I EQUITY AND LIABILITIES</b>		
<b>1 Shareholders' funds</b>		
(a) Share capital		
Equity	763.84	756.80
(b) Reserves and surplus		
(i) Capital reserves	3,763.56	3,800.23
(ii) Securities premium account	12,097.35	12,012.07
(iii) Statutory reserves	1,440.56	1,152.96
(iv) General reserve	559.46	443.62
(v) Surplus in statement of profit and loss	8,969.97	8,182.50
	27,594.74	26,348.18
<b>2 Minority interest</b>	2,333.10	2,387.79
<b>3 Share application money pending allotment (refer note 2.4)</b>	22.50	11.78
<b>4 Non-current liabilities</b>		
(a) Long-term borrowings	19,800.83	10,774.62
(b) Other long-term liabilities	135.45	115.76
(c) Long-term provisions	722.18	344.17
	20,658.46	11,234.55
<b>5 Current liabilities</b>		
(a) Short-term borrowings	89,737.45	90,472.06
(b) Trade payables	10,230.31	7,833.32
(c) Other current liabilities	14,186.25	6,334.43
(d) Short-term provisions	570.21	828.16
	114,724.22	105,467.97
<b>TOTAL EQUITY AND LIABILITIES (1+2+3+4+5)</b>	165,333.02	145,450.27
<b>II ASSETS</b>		
<b>6 Non-current assets</b>		
(a) Fixed assets		
(i) Tangible assets (original cost less depreciation)	4,808.76	4,070.47
(ii) Intangible assets (original cost less depreciation/amortisation)	151.80	134.31
(iii) Capital work-in-progress	17.16	1,003.14
(iv) Intangible assets under development	4.35	15.79
(b) Goodwill on consolidation	1,404.03	1,394.67
(c) Non-current investments	8,086.57	7,316.12
(d) Deferred tax assets (net)	359.64	259.83
(e) Long-term loans and advances	27,163.50	19,269.32
(f) Other non-current assets	3,051.82	1,348.91
	45,047.63	34,812.56
<b>7 Current assets</b>		
(a) Current investments	4,026.00	6,694.63
(b) Stock-in-trade	31,520.81	33,830.34
(c) Trade receivables	1,583.23	1,888.64
(d) Cash and bank balances	37,089.79	32,747.56
(e) Short-term loans and advances	41,203.57	27,969.90
(f) Other current assets	4,861.99	7,506.64
	120,285.39	110,637.71
<b>TOTAL ASSETS (6+7)</b>	165,333.02	145,450.27

See accompanying accounting policies and notes to the financial statements.

Compiled from the audited consolidated financial statements of the Company referred to in our report dated 15 May 2013.

Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Revised Schedule VI to the Companies Act, 1956 are available on the Company's website - [www.edelweissfin.com](http://www.edelweissfin.com).

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

**S Ranganathan**  
**B Ranganathan**

Mumbai  
15 May 2013

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

*Chief Financial Officer*  
*SVP & Company Secretary*

# Abridged Consolidated Statement of Profit and Loss for the year ended 31 March 2013 (Statement containing salient features of Consolidated Statement of Profit and Loss as per section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>I Income</b>		
Revenue from operations		
(a) Fee and commission income	3,193.71	3,213.08
(b) Income from treasury	2,456.36	2,534.01
(c) Interest income	15,354.56	10,660.95
(d) Premium from life insurance business	524.77	107.20
(e) Other operating revenue	243.35	109.76
<b>Net revenue from operations</b>	<b>21,772.75</b>	<b>16,625.00</b>
<b>II Other income</b>	<b>67.49</b>	<b>81.87</b>
<b>III Total income (I+II)</b>	<b>21,840.24</b>	<b>16,706.87</b>
<b>IV Expenditure</b>		
(a) Employee benefits expense	3,639.13	2,712.07
(b) Finance costs	11,133.29	8,296.50
(c) Depreciation and amortisation expenses	514.26	421.94
(d) Change in life insurance policy liability	314.87	57.59
(e) Other expenses	3,645.44	3,231.80
<b>Total expenditure</b>	<b>19,246.99</b>	<b>14,719.90</b>
<b>V Profit before tax (III-IV)</b>	<b>2,593.25</b>	<b>1,986.97</b>
<b>VI Tax expense</b>		
(a) Current tax	1,094.95	390.03
(b) Minimum alternate tax (MAT)	(117.82)	23.13
(c) Deferred tax	(95.62)	267.70
<b>VII Profit for the year</b>	<b>1,711.74</b>	<b>1,306.11</b>
<b>VIII Share of minority interest in profit for the year</b>	<b>(72.87)</b>	<b>28.68</b>
<b>IX Profit for the year after minority interest</b>	<b>1,784.61</b>	<b>1,277.43</b>
<b>X Earnings per equity share (₹) (Face value ₹ 1 each) (refer note 2.3)</b>		
(a) Basic	2.35	1.69
(b) Diluted	2.31	1.66

See accompanying accounting policies and notes to the financial statements.

Compiled from the audited consolidated financial statements of the Company referred to in our report dated 15 May 2013.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

**S Ranganathan**  
**B Ranganathan**

*Chief Financial Officer*  
*SVP & Company Secretary*

Mumbai  
15 May 2013



## Abridged Consolidated Cash Flow Statement for the year ended 31 March 2013

(Currency: Indian rupees in millions)

	For the year ended 31 March 2013	For the year ended 31 March 2012
I Cash flow from/(used in) operating activities	2,740.03	(8,869.17)
II Cash flow from/(used in) investing activities	1,548.68	(10,995.61)
III Cash (used in)/generated from financing activities	(30.80)	18,101.68
IV Net increase/(decrease) in cash and cash equivalents (I+II+III)	4,257.91	(1,763.10)
V Cash and cash equivalents at the beginning of the year	2,992.97	4,756.07
VI Cash and cash equivalents at the end of the year (refer note 2.14)	7,250.88	2,992.97

See accompanying accounting policies and notes to the financial statements.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

**S Ranganathan**  
**B Renganathan**

Mumbai  
15 May 2013

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

*Chief Financial Officer*  
*SVP & Company Secretary*

# Notes to the abridged consolidated financial statements for the year ended 31 March 2013

## 1 Significant accounting policies

### 1.1 Basis of preparation of abridged consolidated financial statements

The accompanying abridged consolidated financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements are presented in Indian Rupees in millions.

### 1.2 Principles of consolidation

- a) The abridged consolidated financial statements relate to Edelweiss Financial Services Limited ('the Company') and its subsidiaries and associates (together 'the Group'). The consolidated financial statements have been prepared on the following basis:
- In respect of subsidiary enterprises, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after as far as possible eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 - Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.
  - In case of associate enterprises, the financial statements have been consolidated as per Accounting Standard 23 - Accounting for Investment in Associates prescribed by Companies (Accounting Standards) Rules, 2006.
  - Investments in subsidiaries where control is intended to be temporary or where the objective of control over the subsidiary is not to obtain economic benefits therefrom, have not been consolidated.
  - Assets and liabilities of the foreign subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as foreign exchange translation reserve in Reserves and Surplus.
  - The excess of cost over the Company's investments in the subsidiaries is recognised in the consolidated financial statements as Goodwill. The excess of Company's share in equity and reserves of the subsidiaries over the cost of acquisition is treated as Capital Reserve.
  - The share of minority interest in the net profit of subsidiaries for the year is identified and adjusted against the income of the Group to arrive at the net income attributable to the Group.
  - The share of minority interest in net assets of subsidiaries is identified and presented in the consolidated financial statements separate from liabilities and the equity of the Group.
  - The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- b) Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 - Accounting for Investments prescribed by the Companies (Accounting Standards) Rules, 2006.
- c) The subsidiaries and associates considered in the consolidated financial statements:

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2013
<b>Subsidiaries</b>			
1	Edelweiss Securities Limited	India	100.00%
2	Edelweiss Finance & Investments Limited	India	100.00%
3	ECL Finance Limited	India	92.20%
4	Edelweiss Global Wealth Management Limited	India	100.00%
5	EC Global Limited <sup>1</sup>	Mauritius	100.00%
6	Edelweiss Insurance Brokers Limited	India	71.91%
7	Edelweiss Trustee Services Limited	India	100.00%
8	Edelweiss Web Services Limited <sup>2</sup>	India	100.00%
9	Edelcap Securities Limited	India	100.00%
10	Edelweiss Asset Management Limited	India	100.00%
11	ECap Equities Limited	India	100.00%
12	Edelweiss Broking Limited	India	100.00%
13	Edelweiss Trusteeship Company Limited	India	100.00%

## Notes to the abridged consolidated financial statements (*Continued*)

### 1 Significant accounting policies (*Continued*)

#### 1.2 Principles of consolidation (*Continued*)

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2013
14	Edelweiss Alternative Asset Advisors Limited	India	100.00%
15	Edelweiss Housing Finance Limited <sup>3</sup>	India	100.00%
16	Edelweiss Investment Adviser Limited (formerly known as Edelweiss Investment Advisors Limited)	India	100.00%
17	EC Commodity Limited	India	100.00%
18	Edel Commodities Limited	India	100.00%
19	Edel Land Limited	India	100.00%
20	Edelweiss Custodial Services Limited	India	100.00%
21	EC International Limited	Mauritius	100.00%
22	Edelweiss Capital (Singapore) Pte. Limited	Singapore	100.00%
23	Edelweiss Alternative Asset Advisors Pte. Limited <sup>4</sup>	Singapore	100.00%
24	Edelweiss International (Singapore) Pte. Limited <sup>4</sup>	Singapore	100.00%
25	Aster Commodities DMCC <sup>5</sup>	United Arab Emirates	100.00%
26	ECap International Limited <sup>5</sup>	Mauritius	100.00%
27	EAAA LLC <sup>6</sup>	Mauritius	100.00%
28	EW Special Opportunities Advisors LLC <sup>7</sup>	Mauritius	67.00%
29	EW India Special Assets Advisors LLC <sup>7</sup>	Mauritius	90.00%
30	Edel Investments Limited	India	100.00%
31	Edelweiss Tokio Life Insurance Company Limited	India	74.00%
32	Edelweiss Investment Advisors Private Limited <sup>4</sup>	Singapore	100.00%
33	Edelweiss Commodities Services Limited (formerly known as Comfort Projects Limited)	India	100.00%
34	Edelweiss Financial Advisors Limited <sup>8</sup>	India	100.00%
35	Edelweiss Comtrade Limited <sup>10</sup>	India	100.00%
36	Edel Finance Company Limited <sup>9</sup>	India	100.00%
37	Edelweiss Capital Markets Limited <sup>3</sup>	India	100.00%
38	EW SBI Crossover Advisors LLC <sup>7</sup>	Mauritius	60.00%
39	EFSL Commodities Limited <sup>11</sup>	India	100.00%
40	Edel Commodities Trading Limited <sup>11</sup>	India	100.00%
41	EFSL Comtrade Limited <sup>11</sup>	India	100.00%
42	Affluent Dealcom Private Limited <sup>13</sup>	India	100.00%
43	Edelweiss Securities (Hong Kong) Private Limited <sup>10</sup>	Hong Kong	100.00%
<b>Associates</b>			
44	Allium Finance Private Limited <sup>3</sup>	India	46.13%
45	Edelweiss Asset Reconstruction Company Limited <sup>12</sup>	India	49.45%
46	Edelweiss Fund Advisors Private Limited	India	40.00%
47	Dahlia Financial Services Private Limited <sup>10</sup>	India	50.00%
48	Magnolia Financial Services Private Limited <sup>10</sup>	India	50.00%
49	Edelweiss Precious Metals Private Limited <sup>3</sup>	India	45.00%
50	Arum Investments Private Limited <sup>10</sup>	India	39.39%
51	Aeon Credit Services India Private Limited <sup>14</sup>	India	25.00%

<sup>1</sup> held through Edelweiss Finance & Investments Limited

<sup>2</sup> held through Edelweiss Broking Limited

<sup>3</sup> held through Edelweiss Commodities Services Limited

<sup>4</sup> held through Edelweiss Capital (Singapore) Pte. Limited

<sup>5</sup> held through EC International Limited

<sup>6</sup> held through ECap International Limited

<sup>7</sup> held through EAAA LLC

<sup>8</sup> held through Edelweiss Commodities Services Limited and Edelweiss Finance & Investments Limited

<sup>9</sup> held through Edelweiss Financial Advisors Limited

<sup>10</sup> held through Edelweiss Securities Limited

<sup>11</sup> held through Edel Commodities Limited

<sup>12</sup> held through Edelweiss Custodial Services Limited

<sup>13</sup> held through Edelcap Securities Limited

<sup>14</sup> held through ECL Finance Limited

# Notes to the abridged consolidated financial statements (*Continued*)

## 1 Significant accounting policies (*Continued*)

### 1.2 Principles of consolidation (*Continued*)

- d) EdelGive Foundation, a 100% subsidiary and a company registered under section 25 of the Companies Act, 1956, with the sole objective of philanthropy, where no economic benefit shall be derived by the Group, has not been consolidated.
- e) On 22 August 2012, the Company diluted its interest in Allium Finance Private Limited ('Allium'). The interest in Allium has accordingly been consolidated as a subsidiary upto this date.
- f) During the year, Company has diluted its interest in EW SBI Crossover Advisors LLC from 100% to 60%.
- g) With effect from 19 July 2012, Affluent Dealcom Private Limited became a subsidiary of the Company and has been consolidated from the said date.
- h) With effect from 6 Feb 2013, Edelweiss Securities (Hong Kong) Private Limited became a subsidiary of the Company and has been consolidated from the said date.
- i) Pursuant to the order of Hon'ble High Court of Gujarat approving the scheme of amalgamation between Edelweiss Financial Advisors Limited ('EFAL') and its wholly owned subsidiary, Edelweiss Stock Broking Limited (the transferor company), the entire undertaking, assets and liabilities of the transferor company stand transferred and vested in EFAL with effect from 1 January 2008, the appointed date. The effective date of the order is 2 June 2012.

### 1.3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 1.4 Revenue recognition

- a) Fee income including investment banking, advisory fees, syndication fees, processing fees (other than on housing loans and loans against property) and other fees is accounted for on an accrual basis in accordance with the terms and contracts entered into between the Group and the counterparty.
- b) Brokerage income on securities and commodities broking business is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date and is reflected net of related sub-brokerage expenses, service tax and stock exchange expenses. Brokerage income on insurance broking business is recognised on an accrual basis at the inception of the insurance policy once the policy is issued by the insurance company based on the terms agreed with the insurance companies and is exclusive of service tax.
- c) Investment management fees are recognised net of service tax on an accrual basis in accordance with the Investment Management Agreement with Edelweiss Mutual Fund ('the mutual fund') and complies with the Securities and Exchange Board of India (Mutual Funds) Regulations based on average Assets Under Management ('AUM') confirmed by the mutual fund.
- d) Portfolio management fees are recognised on an accrual basis in accordance with portfolio management agreement entered with respective clients.
- e) Revenue from fund management services (excluding mutual fund business) is recognised in accordance with the terms and conditions of the investment management agreement between the Group and the Fund for which the Group acts as a fund manager.
- f) Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the Compensation Agreement between the trustee company and the fund. The amount recognised as revenue is exclusive of service tax.
- g) In case of housing loans and loans against property, processing fees is amortised over a pre-determined tenor arrived on an industry average or original contractual tenor, whichever is shorter. In the event of a loan being foreclosed or written-off, the unamortised portion of such processing fees is recognised as income at the time of such foreclosure or write-off.
- h) Income from treasury comprises of profit/loss on sale of securities and commodities and profit/loss on derivative instruments.
  - i) Profit/loss on sale of securities and commodities is determined based on the weighted average cost of the securities/commodities sold.
  - ii) Realised profit/loss on closed positions of derivative instruments is recognised on final settlement on squaring-up of the contracts. Outstanding derivative contracts in the nature of forwards/futures/options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.

## Notes to the abridged consolidated financial statements (*Continued*)

### 1 Significant accounting policies (*Continued*)

#### 1.4 Revenue recognition (*Continued*)

- i) Interest income is recognised on accrual basis. Interest income in case of lending business in the non-banking financial companies ('NBFCs') is recognised on accrual basis except in case of non-performing assets, wherein it is accounted on realisation, as per Reserve Bank of India ('RBI') & National Housing Bank ('NHB') guidelines. In case of commercial papers, deep discount bonds and certificate of deposits, the difference between the acquisition cost and redemption value is apportioned on time basis and recognised as interest income.
- j) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- k) Dividend income is recognised when the right to receive payment is established.
- l) ECL Finance Limited, a subsidiary of the Company, enters into securitisation transactions and assets are derecognised upon sale only if ECL Finance Limited surrenders control over the contractual rights that comprise in the financial assets. Gain on securitisation of assets is recognised on the difference between the book value of the securitised asset and consideration received on the assets derecognised from the books. The same is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV') in accordance with the guidelines issued by the RBI. Losses, if any, are recognised immediately.
- m) Profit/loss on error trades in broking business is included in 'Income from treasury'.
- n) Profit/loss from share in partnership firm is accounted for once the amount of the share of profit/loss is ascertained and credited/debited to the company's account in the books of the partnership firm.
- o) In case of Life Insurance business:
  - Premium income from traditional policies is recognised when due from policyholders, if there is no uncertainty of collectability.  
For unit linked business, premium income is recognised as and when the associated units are created.  
Premium income on lapsed policies is recognised as and when such policies are reinstated.  
Income from unit linked policies, which include asset management fees and other charges, if any, is recovered from the linked funds in accordance with the terms and conditions of the policies and is recognised as and when due.
  - Reinsurance premium ceded is accounted in accordance with the treaty or in principle arrangement with the reinsurer.
  - Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred.
  - For claim and benefit paid, claim costs consist of the policy benefit amount and claim settlement costs, where applicable.  
Death, rider and surrender claims are accounted for on receipt of intimation.  
Maturity claims are accounted when due.  
Surrenders under traditional policies are accounted on the receipt of consent from the insured to the quote provided by the company.  
Reinsurance claims receivable are accounted for in the same period as the related claim.
  - The policyholders' liabilities are determined by the company's Appointed Actuary in accordance with the accepted actuarial practices, requirements of the Insurance Act, 1938 and Actuarial Standard issued by the Institute of Actuaries of India.

#### 1.5 Loan origination costs

In case of housing loans and loans against property, origination costs directly attributable to disbursed loans are amortised over a pre-determined tenor arrived on an industry average or original contractual tenor, whichever is shorter. Where the loan is foreclosed or written-off, the unamortised portion of such loan origination costs are recognised as charge in the statement of profit and loss at the time of such foreclosure or write-off.



# Notes to the abridged consolidated financial statements (*Continued*)

## 1 Significant accounting policies (*Continued*)

### 1.6 Benchmark linked debentures

The Group has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debentures. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

### 1.7 Fixed assets and depreciation

#### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready for its intended use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Flat and building	5.00%
Furniture and fixtures	18.10%
Office equipments	13.91%
Computers	40.00%
Vehicles	25.89%
Vessel	20.00%

Leasehold improvements are amortized on a straight-line basis over the estimated useful lives of the assets or the period of lease whichever is shorter.

#### Intangible fixed assets

Intangibles such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

Goodwill on acquisition is amortised over a period of 5 years.

All fixed assets, tangible and intangible, individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

### 1.8 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

### 1.9 Stock-in-trade

- The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- The securities, including from error trades, held as stock-in-trade are valued at lower of weighted average cost or market value.
- In case of units of mutual funds held as stock-in-trade, net asset value is considered as fair value.
- Inventories in the form of commodities are valued at cost or net realisable value, whichever is lower.
- Debt instruments are valued at cost or fair value whichever is lower. In case of debt instruments for which direct quotes are not available, they are valued at the lowest of the quotes as on valuation date as provided by market intermediaries.

## Notes to the abridged consolidated financial statements (*Continued*)

### 1 Significant accounting policies (*Continued*)

#### 1.9 Stock-in-trade (*Continued*)

- f) Commercial papers, certificate of deposits and treasury bills are valued at carrying cost.
- g) Inventory in the form of land is valued at cost or net realisable value, whichever is lower.
- h) Purchase and sale of bullion is recorded at the price which is fixed between the buyer and the seller at the future date including the contracts where the price is fixed subsequent to the balance sheet date. In case of unfixed purchase/sale contracts as at the reporting date, the price is recorded at the forward rate for the residual maturity period of the contract.

#### 1.10 Investments

##### (a) Investments of Life Insurance Business

In case of Life Insurance business, investments are made in accordance with the Insurance Act, 1938, Insurance Regulatory & Development Authority (IRDA) (Investment) Regulations, 2000, and various other circulars/notifications/amendments issued by the IRDA in this context from time to time.

Investments are recorded on trade date at cost, which includes brokerage and related taxes, if any and excludes pre-acquisition interest, if any.

Any impairment loss is recognized as an expense in the revenue account/statement of profit and loss to the extent of the difference between the re-measured fair value of the security/investment and its acquisition cost as reduced by any previous impairment loss recognized as an expense in the revenue account/statement of profit and loss. Any reversal of impairment loss, earlier recognized in revenue account/statement of profit and loss, is recognized in the revenue account/statement of profit and loss.

Broken period interest paid/received is debited/credited to interest receivable account and is not included in the cost of purchase/sale value.

##### Debt securities

##### i) Non linked, non unit reserve investments and shareholders' investments

Debt securities are considered as 'held to maturity'. Debt securities are stated at amortised cost. Discount or premium on purchase of debt securities is amortised over the remaining period to maturity on straight line basis and is recognised in the revenue account/statement of profit and loss, as applicable.

##### ii) Linked business

All debt securities, including government securities under linked businesses are valued at market value, using CRISIL Bond Valuer/CRISIL Gilt Prices, as applicable. The discount or premium on money market instruments which is the difference between the purchase price and the redemption amount is amortized and recognized in the revenue account on a straight line basis over the remaining period to maturity of these securities. Unrealised gains or losses arising on such valuation are recognised in the revenue account.

##### Equity Shares

##### i) Non linked, non unit reserve investments and shareholders' investments

Listed equity shares are stated at fair value, being the last quoted closing prices on National Stock Exchange (in case it is not traded on National Stock Exchange then last quoted closing price on the Bombay Stock Exchange is used) as at the balance sheet date. Unrealised gains/losses arising due to change in fair value are recognised under the head 'Fair Value Change Account' in the balance sheet.

Unlisted equity shares and other than actively traded equity shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment determined separately for each individual investment.

##### ii) Linked business

Listed equity shares are valued and stated at fair value, being the last quoted closing prices on National Stock Exchange (in case it is not traded on National Stock Exchange then last quoted closing price on the Bombay Stock Exchange is used) as at the balance sheet date. Unrealised gains or losses arising on such valuation are recognised in the revenue account.

Unlisted equity shares and other than actively traded equity shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment determined separately for each individual investment.

# Notes to the abridged consolidated financial statements (*Continued*)

## 1 Significant accounting policies (*Continued*)

### 1.10 Investments (*Continued*)

#### Mutual Funds

##### i) Non linked, non unit reserve investments and shareholders' investments

Mutual fund units as at balance sheet date are valued at previous day's net asset values. Unrealised gains/losses arising due to changes in the fair value of mutual fund units are recognized under the head 'Fair Value Change Account' in the balance sheet.

##### ii) Linked business

Mutual fund units are valued at previous day's net asset values and unrealised gains/losses arising due to changes in the fair value of mutual fund units are recognised in revenue account.

##### (b) Investments other than Life Insurance Business

Investments are classified into long-term investments and current investments. Investments which are intended to be held for one year or more are classified as non-current investments and investments which are intended to be held for less than one year are classified as current investments.

Long-term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in units of mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

### 1.11 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognised in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

### 1.12 Employee benefits

The accounting policy followed by the Group in respect of its employee benefit schemes in accordance with Accounting Standard 15 (revised 2005), is set out below:

#### *Provident fund*

The Group contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

#### *Gratuity*

The Group's gratuity scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its present value, and the fair value of plan assets, if any, is deducted.

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on government securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an insurance company approved by IRDA.

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

## Notes to the abridged consolidated financial statements (*Continued*)

### 1 Significant accounting policies (*Continued*)

#### 1.12 Employee benefits (*Continued*)

##### *Compensated absences and leave encashment*

The eligible employees of certain companies of the Group are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Group recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

Certain companies of the Group provide for the encashment of leave subject to rules. The liability is provided based on the number of days of unutilised leave at each balance sheet date based on a valuation by an independent actuary.

#### 1.13 Tax

Tax expense comprises income tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

##### *Income tax*

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961 and minimum alternate tax.

##### *Deferred tax*

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### *Minimum alternate tax (MAT) Credit*

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

#### 1.14 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### 1.15 Earnings per share

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

#### 1.16 Provisions and contingencies

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

## Notes to the abridged consolidated financial statements (*Continued*)

### **1 Significant accounting policies (*Continued*)**

#### **1.17 Provisioning on receivables from financing business**

Provision for non-performing assets ('NPAs') is based on the management's assessment of the degree of impairment of the loan asset and the level of provisioning required as per the prudential norms prescribed by RBI & NHB.

Provision for standard assets is made on the basis of prudential norms laid down by RBI and NHB.

#### **1.18 Mutual Fund expenses**

Expenses incurred on behalf of schemes of the mutual fund are recognised to the statement of profit and loss unless considered recoverable from schemes of the fund in accordance with provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations.

#### **1.19 Employee stock option plans ('ESOPs')**

The Group follows the intrinsic value method to account for compensation cost of the stock based employee compensation plans of the Company. The compensation cost is amortised on a straight-line basis.

#### **1.20 Presentation of financial assets and liabilities**

Financial assets and liabilities are offset and the net amounts are presented in the balance sheet where the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Such legal rights are by virtue of a binding legal contract or by an irrevocable undertaking executed by the Company. The aforesaid policy is generally applied to offset receivables from and payables to same counterparties; to offset fixed deposits specifically pledged with banks against the borrowings availed from them; to offset receivables against payables in the case of the same broking clients in multiple segments and other such similar qualifying arrangements.



## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.1 Segment reporting (*refer note 2.30 of the consolidated financial statements*)

The Group's business is organised and management reviews the performance based on the business segments as mentioned below:

Segment	Activities covered
Agency business	Broking, advisory, product distribution and other fee based services
Capital based business	Income from treasury, investment income and financing
Life Insurance	Represents results of Edelweiss Tokio Life Insurance Company Limited

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identified with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as at 31 March 2013 and segmental statement of profit and loss for the year ended 31 March 2013 have been prepared.

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment.

## Notes to the abridged consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.1 Segment reporting (refer note 2.30 of the consolidated financial statements) (Continued)

Particulars	Agency business		Capital based business		Life insurance		Un-allocated		Total	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<b>Segment revenue</b>										
Income from customers	4,941.30	3,751.30	15,905.50	12,311.80	981.69	532.14	11.75	111.63	21,840.24	16,706.87
<b>Total</b>	4,941.30	3,751.30	15,905.50	12,311.80	981.69	532.14	11.75	111.63	21,840.24	16,706.87
<b>Segment result</b>										
Current tax	422.90	336.20	3,072.45	2,440.50	(647.25)	(180.70)	(254.85)	(609.03)	2,593.25	1,986.97
Minimum alternate tax							1,094.95	390.03	1,094.95	390.03
Deferred tax							(117.82)	23.13	(117.82)	23.13
<b>Profit after tax</b>							(95.62)	267.70	(95.62)	267.70
									1,711.74	1,306.11
<b>Other information</b>										
Carrying amount of segment assets	20,707.20	12,921.36	133,344.10	118,965.26	5,300.70	5,391.32	5,981.02	8,172.33	165,333.02	145,450.27
Carrying amount of segment liabilities	16,171.60	7,915.76	117,590.20	103,852.96	742.40	183.02	3,211.58	7,138.57	137,715.78	119,090.31
Capital employed	4,535.60	5,005.60	15,753.90	15,112.30	4,558.30	5,208.30	2,769.44	1,033.76	27,617.24	26,359.96
Capital expenditure	174.55	553.78	167.44	644.00	-	-	21.04	3,670.96	363.03	4,868.74
Depreciation/amortisation	118.52	122.15	287.65	125.74	81.87	50.54	26.22	123.51	514.26	421.94
Other non cash expenditure	133.03	104.16	150.20	106.23	-	-	76.53	82.30	359.76	292.69

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (*refer note 2.31 of the consolidated financial statements*)

**(A) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise**

Rashesh Shah  
Venkat Ramaswamy  
Vidya Shah  
Aparna T. C.

**(B) Relatives of individuals exercising significant influence**

Kaavya Venkat  
Shilpa Mody  
Sharmishta Chandrakant Shah (upto 11 May 2012)  
A V Ramaswamy  
Sejal Premal Parekh (with effect from 9 July 2012)  
Meena Subramanian (with effect from 30 January 2013)  
Sneha Sripad Desai (with effect from 30 January 2013)

**(C) Enterprises where significant influence is exercised, with whom transactions have taken place**

Edelweiss Employee Welfare Trust  
Edelweiss Asset Reconstruction Company Limited  
Edelweiss Fund Advisors Private Limited  
Dahlia Financial Services Private Limited  
Magnolia Financial Services Private Limited  
Arum Investments Private Limited  
Edelweiss Precious Metals Private Limited  
Allium Finance Private Limited (through Edelweiss Commodities Services Limited) (with effect from 22 August 2012)  
Aeon Credit Services India Private Limited (through ECL Finance Limited) (with effect from 25 June 2012)

**(D) Subsidiary Company**

EdelGive Foundation

**(E) Enterprises which exercise significant influence over subsidiary, with whom transactions have taken place**

Tokio Marine & Nichido Fire Insurance Co. Limited (*Subsidiary of Tokio Marine Holdings Inc.*)

**(F) Enterprises which exercise significant influence over Group, with whom transactions have taken place**

Oak Holdings Private Limited  
Spire Investment Advisors LLP

**(G) Key Management Personnel**

Himanshu Kaji (with effect from 1 November 2011)

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (*refer note 2.31 of the consolidated financial statements*) (*Continued*)

#### (H) Transactions and balances with related parties:

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
Capital account transactions							
<i>Investment in equity shares</i>							
Edelweiss Asset Reconstruction Company Limited			277.93				
			(124.77)				
Edelweiss Precious Metals Private Limited			-				
			(0.05)				
Aeon Credit Services India Private Limited			102.50				
			(-)				
<i>Investment in preference shares</i>							
Allium Finance Private Limited			105.85				
			(-)				
<i>Equity share capital issued by subsidiary (including securities premium)</i>							
Tokio Marine & Nichido Fire Insurance Co. Limited					-		
					(2,198.27)		
<i>Disinvestment in equity shares</i>							
Allium Finance Private Limited			0.79				
			(-)				
<i>Share application money received by subsidiary</i>							
Edelweiss Asset Reconstruction Company Limited			124.77				
			(-)				
<i>Non-convertible debentures subscribed</i>							
Arum Investments Private Limited			308.71				
			(-)				
<i>Loans given to</i>							
Edelweiss Asset Reconstruction Company Limited			773.65				
			(645.57)				
Magnolia Financial Services Private Limited			143.88				
			(2,604.75)				
Dahlia Financial Services Private Limited			146.43				
			(-)				
Edelweiss Precious Metals Private Limited			232.19				
			(156.77)				
Others			-				
			(1.70)				

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (refer note 2.31 of the consolidated financial statements) (*Continued*)

#### (H) Transactions and balances with related parties (*Continued*):

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
<i>Loans repaid by</i>							
Edelweiss Employee Welfare Trust			32.10				
			(24.20)				
Edelweiss Fund Advisors Private Limited			- *				
			(1.70)				
Edelweiss Asset Reconstruction Company Limited			827.15				
			(495.34)				
Dahlia Financial Services Private Limited			35.60				
			(8.50)				
Magnolia Financial Services Private Limited			68.99				
			(2,614.60)				
Edelweiss Precious Metals Private Limited			191.46				
			(-)				
<i>Reimbursement paid</i>							
Arum Investments Private Limited			-				
			(0.48)				
EdelGive Foundation				0.01			
				(-)			
<i>Reimbursement recovered</i>							
Edelweiss Fund Advisors Private Limited			1.72				
			(3.48)				
Oak Holdings Private Limited						0.02	
						(0.02)	
Edelweiss Asset Reconstruction Company Limited			15.75				
			(5.05)				
Arum Investments Private Limited			17.56				
			(3.45)				
Others			7.50	-			
			(0.09)	(0.06)			
<i>Dividend paid</i>							
Rashesh Shah	116.88						
	(89.36)						
Venkat Ramaswamy	45.07						
	(34.47)						
Spire Investment Advisors LLP						32.94	
						(25.19)	

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (*refer note 2.31 of the consolidated financial statements*) (*Continued*)

#### (H) Transactions and balances with related parties (*Continued*):

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
Edelweiss Employee Welfare Trust			31.96				
			(24.44)				
Others	35.16	12.51					
	(26.88)	(9.15)					
<i>Advisory fee received</i>							
Edelweiss Asset Reconstruction Company Limited			2.14				
			(4.49)				
<i>Rental income</i>							
Arum Investments Private Limited			5.81				
			(2.69)				
<i>Interest income</i>							
Edelweiss Fund Advisors Private Limited			- *				
			(-)				
Edelweiss Asset Reconstruction Company Limited			23.27				
			(3.06)				
Dahlia Financial Services Private Limited			8.53				
			(0.26)				
Edelweiss Precious Metals Private Limited			18.24				
			(0.41)				
Magnolia Financial Services Private Limited			6.17				
			(5.79)				
<i>Amount paid/debits with broker</i>							
Rashesh Shah	108.54						
	(60.28)						
Vidya Shah	144.31						
	(80.74)						
Aparna T. C.	43.09						
	(19.09)						
Others	1.70	2.21	0.01				
	(6.69)	(-)	(18.14)				
<i>Amount received/credits with broker</i>							
Rashesh Shah	108.54						
	(60.28)						



## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (*refer note 2.31 of the consolidated financial statements*) (*Continued*)

#### (H) Transactions and balances with related parties (*Continued*):

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
Vidya Shah	144.57						
	(80.74)						
Aparna T. C.	43.09						
	(19.09)						
Spire Investment Advisors LLP						96.17	
						(-)	
Others	1.70	2.21	0.01				
	(6.69)	(-)	(18.14)				
<i>Purchase of commodities</i>							
Dahlia Financial Services Private Limited			-				
			(13.55)				
Magnolia Financial Services Private Limited			-				
			(5.33)				
<i>Sale of commodities</i>							
Dahlia Financial Services Private Limited			54.68				
			(7.31)				
Magnolia Financial Services Private Limited			54.98				
			(7.33)				
<i>Loss on forward contracts (net)</i>							
Magnolia Financial Services Private Limited			22.59				
			(-)				
Dahlia Financial Services Private Limited			22.56				
			(-)				
<i>Brokerage earned</i>							
Rashesh Shah	0.07						
	(0.02)						
Vidya Shah	0.59						
	(0.42)						
Aparna T. C.	0.21						
	(0.01)						
Others	- *	- *	- *			0.06	
	(0.01)	(-)*	(-)			(-)	
<i>Remuneration</i>							
Rashesh Shah	21.27						
	(15.67)						
Venkat Ramaswamy	14.75						
	(12.41)						
Himanshu Kaji							20.29
							(8.87)

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (refer note 2.31 of the consolidated financial statements) (*Continued*)

#### (H) Transactions and balances with related parties (*Continued*):

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
<i>Donations given</i>							
EdelGive Foundation				31.40			
				(22.80)			
<i>Cost reimbursements recovered</i>							
Arum Investments Private Limited			0.31				
			(37.78)				
Dahlia Financial Services Private Limited			0.50				
			(0.50)				
Edelweiss Asset Reconstruction Company Limited			0.92				
			(7.68)				
Edelweiss Fund Advisors Private Limited			-				
			(2.60)				
Others			1.00				
			(1.00)				
<i>Fixed Assets</i>							
<i>Software Licence</i>							
Tokio Marine & Nichido Fire Insurance Co. Limited			-				
			(0.25)				
Balances with related parties							
<i>Investments</i>							
Edelweiss Asset Reconstruction Company Limited			-				
			(247.27)				
Arum Investments Private Limited			728.25				
			(488.73)				
Allium Finance Private Limited			145.06				
			(-)				
Aeon Credit Services India Private Limited			102.50				
			(-)				
Others			0.55	0.10			
			(2.55)	(0.10)			
<i>Advances</i>							
Edelweiss Asset Reconstruction Company Limited			105.58				
			(156.78)				
Edelweiss Employee Welfare Trust			1,348.35				
			(1,380.45)				
Arum Investments Private Limited			10.94				
			(46.81)				

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.2 Related parties (*refer note 2.31 of the consolidated financial statements*) (*Continued*)

#### (H) Transactions and balances with related parties (*Continued*):

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which /where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over Group	Key Management Personnel
Edelweiss Precious Metals Private Limited			199.98				
			(159.25)				
Others			192.17				
			(12.14)				
<i>Trade receivables</i>							
Dahlia Financial Services Private Limited			32.62				
			(0.51)				
Magnolia Financial Services Private Limited			35.79				
			(0.77)				
Edelweiss Asset Reconstruction Company Limited			-				
			(2.82)				
Arum Investments Private Limited			-				
			(4.43)				
<i>Interest receivable on loan given</i>							
Edelweiss Precious Metals Private Limited			0.94				
			(-)				
Dahlia Financial Services Private Limited			0.14				
			(-)				
Magnolia Financial Services Private Limited			0.11				
			(-)				
<i>Interest receivable on debt investments</i>							
Arum investments Private Limited			2.94				
			(-)				
<i>Bonus payable</i>							
Rashesh Shah	13.30						
	(7.50)						
Venkat Ramaswamy	6.80						
	(4.50)						
Himanshu Kaji							12.80
							(5.50)
<i>Trade payables</i>							
Edelweiss Asset Reconstruction Company Limited			0.21				
			(-)				
Arum Investments Private Limited			-*				
			(-)				

Amounts in brackets represent previous year numbers

\* Amount is less than ₹ 0.01 million

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.3 Earnings per share (*refer note 2.32 of the consolidated financial statements*)

In accordance with Accounting Standard 20 - Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2013	2012
a) <b>Shareholders earnings</b> (as per statement of profit and loss)	<b>1,784.61</b>	1,277.43
b) <b>Calculation of weighted average number of equity shares of ₹ 1 each:</b>		
- Number of shares at the beginning of the year	<b>756,799,280</b>	752,026,280
- Number of shares issued during the year	<b>7,043,000</b>	4,773,000
Total number of equity shares outstanding at the end of the year	<b>763,842,280</b>	756,799,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	<b>760,388,845</b>	755,440,936
c) Number of dilutive potential equity shares	<b>13,015,804</b>	12,605,670
d) Basic earnings per share (in ₹) {a/b}	<b>2.35</b>	1.69
e) Diluted earnings per share (in ₹) {a/(b+c)}	<b>2.31</b>	1.66

### 2.4 Share application money pending allotment (*refer note 2.38 of the consolidated financial statements*)

The Company has received ₹ 22.5 million towards share application on exercise of ESOPs which will result in an issue of 2,929,800 shares. Of the total receipts, ₹ 19.57 million has been received towards share premium. These shares have since been allotted.

### 2.5 Capital commitment (*refer note 2.39 of the consolidated financial statements*)

Uncalled liabilities on non-current investment ₹ 1,882.23 million as at balance sheet date (Previous year: ₹ 985.51 million)

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 25.03 million (Previous year: ₹ 7.96 million)

### 2.6 Contingent liability (*refer note 2.40 of the consolidated financial statements*)

#### i) Edelweiss Financial Services Limited (EFSL)

- Taxation matters in respect of which appeal is pending ₹ 52.61 million (Previous year: ₹ 5.35 million).
- EFSL has issued corporate guarantees to the extent of ₹ 38,268.76 million (Previous year: ₹ 23,902.7 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, Edelweiss Commodities Services Limited (formerly known as Comfort Projects Limited), ECL Finance Limited, Edelweiss Housing Finance Limited, Aster Commodities DMCC, EC Global Limited (subsidiary companies) and ₹ 13,735.9 million (Previous year: ₹ 7,000 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited and Edelweiss Housing Finance Limited (subsidiary companies) against due discharge of debt.

#### ii) Edelweiss Securities Limited (ESL)

- ESL has provided bank guarantees aggregating to ₹ 6,950 million (Previous year: ₹ 3,900 million) as on 31 March 2013 to The National Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating to ₹ 3,475 million (Previous year: ₹ 1,850 million) for obtaining the above bank guarantees.  
  
ESL has provided bank guarantees aggregating to ₹ 400 million (Previous year: ₹ Nil) as on 31 March 2013 to The Bombay Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating to ₹ 200 million (Previous year: ₹ Nil) for obtaining the above bank guarantees.
- Taxation matters in respect of which appeal is pending ₹ 95.53 million (Previous year: ₹ 30.65 million).

#### iii) Edelweiss Finance & Investments Limited

- Taxation matters in respect of which appeal is pending ₹ Nil (Previous year: ₹ 33.05 million).

#### iv) Edelweiss Commodities Services Limited (ECSL) (formerly known as Comfort Projects Limited)

- Taxation matters in respect of which appeal is pending ₹ 4.63 million (Previous Year: ₹ 0.67 million).

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.6 Contingent liability (*refer note 2.40 of the consolidated financial statements*) (*Continued*)

- b) ECSL has provided stand-by letter of credit aggregating to ₹ Nil (Previous Year: ₹ 6,350 million) as on 31 March 2013 to The State Trading Corporation of India Limited for meeting margin requirements for buying bullion.

ECSL has provided stand-by letter of credit aggregating to ₹ 250 million (Previous Year: ₹ 250 million) as on 31 March 2013 to The Bank of Nova Scotia for meeting margin requirements for buying bullion. ECSL has pledged fixed deposit with banks amounting to ₹ 62.5 million (Previous Year: ₹ 1,600 million) for obtaining the above stand-by letter of credit.

ECSL has provided bank guarantee aggregating to ₹ 400 million (Previous Year: ₹ Nil) as on 31 March 2013 to The Multi Commodity Exchange of India Limited for meeting margin requirements. ECSL has pledged fixed deposit with bank amounting to ₹ 200 million (Previous Year: ₹ Nil) for obtaining the above bank guarantee.

Corporate guarantee given by ECSL to banks for ₹ 1,650 million (Previous Year: ₹ Nil) for availing fund based banking facilities by its subsidiary company Edelweiss Housing Finance Limited.

#### v) ECL Finance Limited (ECLF)

- a) Taxation matters in respect of which appeal is pending ₹ 0.54 million (Previous year: ₹ 0.51 million)
- b) Litigation pending against ECLF amounting to ₹ 0.51 million (Previous year: ₹ 2.81 million)

#### vi) Edelweiss Broking Limited (EBL)

- a) EBL has provided corporate guarantee ₹ 500 million (Previous year: ₹ Nil) to banks on behalf of ESL.
- b) Taxation matters in respect of which appeal is pending ₹ 0.26 million (Previous year: ₹ Nil).
- c) Claims not acknowledged as debt ₹ 0.65 million (Previous year: ₹ Nil).

#### vii) Edelweiss Comtrade Limited (Edel Com)

- a) Edel Com has provided bank guarantees aggregating to ₹ 50 million (Previous year: ₹ Nil) to The Multi Commodity Exchange of India Limited for meeting margin requirements. Edel Com has pledged fixed deposits with banks aggregating to ₹ 25 million (Previous year: ₹ Nil) for obtaining the above bank guarantees.
- b) Claims not acknowledged as debt ₹ 0.19 million (Previous year: ₹ 0.3 million).
- c) Taxation matters in respect of which appeal is pending ₹ 8.16 million (Previous year: ₹ 17.38 million).

#### viii) Edelweiss Financial Advisors Limited (EFAL)

- a) Corporate guarantee ₹ 50 million (Previous year: ₹ Nil) given to banks on behalf of Edelweiss Comtrade Limited.
- b) Claims not acknowledged as debts ₹ 17.58 million (Previous year: ₹ 13.49 million).
- c) Taxation matters in respect of which appeal is pending ₹ 113.77 million (Previous year: ₹ 87.41 million).

#### ix) Edelweiss Global Wealth Management Limited

- a) Taxation matters in respect of which appeal is pending ₹ 19.69 million (Previous year: ₹ Nil).

#### x) Edel Finance Company Limited

- a) Taxation matters in respect of which appeal is pending ₹ 0.03 million (Previous year: ₹ 0.03 million).

### 2.7 Provision on standard assets (*refer note 2.41 of the consolidated financial statements*)

In accordance with the accounting policy set out in paragraph 1.17 of significant accounting policies, provision for standard assets created in the books as at 31 March 2013, is ₹ 168.3 million (Previous year: ₹ 104.63 million).

## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.8 Movement of NPAs (*refer note 2.42 of the consolidated financial statements*)

With regard to the financing business of the Group in subsidiaries regulated by RBI and NHB, the following table sets forth, for the periods indicated, the details of movement of gross NPAs, net NPAs and provisions:

(₹ in millions)

Particulars	2013	2012
<b>i) Gross NPAs</b>		
a) Opening balance	226.18	116.29
b) Additions during the year	138.23	131.47
c) Reductions during the year *	79.63	21.58
d) Closing balance	284.78	226.18
<b>ii) Net NPAs</b>		
a) Opening balance	68.19	20.25
b) Additions during the year	50.34	64.15
c) Reductions during the year *	43.99	16.21
d) Closing balance	74.55	68.19
<b>iii) Provisions for NPAs (excluding provision on standard assets)</b>		
a) Opening balance	157.99	96.04
b) Additions during the year	87.88	67.32
c) Reductions during the year *	35.64	5.37
d) Closing balance	210.23	157.99

\* Includes NPAs written-off during the year amounting to ₹ 30.54 million (Previous year: ₹ Nil)

### 2.9 Capital to Risk Assets Ratio (CRAR) (*refer note 2.43 of the consolidated financial statements*)

The CRAR for the key NBFC of the Group, namely ECL Finance Limited is as follows:

No.	Particulars	2013	2012
i)	CRAR (%)	18.40%	24.60%
ii)	CRAR - Tier I capital (%)	18.17%	24.39%
iii)	CRAR - Tier II capital (%)	0.23%	0.21%

### 2.10 Details of Single Borrower Limit and Group Borrower Limit by the NBFCs' within the Group (*refer note 2.44 of the consolidated financial statements*)

During the years ended 31 March 2013 and 31 March 2012, all the NBFCs credit exposure to single borrowers and group borrowers were within their respective limits prescribed by RBI.

### 2.11 Policy Liabilities – Life Insurance Business (*refer note 2.48 of the consolidated financial statements*)

(Forming part of the Policyholders' Funds)

(₹ in millions)

Particulars	As at 31 March 2013				As at 31 March 2012			
	Par	Non Par	Unit Linked	Total	Par	Non Par	Unit Linked	Total
At start of the year	1.81	30.96	24.82	57.59	-	-	-	-
Add: Change in valuation against policies in force (Mathematical reserves excluding cost of bonus)	83.09	105.70	120.30	309.09	1.81	30.96	24.82	57.59
Add: Bonus to policyholders	5.78	-	-	5.78	-	-	-	-
At end of the year	90.67	136.66	145.12	372.46	1.81	30.96	24.82	57.59



## Notes to the abridged consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.12 Long term borrowings secured by charge on loans receivable (*refer note of 2.49 of the consolidated financial statements*)

Following is the repayment term of term loans:

#### Term Loans from Banks – Secured

Maturities	1-3 years	3-5 years	> 5 years	Total
<b>Rate of interest</b>				
11.00-11.99%	3,294.88	2,765.84	662.59	6,723.32
12.00-13.00%	-	1,000.00	-	1,000.00

#### Debentures – Secured

Maturities	1-3 years	3-5 years	> 5 years	Total
<b>Rate of interest</b>				
8.00-8.99%	-	1,525.00	-	1,525.00
9.00-9.99%	-	-	-	-
10.00-10.99%	200.00	-	-	200.00
11.00-12.00%	2,070.00	1,500.00	-	3,570.00
Various - (benchmark linked)	8,260.00	1,966.00	-	10,226.00
<b>Total</b>	<b>10,530.00</b>	<b>4,991.00</b>	<b>-</b>	<b>15,521.00</b>

**2.13** Certain companies in the Group have received demand notices from tax authorities on account of disallowance of expenditure for earning exempt income under section 14A(2) of Income Tax Act, 1961, read with Rule 8D of the Income Tax Rules, 1962. The Group has filed appeals and is defending its position. Due to the lack of clarity on the legal position relating to the application of Rule 8D, the outcome and quantification of the eventual tax liability on the Group, if any, at this stage cannot be estimated. The Group has been advised by its tax counsel that it has a good chance in sustaining its position. (*refer note 2.50 of the consolidated financial statements*)

### 2.14 Details of cash and cash equivalents (*refer note 2.51 of the consolidated financial statements*)

Particulars	As at 31 March 2013	As at 31 March 2012
Cash in hand	12.11	0.57
Cheques in hand	85.41	8.95
Balances with banks	6,233.36	1,728.68
Short term deposits with banks	920.00	1,254.77
<b>Total</b>	<b>7,250.88</b>	<b>2,992.97</b>

### 2.15 Details of quoted investments (*refer note 2.52 of the consolidated financial statements*)

Particulars	As at 31 March 2013	As at 31 March 2012
Book value of quoted current investments	3,410.92	4,618.78
Market value of quoted current investments	3,520.90	4,603.02
Book value of quoted non-current investments	2,078.71	2,670.43
Market value of quoted non-current investments	2,048.52	2,643.28

### 2.16 Prior year comparatives (*refer note 2.54 of the consolidated financial statements*)

Previous year figures have been regrouped and reclassified wherever necessary.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

**S Ranganathan**  
**B Ranganathan**

*Chief Financial Officer*  
*SVP & Company Secretary*

Mumbai  
15 May 2013

## Details of Subsidiary Companies pursuant to approval obtained u/s 212(8) of the Companies Act, 1956

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Securities Limited	Edelweiss Finance & Investments Limited	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited	Edelweiss Global Wealth Management Limited	Edelweiss Trustee Services Limited	ECap Equities Limited	Edelcap Securities Limited	Edelweiss Broking Limited	EC Global Limited	Edelweiss Asset Management Limited
Paid-up equity share capital	262.14	26.55	1,891.85	6.95	42.27	10.00	0.50	2.40	3.00	48.81	1.10	450.00
Paid-up preference share capital	2.60	-	-	-	-	-	-	18.00	-	2.50	-	-
Reserves of the subsidiary	3,734.04	2,894.14	12,322.54	78.10	(80.04)	23.75	7.96	1,278.05	675.95	414.49	1,615.19	287.03
Total assets of the subsidiary	23,795.41	24,931.63	64,819.61	112.22	90.94	126.93	8.66	3,372.57	1,663.69	2,019.25	4,896.64	760.26
Total liabilities of the subsidiary	19,796.63	22,010.94	50,605.22	27.17	128.70	93.18	0.20	2,074.11	984.73	1,553.45	3,280.35	23.23
Investments (other than in subsidiary companies)	1,604.81	1,919.95	4,848.43	-	-	33.74	-	11.89	249.67	-	2,995.55	106.04
Total turnover	3,232.55	2,238.34	6,506.40	110.95	21.05	17.47	0.53	(327.48)	944.86	501.81	574.35	109.55
Profit/(loss) before taxation	184.42	247.90	1,831.51	53.99	(55.31)	(103.18)	0.34	(648.98)	304.22	(132.32)	430.01	(11.18)
Provision for taxation (including deferred tax and MAT credit entitlement)	25.12	69.42	619.82	17.73	1.87	3.42	0.09	(1.37)	93.53	(52.57)	5.11	0.18
Profit/(loss) after taxation	159.30	178.48	1,211.69	36.26	(57.18)	(106.60)	0.25	(647.61)	210.69	(79.75)	424.90	(11.36)
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-

## Details of Subsidiary Companies pursuant to approval obtained u/s 212(8) of the Companies Act, 1956 (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Trusteeship Company Limited	Edel Commodities Limited	EC Commodity Limited	Edelweiss Housing Finance Limited	Edelweiss Alternative Asset Advisors Limited	Edelweiss Investment Adviser Limited	Edel Land Limited	Edelweiss Custodial Services Limited	Edelweiss Capital (Singapore) Pte. Limited	Edelweiss Alternative Asset Advisors Pte. Limited	Edelweiss International (Singapore) Pte. Limited	EW SBI Crossover Advisors LLC
Paid-up equity share capital	1.00	0.50	9.58	293.50	22.56	0.50	0.50	47.50	13.47	52.43	0.19	30.64
Paid-up preference share capital	-	-	-	-	-	4.25	1.25	-	-	-	-	-
Reserves of the subsidiary	1.68	(903.78)	75.47	667.53	143.70	270.42	123.42	565.74	(9.32)	(25.95)	(2.15)	(4.47)
Total assets of the subsidiary	2.82	920.24	804.51	7,420.47	257.18	2,320.74	214.60	840.91	58.18	30.33	0.10	42.44
Total liabilities of the subsidiary	0.14	1,823.52	719.46	6,309.44	90.92	2,045.57	89.43	227.68	54.03	3.86	2.06	16.27
Investments (other than in subsidiary companies)	2.33	2.69	51.28	-	-	-	-	402.71	-	-	-	-
Total turnover	1.10	1,260.51	183.35	774.92	178.09	187.30	0.61	41.20	-	0.75	-	78.33
Profit/(loss) before taxation	0.65	(959.39)	(208.84)	34.06	33.31	(118.53)	(7.33)	34.95	(6.03)	(27.62)	(0.88)	(6.23)
Provision for taxation (including deferred tax and MAT credit entitlement)	0.17	0.22	(77.75)	(3.87)	1.19	(30.84)	0.29	11.51	-	(4.95)	-	0.01
Profit/(loss) after taxation	0.48	(959.61)	(131.09)	37.93	32.12	(87.69)	(7.62)	23.44	(6.03)	(22.67)	(0.88)	(6.24)
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-

## Details of Subsidiary Companies pursuant to approval obtained u/s 212(8) of the Companies Act, 1956 (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	EC International Limited	Aster Commodities DMCC	Allium Finance Private Limited	Edelweiss Tokio Life Insurance Company Limited	Edel Investments Limited	EAAA LLC	ECap International Limited	EW India Special Assets Advisors LLC	EW Special Opportunities Advisors LLC	Edelweiss Commodities Services Limited	Edelweiss Financial Advisors Limited
Paid-up equity share capital	6.20	162.88	-	1,500.00	8.70	30.52	32.97	1.58	1.71	297.75	60.64
Paid-up preference share capital	-	-	-	-	-	-	-	-	-	20.00	-
Reserves of the subsidiary	21.48	1,393.61	1.15	3,058.34	15.53	(20.55)	(2.94)	(13.29)	0.23	3,883.48	607.96
Total assets of the subsidiary	941.96	8,430.59	1.15	5,300.79	24.72	38.83	32.70	10.93	86.54	37,508.02	1,609.77
Total liabilities of the subsidiary	914.28	6,874.10	-	742.45	0.50	28.85	2.68	22.64	84.59	33,306.78	941.17
Investments (other than in subsidiary companies)	-	-	1.15	3,514.65	-	-	-	-	0.01	2,537.04	-
Total turnover	215.89	50,802.26	1.87	981.69	1.96	27.06	-	60.54	111.44	127,578.17	444.59
Profit/(loss) before taxation	8.54	608.76	1.15	(647.25)	1.80	(7.15)	(0.79)	4.93	(5.98)	682.49	39.93
Provision for taxation (including deferred tax and MAT credit entitlement)	0.26	-	-	-	0.62	-	-	-	-	170.52	8.58
Profit/(loss) after taxation	8.28	608.76	1.15	(647.25)	1.18	(7.15)	(0.79)	4.93	(5.98)	511.97	31.35
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-

## Details of Subsidiary Companies pursuant to approval obtained u/s 212(8) of the Companies Act, 1956 (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Comtrade Limited	Edel Finance Company Limited	Edelweiss Capital Markets Limited	Edelweiss Investment Advisors Private Limited	EFSL Commodities Limited	Edel Commodities Trading Limited	EFSL Comtrade Limited	Affluent Dealcom Private Limited	Edelweiss Securities (Hong Kong) Private Limited	EdelGive Foundation
Paid-up equity share capital	50.00	4.00	1.80	0.34	2.70	1.70	1.70	9.99	0.05	0.10
Paid-up preference share capital	-	-	-	-	-	-	-	-	-	-
Reserves of the subsidiary	91.63	23.38	7.26	(2.02)	(11.92)	(79.37)	1.12	48.43	(0.35)	13.62
Total assets of the subsidiary	714.68	685.07	255.26	0.44	269.41	129.32	14.90	58.78	0.05	14.26
Total liabilities of the subsidiary	573.05	657.69	246.20	2.11	278.63	206.99	12.09	0.36	0.35	0.54
Investments (other than in subsidiary companies)	-	-	-	-	-	-	-	58.60	-	-
Total turnover	725.81	67.22	103.13	-	2,410.99	2,664.14	471.02	0.03	-	56.43
Profit/(loss) before taxation	46.01	15.82	15.61	(0.94)	(22.81)	(68.17)	6.33	(0.18)	(0.35)	12.23
Provision for taxation (including deferred tax and MAT credit entitlement)	17.52	3.63	1.28	-	(7.40)	(0.20)	0.81	4.40	-	-
Profit/(loss) after taxation	28.49	12.19	14.33	(0.94)	(15.41)	(67.97)	5.52	(4.58)	(0.35)	12.23
Proposed dividend	-	-	-	-	-	-	-	-	-	-

### For and on behalf of the Board of Directors

**Rashesh Shah**  
Venkat Ramaswamy  
Himanshu Kaji

*Chairman & Managing Director  
Whole-time Director  
Executive Director*

**S Ranganathan**  
**B Renganathan**

*Chief Financial Officer  
SVP & Company Secretary*

Mumbai  
15 May 2013

## **Abridged Standalone Financial Statements**



## Independent Auditors' Report on abridged financial statements

### To the Members of Edelweiss Financial Services Limited

The accompanying abridged financial statements, which comprise the abridged balance sheet as at 31 March 2013, the abridged statement of profit and loss, and abridged cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Edelweiss Financial Services Limited ('the Company') for the year ended 31 March 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 15 May 2013.

The abridged financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') applied in the preparation of the audited financial statements of the Company. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

### Management's responsibility for the abridged financial statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 and are based on the audited financial statements for the year ended 31 March 2013, prepared in accordance with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') and accounting principles generally accepted in India.

### Auditor's responsibility

Our responsibility is to express an opinion on the abridged financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

### Opinion

In our opinion, the abridged financial statements, prepared in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 are derived from the audited financial statements of the Company for the year ended 31 March 2013 and are a fair summary of those financial statements.

For **B S R & Associates**  
*Chartered Accountants*  
Firm's Registration No.: 116231W

Mumbai  
15 May 2013

**N Sampath Ganesh**  
*Partner*  
Membership No.: 042554

# Independent Auditors' Report

**To the Members of  
Edelweiss Financial Services Limited**

## ***Report on the financial statements***

We have audited the accompanying financial statements of Edelweiss Financial Services Limited ('the Company') which comprise the balance sheet as at 31 March 2013, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## ***Management's responsibility for the financial statements***

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2013;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

## ***Report on other legal and regulatory requirements***

- 1 As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - (e) On the basis of the written representations received from the directors of the Company as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as director in terms of clause (g) of sub section (1) of section 274 to the Act.

**For B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

Mumbai  
15 May 2013

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

## Annexure to Independent Auditor's Report – 31 March 2013

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company primarily engaged in the business of rendering merchant banking services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) (a) During the year, the Company has granted unsecured demand loan to one subsidiary company which is covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ₹ 22.11 million and the year-end balance of such loans was ₹ Nil.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (c) The loan granted to the aforementioned company is repayable on demand. According to the information and explanations given to us, the borrower has been regular in the payment of interest as stipulated.
- (d) The loans granted to the companies listed in the register maintained under section 301 are repayable on demand. Accordingly, there is no overdue amount of more than ₹ 1 lakh in respect of loans granted to any of the companies, firms or other parties listed in the register maintained under section 301.
- (e) The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the activities conducted by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and Investor Education and Protection fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of Provident Fund, Income-tax, Service tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

## Annexure to Independent Auditor's Report – 31 March 2013 (*Continued*)

- (xiii) In our opinion and according to information and explanations given to us, the Company is not a chit fund, nidhi or mutual benefit fund/society.
- (xiv) The Company has maintained proper records of the transactions and contracts in respect of dealing in securities and timely entries have been made therein. Further, such securities and investments have been held by the Company in its own name except to the extent of exemption granted under section 49 of the Act.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

Mumbai  
15 May 2013

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

## Abridged Balance Sheet as at 31 March 2013

(Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	As at 31 March 2013	As at 31 March 2012
<b>I EQUITY AND LIABILITIES</b>		
<b>1 Shareholders' funds</b>		
(a) Paid up share capital		
Equity	763.84	756.80
(b) Reserves and surplus		
(i) Stock options outstanding	13.12	13.17
(ii) Securities premium account	12,238.91	12,175.77
(iii) General reserve	323.86	277.07
(iv) Surplus in statement of profit and loss	205.29	283.44
	13,545.02	13,506.25
<b>2 Share application money pending allotment (refer note 5)</b>	22.50	11.78
<b>3 Non-current liabilities</b>		
(a) Long-term borrowings	2,304.06	2,525.47
(b) Long-term provisions	13.53	-
	2,317.59	2,525.47
<b>4 Current liabilities</b>		
(a) Short-term borrowings	6,728.54	21,300.62
(b) Trade payables	65.79	94.10
(c) Other current liabilities	398.55	789.04
(d) Short-term provisions	150.16	311.50
	7,343.04	22,495.26
<b>TOTAL - EQUITY AND LIABILITIES (1+2+3+4)</b>	23,228.15	38,538.76
<b>II ASSETS</b>		
<b>5 Non-current assets</b>		
(a) Fixed assets		
(i) Tangible assets (original cost less depreciation)	45.90	42.41
(ii) Intangible assets (original cost less depreciation/amortisation)	18.86	14.47
(b) Non-current investments	14,297.98	14,406.89
(c) Deferred tax assets (net)	27.55	19.98
(d) Long-term loans and advances	536.73	2,100.58
	14,927.02	16,584.33
<b>6 Current assets</b>		
(a) Current investments	-	237.90
(b) Trade receivables	122.88	204.82
(c) Cash and cash equivalents (refer note 12)	193.93	12.22
(d) Short-term loans and advances	7,700.01	20,848.60
(e) Other current assets	284.31	650.89
	8,301.13	21,954.43
<b>TOTAL - ASSETS (5+6)</b>	23,228.15	38,538.76

See accompanying accounting policies and notes to the abridged financial statements.

Compiled from the audited financial statements of the Company referred to in our report dated 15 May 2013.

Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Revised Schedule VI to the Companies Act, 1956 are available at the Company's website - [www.edelweissfin.com](http://www.edelweissfin.com).

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

**S Ranganathan**  
**B Ranganathan**

Mumbai  
15 May 2013

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

*Chief Financial Officer*  
*SVP & Company Secretary*

# Abridged Statement of Profit and Loss for the year ended 31 March 2013

(Statement containing salient features of Statement of Profit and Loss as per Section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>I Income</b>		
<b>Revenue from operations</b>		
(a) Revenue from services provided	931.33	1,050.05
(b) Income from investments and dividend	542.17	610.65
(c) Other operating revenue	94.58	408.81
<b>Net revenue from operations</b>	<b>1,568.08</b>	<b>2,069.51</b>
<b>II Other income</b>	<b>0.61</b>	<b>3.40</b>
<b>III Total income (I+II)</b>	<b>1,568.69</b>	<b>2,072.91</b>
<b>IV Expenditure</b>		
(a) Employee benefits expense	388.94	373.53
(b) Finance costs	390.35	633.39
(c) Depreciation and amortisation expense	19.49	17.07
(d) Other expenses (refer note 11)	298.81	289.14
<b>Total expenditure</b>	<b>1,097.59</b>	<b>1,313.13</b>
<b>V Profit before tax (III-IV)</b>	<b>471.10</b>	<b>759.78</b>
<b>VI Tax expense</b>		
(a) Current tax	10.76	45.00
(b) Minimum alternate tax	-	6.13
(c) Deferred tax	(7.57)	22.31
<b>VII Profit for the year</b>	<b>467.91</b>	<b>686.34</b>
<b>VIII Earnings per equity share (₹) (Face value ₹ 1 each) (refer note 4):</b>		
(a) Basic	0.62	0.91
(b) Diluted	0.60	0.89

See accompanying accounting policies and notes to the abridged financial statements.

Compiled from the audited financial statements of the Company referred to in our report dated 15 May 2013.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

**S Ranganathan**  
**B Renganathan**

Mumbai  
15 May 2013

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

*Chief Financial Officer*  
*SVP & Company Secretary*



## Abridged Cash Flow Statement for the year ended 31 March 2013

(Currency: Indian rupees in millions)

	For the year ended 31 March 2013	For the year ended 31 March 2012
I Cash flow from operating activities	15,216.17	15,388.96
II Cash flow from/(used in) investing activities	884.22	(2,193.86)
III Cash used in financing activities	(15,918.68)	(13,192.57)
IV Net increase in cash and cash equivalents (I+II+III)	181.71	2.53
V Cash and cash equivalents at the beginning of the year	12.22	9.69
VI Cash and cash equivalents at the end of the year	193.93	12.22

See accompanying accounting policies and notes to the abridged financial statements.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

**S Ranganathan**  
**B Renganathan**

Mumbai  
15 May 2013

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

*Chief Financial Officer*  
*SVP & Company Secretary*

# Notes to the abridged financial statements for the year ended 31 March 2013

## 1. Significant accounting policies

### 1.1 Basis of preparation of abridged financial statements

The accompanying abridged financial statements have been prepared pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the annual accounts for the year ended 31 March 2013. The abridged financial statements are presented in Indian Rupees in millions.

### 1.2 Use of estimates

The preparation of the abridged financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the abridged financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 1.3 Revenue recognition

- a. Investment banking fee income is recognised on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- b. Interest income is recognised on accrual basis.
- c. Dividend income is recognised when the right to receive payment is established.
- d. Profit earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- e. The rating support fee for the borrowing programme of the subsidiaries is accrued on straight line basis over the rating period and as per the contractual terms agreed with the subsidiaries.
- f. Portfolio management fees are accounted on accrual basis as follows:
  - i. In case of percentage based fees, in accordance with the Portfolio Management Agreement entered with the respective clients and with the SEBI Regulations as amended from time to time, on a quarterly basis.
  - ii. In case of return based fee, as a percentage of the annual profit, on an annual basis.

### 1.4 Benchmark linked debentures

The Company had issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

### 1.5 Fixed assets and depreciation

#### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready for its intended use or put to use, whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Act, as given below:

Class of asset	Rate of depreciation
Flat	5.00%
Office equipments	13.91%
Computers	40.00%
Furniture and fixtures	18.10%
Vehicles	25.89%

Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease, whichever is shorter.

## Notes to the abridged financial statements (*Continued*)

### 1. Significant accounting policies (*Continued*)

#### 1.5 Fixed assets and depreciation (*Continued*)

##### Intangible fixed assets

Intangibles such as software are amortised over a period of 3 years or over the estimated useful life, whichever is shorter.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase.

#### 1.6 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

#### 1.7 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

#### 1.8 Foreign currency transactions and currency derivatives

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognised in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

The Company enters into currency derivative transactions to economically hedge its foreign exchange exposure. These derivative transactions are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument.

#### 1.9 Employee benefits

The accounting policy followed by the company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

##### *Provident fund*

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

##### *Gratuity*

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of plan assets, if any, is deducted. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method. The obligation is measured at present values of estimated future cash flows. The discount rates used for determining the present value are based on the market yields on government securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an Insurance Company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

##### *Compensated absences*

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

## Notes to the abridged financial statements (*Continued*)

### 1. Significant accounting policies (*Continued*)

#### 1.10 Taxation

Tax expense comprises income tax (i.e. amount of tax for the year determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the year) and minimum alternate tax.

##### *Income tax*

Provision for income tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

##### *Deferred tax*

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain, as the case may be, to be realised.

##### *Minimum alternate tax (MAT)*

MAT credit asset is recognised where there is convincing evidence that the asset can be realised in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

#### 1.11 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### 1.12 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

#### 1.13 Employee stock option plans ('ESOPs')

The Company follows the intrinsic value method to account for compensation cost of its stock based employee compensation plans. The compensation cost is amortised on a straight-line basis.

#### 1.14 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the abridged financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### 1.15 Change in accounting policies

From 1 April 2011, the Company by virtue of its holding company activities has adopted the practice of charging its actual borrowing cost on the loans extended to its group companies.

## Notes to the abridged financial statements *(Continued)*

(Currency: Indian rupees in millions)

**2. Segment reporting *(refer note 2.26 of the financial statements)***

The Company’s business is organised and management reviews the performance, based on the business segments as mentioned below:

Segment	Activities covered
Agency business	Advisory and transactional services
Holding company activities	Development, managerial and financial support to the businesses of Edelweiss group entities

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identified with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segment disclosures relating to revenue, results, assets and liabilities have been prepared.

Since the business operations of the Company are concentrated in India, the Company is considered to operate only in the domestic segment.

The following table gives information on segment assets and liabilities as at 31 March 2013 and the segment revenue, expenses and result for the year ended on that date:

## Notes to the abridged financial statements (Continued)

(Currency: Indian rupees in millions)

### 2. Segment reporting (refer note 2.26 of the financial statements) (Continued)

Particulars	Agency business		Holding company activities		Unallocated		Total	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<b>Segment revenue</b>								
Income	311.10	442.65	1,257.59	1,630.26	-	-	1,568.69	2,072.91
<b>Total</b>	311.10	442.65	1,257.59	1,630.26	-	-	1,568.69	2,072.91
<b>Segment result</b>								
Current tax	75.11	178.33	518.83	701.01	(122.84)	(119.56)	471.10	759.78
Minimum alternate tax					10.76	45.00	10.76	45.00
Deferred tax					-	6.13	-	6.13
<b>Profit after tax</b>					(7.57)	22.31	(7.57)	22.31
<b>Other information</b>							467.91	686.34
Carrying amount of segment assets	120.22	157.29	22,206.36	37,670.72	901.57	710.75	23,228.15	38,538.76
Carrying amount of segment liabilities	61.39	59.58	9,356.64	24,273.87	242.60	687.28	9,660.63	25,020.73
Capital employed	58.83	97.71	12,849.72	13,396.85	658.97	23.47	13,567.52	13,518.03
Capital expenditure	16.72	31.60	7.73	4.02	3.58	6.39	28.03	42.01
Depreciation/amortisation	11.63	12.85	5.37	1.63	2.49	2.59	19.49	17.07
Other non cash expenditure	0.55	51.82	70.69	-	1.71	-	72.95	51.82



## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*)

#### (A) Subsidiaries which are controlled by the Company and with whom transactions have taken place:

Edelweiss Securities Limited  
 Edelweiss Insurance Brokers Limited  
 Edelweiss Finance & Investments Limited  
 Edelweiss Commodities Services Limited (*formerly Comfort Projects Limited*)  
 Edelweiss Trustee Services Limited  
 ECL Finance Limited  
 Edelweiss Custodial Services Limited  
 Edelcap Securities Limited  
 ECap Equities Limited  
 EC Commodity Limited  
 Edel Commodities Limited  
 Edelweiss Global Wealth Management Limited  
 Edelweiss Trusteeship Company Limited  
 Edelweiss Asset Management Limited  
 Edelweiss Broking Limited  
 Edelweiss Investment Adviser Limited (*formerly Edelweiss Investment Advisors Limited*)  
 Edel Land Limited  
 Edelweiss Web Services Limited (*through Edelweiss Broking Limited*)  
 EC International Limited, Mauritius  
 EdelGive Foundation  
 Edelweiss Alternative Asset Advisors Limited  
 Edelweiss Housing Finance Limited (*through Edelweiss Commodities Services Limited*)  
 Edelweiss Tokio Life Insurance Company Limited  
 Edel Investments Limited  
 Edel Finance Company Limited (*through Edelweiss Financial Advisors Limited*)  
 Edelweiss Comtrade Limited (*through Edelweiss Securities Limited*)  
 Edelweiss Capital (Singapore) Pte. Limited  
 Edelweiss Financial Advisors Limited (*through Edelweiss Commodities Services Limited*)  
 EFSL Commodities Limited (*through Edel Commodities Limited*)  
 EFSL Comtrade Limited (*through Edel Commodities Limited*)  
 Edel Commodities Trading Limited (*through Edel Commodities Limited*)  
 Edelweiss Capital Markets Limited (*through Edelweiss Commodities Services Limited*)  
 Allium Finance Private Limited (upto 21 August 2012) (*through Edelweiss Commodities Services Limited*)  
 EC Global Limited (*through Edelweiss Finance & Investments Limited*)  
 Aster Commodities DMCC (*through EC International Limited, Mauritius*)

#### (B) Subsidiaries which are controlled by the Company and with whom no transactions have taken place:

Ecap International Limited (*through EC International Limited, Mauritius*)  
 Edelweiss International (Singapore) Pte. Limited (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 Edelweiss Alternative Asset Advisors Pte. Limited (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 EAAA LLC, Mauritius (*through ECap International Limited*)  
 EW Special Opportunities Advisors LLC (*through EAAA LLC, Mauritius*)  
 EW India Special Assets Advisors LLC (*through EAAA LLC, Mauritius*)  
 Edelweiss Investment Advisors Private Limited (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 EW SBI Crossover Advisors LLC (*through EAAA LLC, Mauritius*)  
 Edelweiss Securities (Hong Kong) Private Limited (with effect from 6 February 2013) (*through Edelweiss Securities Limited*)  
 Affluent Dealcom Private Limited (with effect from 19 July 2012) (*through Edelcap Securities Limited*)

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (C) Associates:

Edelweiss Asset Reconstruction Company Limited (*through Edelweiss Custodial Services Limited*)  
Edelweiss Fund Advisors Private Limited  
Dahlia Financial Services Private Limited (*through Edelweiss Securities Limited*)  
Magnolia Financial Services Private Limited (*through Edelweiss Securities Limited*)  
Arum Investments Private Limited (*through Edelweiss Securities Limited*)  
Edelweiss Precious Metals Private Limited (*through Edelweiss Commodities Services Limited*)  
Affluent Dealcom Private Limited (upto 18 July 2012) (*through Edelcap Securities Limited*)  
Allium Finance Private Limited (with effect from 22 August 2012) (*through Edelweiss Commodities Services Limited*)  
Aeon Credit Services India Private Limited (with effect from 25 June 2012) (*through ECL Finance Limited*)

#### (D) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company:

Rashesh Shah  
Venkat Ramaswamy  
Vidya Shah  
Aparna T. C.

#### (E) Key managerial personnel:

Himanshu Kaji (with effect from 01 November 2011)

#### (F) Relatives of individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company:

Kaavya Venkat  
Shilpa Mody  
Sharmishta Chandrakant Shah (upto 11 May 2012)  
A V Ramaswamy  
Sejal Premal Parekh (with effect from 9 July 2012)  
Meena Subramanian (with effect from 30 January 2013)  
Sneha Sripad Desai (with effect from 30 January 2013)

#### (G) Enterprise over which significant influence is exercised:

Edelweiss Employees Welfare Trust

#### (H) Enterprises which exercise significant influence over the Company:

Spire Investment Advisors LLP  
Oak Holdings Private Limited

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties:

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Capital account transactions						
<i>Investments in equity shares</i>						
Edelweiss Capital (Singapore) Pte. Limited	13.03					
	(-)					
Edelweiss Tokio Life Insurance Company Limited	-					
	(2,801.71)					
<i>Investments in preference shares</i>						
Edelweiss Securities Limited	-					
	(260.00)					
Edelweiss Broking Limited	-					
	(250.00)					
<i>Disinvestment in equity shares</i>						
Edelweiss Asset Management Limited	229.35					
	(-)					
<i>Sale of investments</i>						
Edelweiss Commodities Services Limited	-					
	(760.45)					
<i>Long term non convertible debentures redeemed to</i>						
ECap Equities Limited	78.10					
	(464.00)					
Others	-					
	(28.00)					
<i>Commercial paper subscribed by</i>						
Edelweiss Commodities Services Limited	111,635.58					
	(26,400.00)					
<i>Commercial paper redeemed to</i>						
Edelweiss Commodities Services Limited	44,200.00					
	(88,070.42)					
<i>Long term loan taken</i>						
ECap Equities Limited	-					
	(1,800.00)					
ECL Finance Limited	-					
	(1,200.00)					
<i>Long term loan repaid</i>						
ECL Finance Limited	-					
	(700.00)					
Current account transactions						
<i>Loans repaid by</i>						
Edelweiss Securities Limited	214,009.69					
	(207,460.52)					

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Edelweiss Commodities Services Limited	472,609.38					
	(553,246.66)					
ECL Finance Limited	168,574.55					
	(93,776.81)					
Others	163,152.25	32.10	0.50			
	(130,928.39)	(24.20)	(1.70)			
<i>Loans given to</i>						
Edelweiss Securities Limited	214,842.70					
	(215,300.06)					
Edelweiss Commodities Services Limited	469,465.54					
	(535,067.84)					
ECL Finance Limited	168,346.98					
	(94,275.03)					
Others	150,994.56		0.50			
	(134,615.66)		(1.70)			
<i>Short term loan taken</i>						
Edelweiss Commodities Services Limited	2,000.00					
	(-)					
<i>Short term loan repaid to</i>						
Edelweiss Commodities Services Limited	2,000.00					
	(-)					
<i>Secondary market transactions with broker</i>						
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	2,154.45					
	(674.97)					
<i>Margin withdrawn from broker</i>						
Edelweiss Securities Limited	2,243.60					
	(535.34)					
<i>Reimbursements recovered</i>						
Edelweiss Finance & Investments Limited	136.74					
	(107.59)					
Edelweiss Commodities Services Limited	163.73					
	(138.48)					
ECL Finance Limited	218.49					
	(212.63)					
Others	469.34	0.00*	42.47			0.02
	(450.42)	(0.00)*	(11.94)			(0.02)
<i>Reimbursements paid</i>						
Edelweiss Commodities Services Limited	0.69					
	(-)					

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others	0.01					
	(-)					
<i>Dividend paid</i>						
Rashesh Shah				116.88		
				(89.36)		
Venkat Ramaswamy				45.07		
				(34.47)		
Edelweiss Employees Welfare Trust		31.96				
		(24.44)				
Spire Investment Advisors LLP						32.94
						(25.19)
Others				35.16	12.51	
				(26.88)	(9.15)	
<i>Remuneration</i>						
Rashesh Shah				21.27		
				(15.67)		
Venkat Ramaswamy				14.75		
				(12.41)		
Himanshu Kaji				20.29		
				(8.87)		
<i>Dividend income</i>						
Edelweiss Commodities Services Limited	110.17					
	(-)					
Edelweiss Finance & Investments Limited	450.03					
	(610.65)					
<i>Advisory fee/Commission received</i>						
ECL Finance Limited	42.34					
	(-)					
Aster Commodities DMCC	38.49					
	(-)					
EC Global Limited	16.32					
	(-)					
<i>Rating support fee received</i>						
ECL Finance Limited	315.30					
	(464.05)					
Edelweiss Securities Limited	88.13					
	(101.21)					
Edelweiss Commodities Services Limited	115.13					
	(30.62)					
Others	46.88					
	(11.51)					
<i>Interest income on short term loan</i>						
Edelweiss Commodities Services Limited	1,844.57					
	(2,136.11)					

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
ECL Finance Limited	549.08					
	(85.61)					
Others	1,870.69		0.00*			
	(1,781.02)		(0.00)*			
<i>Interest expense on short term loan</i>						
Edelweiss Commodities Services Limited	200.00					
	(-)					
<i>Interest expense on long term loan</i>						
ECap Equities Limited	216.00					
	(9.93)					
ECL Finance Limited	60.00					
	(5.84)					
<i>Interest income on margin</i>						
Edelweiss Securities Limited	3.87					
	(0.93)					
<i>Commission and brokerage paid</i>						
Edelweiss Securities Limited	-					
	(4.31)					
<i>Interest expense on long term non convertible debentures</i>						
ECap Equities Limited	29.99					
	(216.64)					
Edelcap Securities Limited	-					
	(0.71)					
Others	-					
	(8.74)					
<i>Rent expense</i>						
Edelweiss Commodities Services Limited	19.23					
	(27.30)					
<i>Cost reimbursements paid</i>						
Edelweiss Commodities Services Limited	1.05					
	(2.11)					
<i>Cost reimbursements recovered</i>						
Edelweiss Securities Limited	23.99					
	(31.50)					
Edelweiss Commodities Services Limited	12.75					
	(14.30)					
ECL Finance Limited	10.81					
	(17.40)					
Arum Investments Private Limited			10.82			
			(7.76)			
Edelweiss Alternative Asset Advisors Limited	19.15					
	(-)					

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others	19.56		8.83			
	(4.62)		(9.17)			
<i>Sale of portfolio management services business</i>						
Edelweiss Global Wealth Management Limited	-					
	(1.50)					
Balances with related parties						
<i>Investments in equity shares</i>						
Edelweiss Finance & Investments Limited	2,297.27					
	(2,297.27)					
ECL Finance Limited	5,190.56					
	(5,190.56)					
Edelweiss Tokio Life Insurance Company Limited	3,081.91					
	(3,081.91)					
Others	3,317.99		0.50			
	(3,554.95)		(0.50)			
<i>Dividend receivable</i>						
Edelweiss Commodities Services Limited	110.17					
	(-)					
Edelweiss Finance & Investments Limited	99.56					
	(292.05)					
<i>Loans given</i>						
Edelweiss Securities Limited	1,350.44					
	(508.05)					
Edelweiss Commodities Services Limited	725.43					
	(3,869.27)					
Edelweiss Employees Welfare Trust		1,348.35				
		(1,380.45)				
Others	3,704.81		-			
	(15,970.32)		(0.00)*			
<i>Accrued interest on loans given</i>						
Edelweiss Finance & Investments Limited	2.91					
	(-)					
EC International Limited, Mauritius	10.48					
	(214.66)					
Others	10.69					
	(0.49)					
<i>Loans taken</i>						
ECap Equities Limited	1,800.00					
	(1,800.00)					
ECL Finance Limited	500.00					
	(500.00)					
<i>Interest payable</i>						
ECap Equities Limited	-					
	(9.93)					



## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
ECL Finance Limited	-					
	(5.84)					
<i>Long term non convertible debentures outstanding</i>						
ECap Equities Limited	-					
	(43.50)					
<i>Interest payable on non convertible debentures outstanding</i>						
ECap Equities Limited	-					
	(15.16)					
<i>Trade receivables</i>						
Aster Commodities DMCC	38.49					
	(-)					
EC Global Limited	16.32					
	(-)					
ECL Finance Limited	-					
	(63.40)					
Edelweiss Securities Limited	-					
	(19.79)					
Others	-					
	(11.90)					
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	50.49					
	(139.63)					
<i>Trade payables</i>						
Edelweiss Securities Limited	0.49					
	(4.31)					
Edelweiss Financial Advisors Limited	0.36					
	(0.36)					
Edelweiss Global Wealth Management Limited	2.21					
	(-)					
Edelweiss Commodities Services Limited	-					
	(29.49)					
Others	0.14					
	(-)					
<i>Advances</i>						
Edelweiss Securities Limited	25.10					
	(35.58)					
Edelweiss Commodities Services Limited	10.93					
	(14.20)					
ECL Finance Limited	10.92					
	(19.76)					
Edelweiss Alternative Asset Advisors Limited	19.23					
	(7.09)					

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

#### (I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries /entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Arum Investments Private Limited			10.94			
			(18.59)			
Others	21.70		8.92			
	(110.71)		(9.13)			
<i>Bonus payable</i>						
Rashesh shah				13.30		
				(7.50)		
Venkat Ramaswamy				6.80		
				(4.50)		
Himanshu Kaji				12.80		
				(5.50)		
<i>Corporate guarantee</i>						
ECL Finance Limited	26,938.40					
	(14,000.00)					
Edelweiss Securities Limited	10,036.00					
	(4,430.00)					
Edelweiss Commodities Services Limited	7,215.00					
	(10,672.70)					
Others	7,815.26					
	(1,800.00)					

Amounts in brackets represent previous year numbers.

\* Amount is less than ₹ 0.01 million

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 4. Earnings per share (*refer note 2.28 of the financial statements*)

In accordance with Accounting Standard 20 – Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2013	2012
a. <b>Shareholders earnings</b> (as per statement of profit and loss)	<b>467.91</b>	686.34
b. <b>Calculation of weighted average number of equity shares of ₹ 1 each:</b>		
- Number of shares outstanding at the beginning of the year	<b>756,799,280</b>	752,026,280
- Number of shares issued during the year	<b>7,043,000</b>	4,773,000
Total number of equity shares outstanding at the end of the year	<b>763,842,280</b>	756,799,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	<b>760,388,845</b>	755,440,936
c. Number of dilutive potential equity shares	<b>13,015,804</b>	12,605,670
d. Basic earnings per share (in ₹) {a/b}	<b>0.62</b>	0.91
e. Diluted earnings per share (in ₹) {a/(b+c)}	<b>0.60</b>	0.89

### 5. Share application money pending allotment (*refer note 2.32 of the financial statements*)

The Company has received ₹ 22.50 million towards share application on exercise of ESOPs which will result in an issue of 2,929,800 shares. Of the total receipts, ₹ 19.57 million has been received towards share premium. These shares have since been allotted.

### 6. Capital commitment (*refer note 2.33 of the financial statements*)

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – ₹ 1.41 million (Previous year: ₹ Nil).

### 7. Contingent liability (*refer note 2.34 of the financial statements*)

- Taxation matters in respect of which appeal is pending ₹ 52.61 million (Previous year: ₹ 5.35 million).
- The Company has issued corporate guarantees to the extent of ₹ 38,268.76 million (Previous year: ₹ 23,902.70 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, Edelweiss Commodities Services Limited (formerly Comfort Projects Limited), ECL Finance Limited, Edelweiss Housing Finance Limited, Aster Commodities DMCC, EC Global Limited (subsidiary companies) and ₹ 13,735.90 million (Previous year: ₹ 7,000 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited and Edelweiss Housing Finance Limited (subsidiary companies) against due discharge of debt.

### 8. Details of dues to micro, small and medium enterprises (*refer note 2.35 of the financial statements*)

Trade payables includes ₹ Nil (Previous year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this act. The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said act.

### 9. Impact of change in accounting policy (*refer note 2.38 of the financial statements*)

From 1 April 2011, the Company by virtue of its holding company activities has adopted the practice of charging its actual borrowing cost on the loans extended to its group companies. Consequently, in the financial results, interest income amounting to ₹ 4,268.21 million (Previous year: ₹ 4,002.75 million) has been netted against finance costs.

### 10. Transfer of Portfolio Management Services business (*refer note 2.42 of the financial statements*)

During the previous year, the Company had with effect from 2 February 2012 transferred its Portfolio Management Services business which formed part of the agency business segment of the Company on a going concern basis to its wholly owned subsidiary, Edelweiss Global Wealth Management Limited.

### 11. Miscellaneous expenses includes an amount of ₹ 31.27 million paid, being disgorgement of profits as per the order received from the Securities and Exchange Commission of The United States of America dated 27 November 2012 (*refer note 2.43 of the financial statements*).

## Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

### 12. Details of cash and cash equivalents (*refer note 2.15 of the financial statements*)

Particulars	As at 31 March 2013	As at 31 March 2012
Cash in hand	0.09	0.07
Cheques in hand	28.76	-
Balances with banks	165.08	12.15
<b>Total</b>	<b>193.93</b>	<b>12.22</b>

### 13. Details of quoted investments (*refer note 2.10 of the financial statements*)

Particulars	As at 31 March 2013	As at 31 March 2012
Book value of quoted investments	0.00*	0.00*
Market value of quoted investments	0.00*	0.00*

\*Amount is less than ₹ 0.01 million

### 14. Prior year comparatives (*refer note 2.44 of the financial statements*)

Previous year figures have been regrouped and rearranged wherever necessary.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

Mumbai  
15 May 2013

For and on behalf of the Board of Directors

**Rashesh Shah**  
**Venkat Ramaswamy**  
**Himanshu Kaji**

*Chairman & Managing Director*  
*Whole-time Director*  
*Executive Director*

**S Ranganathan**  
**B Renganathan**

*Chief Financial Officer*  
*SVP & Company Secretary*

Mumbai  
15 May 2013

# Notice

**NOTICE IS HEREBY GIVEN THAT THE 18<sup>th</sup> ANNUAL GENERAL MEETING OF THE MEMBERS OF EDELWEISS FINANCIAL SERVICES LIMITED WILL BE HELD ON FRIDAY, JULY 26, 2013 AT 3.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT EDELWEISS HOUSE, OFF C.S.T. ROAD, KALINA, MUMBAI – 400 098 TO TRANSACT THE FOLLOWING BUSINESS:**

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## **ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet of the Company as at March 31, 2013 and the Profit and Loss Account of the Company for the financial year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Narendra Jhaveri, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. N. Venkatachalam, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To re-appoint B S R & Associates, Chartered Accountants, (Firm's Registration No. 116231W) as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

## **SPECIAL BUSINESS**

### **6. Appointment of Mr. Navtej S. Nandra as a Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

“**RESOLVED** that Mr. Navtej S. Nandra, who was appointed by the Board of Directors of the Company as an Additional Director and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a Notice in writing from a member under Section 257 of the Act, proposing the candidature of Mr. Navtej S. Nandra for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

### **7. Appointment of Mr. Rujan Panjwani as a Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

“**RESOLVED** that Mr. Rujan Panjwani, who was appointed by the Board of Directors of the Company as an Additional Director and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a Notice in writing from a member under Section 257 of the Act, proposing the candidature of Mr. Rujan Panjwani for the office of Director of the Company, be and is hereby appointed as a Director of the Company.”

### **8. Appointment of Mr. Rujan Panjwani as an Executive Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

“**RESOLVED** that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (“the Act”) the Rules, Regulations, Guidelines and Circulars issued in this regard and subject to necessary approvals, if any, approval of the members of the Company be and is hereby accorded for the appointment of Mr. Rujan Panjwani as an Executive Director of the Company for a period of 3 years with effect from June 24, 2013 on the terms and conditions set out below:

- (a) Salary Limit: Not to exceed ₹ 1,50,00,000/- per annum.
- (b) Performance Bonus: In addition to salary, performance based bonus, up to 200% of the Salary Limit, may also be paid and at such intervals as may be decided by the Board of Directors of the Company.
- (c) Perquisites: In addition to salary and the performance bonus, Mr. Rujan Panjwani shall also be entitled to the perquisites. The expenditure incurred by the Company on perquisites and contribution to Provident Fund, Superannuation, Annuity Fund, etc., shall be restricted to the Salary Limit as in (a) above.

**FURTHER RESOLVED** that the consent of the members of the Company be and is hereby accorded to the Board (hereinafter referred to as the ‘Board’ which expression shall also include the Remuneration Committee of the Board) to vary the terms and conditions of the appointment of Mr. Rujan Panjwani from time to time as may be required.

**FURTHER RESOLVED** that where in any financial year during the tenure of Mr. Rujan Panjwani as an Executive Director, the Company has no profits or the profits are inadequate, the Board be authorised to determine the minimum remuneration to be paid to Mr. Rujan Panjwani, subject to requisite approval, if any.

**FURTHER RESOLVED** that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with powers to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to seek any further approval of the members of the Company.”

#### 9. Re-appointment of Mr. Rashesh Shah as the Managing Director

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**"RESOLVED** that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, ("the Act") the Rules, Regulations, Guidelines and Circulars issued in this regard and subject to necessary approvals, if any, approval of the members of the Company be and is hereby accorded for re-appointment of Mr. Rashesh Shah as the Managing Director of the Company for a period of 3 years with effect from April 1, 2014 on the terms and conditions set out below:

- (a) Salary Limit: Not to exceed ₹ 1,50,00,000/- per annum.
- (b) Performance Bonus: In addition to salary, performance based bonus up to 200% of salary limit, may also be paid, and at such intervals as may be decided by the Board of Directors of the Company.
- (c) Perquisites: In addition to salary and the performance bonus, Mr. Rashesh Shah shall also be entitled to the perquisites. The expenditure incurred by the Company on perquisites and contribution to Provident Fund, Superannuation, Annuity Fund, etc., shall be restricted to the Salary Limit as in (a) above.

**FURTHER RESOLVED** that the consent of the Company be and is hereby accorded to the Board (hereinafter referred to as the 'Board' which expression shall also include the Remuneration Committee of the Board) to vary the terms and conditions of the re-appointment of Mr. Rashesh Shah from time to time as may be required.

**FURTHER RESOLVED** that where in any financial year during the tenure of Mr. Rashesh Shah as the Managing Director, the Company has no profits or the profits are inadequate, the Board be authorised to determine the minimum remuneration to be paid to Mr. Rashesh Shah subject to requisite approval, if any.

**FURTHER RESOLVED** that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with powers to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company."

#### 10. Re-appointment of Mr. Venkat Ramaswamy as an Executive Director

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**"RESOLVED** that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, ("the Act") the Rules, Regulations, Guidelines and Circulars issued in this regard and subject to necessary approvals, if any, approval of the members of the Company be and is hereby accorded for re-appointment of Mr. Venkat Ramaswamy as an Executive Director of the Company for a period of 3 years with effect from April 1, 2014 on the terms and conditions set out below:

- (a) Salary Limit: Not to exceed ₹ 1,50,00,000/- per annum.
- (b) Performance Bonus: In addition to salary, performance based bonus, up to 200% of Salary Limit, may also be paid, and at such intervals as may be decided by the Board of Directors of the Company.
- (c) Perquisites: In addition to salary and the performance bonus, Mr. Venkat Ramaswamy shall also be entitled to the perquisites. The expenditure incurred by the Company on perquisites and contribution to Provident Fund, Superannuation, Annuity Fund, etc., shall be restricted to the Salary Limit as in (a) above.

**FURTHER RESOLVED** that the consent of the Company be and is hereby accorded to the Board (hereinafter referred to as the 'Board' which expression shall also include the Remuneration Committee of the Board) to vary the terms and conditions of the re-appointment of Mr. Venkat Ramaswamy from time to time as may be required.

**FURTHER RESOLVED** that where in any financial year during the tenure of Mr. Venkat Ramaswamy as an Executive Director, the Company has no profits or the profits are inadequate, the Board be authorised to determine the minimum remuneration to be paid to Mr. Venkat Ramaswamy subject to requisite approval, if any.

**FURTHER RESOLVED** that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company."

#### 11. Amendment to the Edelweiss Employees Stock Incentive Plan 2008

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**"RESOLVED** that in accordance with the provisions of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) and all other applicable provisions, if any, and subject to such other approvals as may be required, approval of the members be and is hereby accorded for amendment of the Edelweiss Employees Stock Incentive Plan 2008 (Plan 2008) by substituting the existing Clause 12.8 with the following:-

‘12.8 Notwithstanding anything contained under this Plan and, if the Participant/Nominee does not Exercise the Vested Options within the time specified in Clause 12.2 and Clause 13, then unless the Committee determines otherwise, the Options shall automatically lapse at the end of the aforesaid period and the contract referred to in Clause 9 shall stand automatically terminated without any liability to the Company/Trust.’

**FURTHER RESOLVED** that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company.”

## **12. Amendment to the Edelweiss Employees Stock Incentive Plan 2009**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

“**RESOLVED** that in accordance with the provisions of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) and all other applicable provisions, if any, and subject to such other approvals as may be required, approval of the members be and is hereby accorded for amendment of the Edelweiss Employees Stock Incentive Plan 2009 (Plan 2009) by substituting the existing Clause 11.7 with the following:-

‘11.7 Notwithstanding anything contained under this Plan and, if the Participant/Nominee does not Exercise the Vested Options within the time specified in Clause 11.1 and Clause 12, then unless the Committee determines otherwise, the Options shall automatically lapse at the end of the aforesaid period and the contract referred to in Clause 8 shall stand automatically terminated without any liability to the Company/Trust.’

**FURTHER RESOLVED** that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company.”

**For and on behalf of the Board of Directors  
EDELWEISS FINANCIAL SERVICES LIMITED**

**B. Renganathan  
Sr. Vice President & Company Secretary**

June 24, 2013

Registered Office:  
Edelweiss House, Off C.S.T. Road,  
Kalina,  
Mumbai – 400 098.

### **NOTES:**

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business is annexed hereto. The details in respect of Item Nos. 3, 4, 6 to 10 above, as required under Clause 49 of the Listing Agreement is annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Members/Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.
4. **Book Closure and Dividend**  
The Register of Members and the Share Transfer Books of the Company will remain closed from July 16, 2013 to July 26, 2013 (both days inclusive).  
Dividend, if declared, at the Annual General Meeting will be credited/dispatched between August 5, 2013 and August 12, 2013 to those persons or their mandates:
  - a) whose names appear as Beneficial Owners as at the end of the business hours on July 15, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - b) whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/Registrar & Share Transfer Agent on or before July 15, 2013.

## **5. Nomination Facility**

The members holding the shares in physical form may obtain the Nomination Form from the Company/Registrar & Share Transfer Agent.



**6. National Electronic Clearing Services (NECS) facility**

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the dividend will be credited through NECS facility at the locations identified by the Reserve Bank of India and the members holding shares in physical form and who are desirous of availing this facility are requested to contact the Registrar & Share Transfer Agent of the Company and the members holding shares in electronic form are requested to contact their respective Depository Participants.

**7. Bank Mandates**

In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate the Registrar & Share Transfer Agent under the signature of the Sole/First holder, the following information to be incorporated on the Dividend Warrants:

- I. Name of the Sole/First holder and the folio number
- II. Particulars of Bank Account viz,
  - a) Name of the Bank
  - b) Name of the Branch
  - c) Complete address of the Bank with Pin code
  - d) Bank Account Number allotted by the Bank

**8. In respect of the matters pertaining to Bank details, NECS mandates, nomination, power of attorney, change in name/address, etc., the members are requested to approach:**

- the Company's Registrar & Share Transfer Agent, in case of shares held in physical form; and
- the respective Depository Participants, in case of shares held in electronic form.

In all correspondence with the Company/Registrar & Share Transfer Agent, members are requested to quote their account/folio numbers or DP ID and Client ID in respect of physical or electronic holdings, respectively.

- 9. Members are requested to note that dividends not claimed or encashed within 7 years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund, as per Section 205A of the Companies Act, 1956.**
- 10. Members desirous of getting any information in respect of the contents of the Annual Report are requested to forward the queries to the Company at least 10 days prior to the Annual General Meeting so that the required information can be made available at the Meeting.**
- 11. Members desirous of receiving the documents like Notice, Annual Report and all other communications in electronic form may write to the Company at [efsl.shareholders@edelweissfin.com](mailto:efsl.shareholders@edelweissfin.com).**

## EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

### ITEM NO. 6:-

Mr. Navtej S. Nandra was appointed as an Additional Director by the Board of Directors of the Company on May 15, 2013. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Navtej S. Nandra holds office upto the date of the ensuing Annual General Meeting.

Mr. Navtej S. Nandra is a veteran of the global financial services sector. Mr. Nandra is the President of E\*TRADE Financial Corporation. He also serves on the Board of Directors of the Center of Governance, Institutions and Organizations, at the Business School, National University of Singapore.

Most recently, Mr. Nandra was Head of International for Morgan Stanley Investment Management and Chief Strategy Officer for Real Estate Investing and Merchant Banking. In addition, he was CEO of Morgan Stanley Investment Management Ltd., and also served on the Boards of Directors of Morgan Stanley Huaxin Fund Management Company, Morgan Stanley International Ltd., and Morgan Stanley & Co. International Plc. Prior to Morgan Stanley, Mr. Nandra's career included senior roles at DTZ Holdings, Merrill Lynch Global Wealth Management, Merrill Lynch Global Investment Banking, The Cambridge Group Inc., and BoozAllen and Hamilton Inc. (now Booz & Co.). He has also served on the Board of Directors of Nuveen Investments, Inc., and Merrill Lynch India Technology Services. Mr. Nandra holds an MBA from the IIM, Ahmedabad, and a Bachelor's degree in Commerce (Honors) from the University of Delhi.

The Board is of the view that the Company will be immensely benefitted by the appointment of Mr. Navtej S. Nandra as a Director on the Board and, therefore, recommends for approval, the Ordinary Resolution as set out in Item No. 6 of the Notice.

None of the Directors except Mr. Navtej S. Nandra is concerned or interested in this item of business.

### ITEM NOS. 7 and 8:-

Mr. Rujan Panjwani was appointed as an Additional Director by the Board of Directors of the Company on June 24, 2013. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Rujan Panjwani holds office upto the date of the ensuing Annual General Meeting.

Mr. Rujan Panjwani is the President, Edelweiss Group. An Electrical Engineer by qualification, Mr. Rujan Panjwani has over 25 years of experience in the financial services sector working across all asset classes. Mr. Rujan Panjwani is associated with the Company since 2000. He has helped setting up the Global Risk Group, Group's Treasury, Asset Management and Credit businesses.

The Board of Directors of the Company had, subject to the approval of the members, had also appointed Mr. Rujan Panjwani as an Executive Director for a period of 3 years w. e. f. June 24, 2013.

The details in this regard are as under:

### DETAILS OF THE COMPANY

#### I. GENERAL INFORMATION

##### i. Nature of Industry:

The Company along with its subsidiaries provides wide range of financial services. The Company has grown from a boutique investment bank to a diversified financial conglomerate providing credit and engaged in capital markets, asset management services, commodities, life insurance and treasury functions, operating through the Company and its subsidiaries. The services provided *inter alia* include investment banking, institutional equities, securities broking, private client brokerage, asset management, wealth management, client advisory services, wholesale financing, housing finance and treasury operations.

Being a company engaged in the financial services sector, a substantial portion of the total cost is incurred on human resources who manage the business which is distinct from the other sectors.

##### ii. Date or expected date of commencement of commercial production:

N. A.

##### iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

N. A.

##### iv. Financial performance:

The net profit of the Company for the financial year ended March 31, 2013 was ₹ 467.91 million and the consolidated profit was ₹ 1,784.61 million.

##### v. Export performance and net foreign exchange collaborations:

N. A.

##### vi. Foreign investments or collaborators, if any:

During the financial year ended March 31, 2013, the Company made foreign investments of ₹ 329.45 million (including loans given at gross value) in its wholly-owned subsidiaries abroad.

## II. DETAILS OF THE APPOINTEE

### i. Background:

Mr. Rujan Panjwani is the President, Edelweiss Group. An Electrical Engineer by qualification, Mr. Rujan Panjwani has over 25 years of experience in the financial services sector working across all asset class. At Edelweiss, Mr. Rujan Panjwani helped setting up the Global Risk Group, Group's Treasury, Asset Management and Credit businesses.

### ii. Past Remuneration:

The gross remuneration paid to Mr. Rujan Panjwani during the financial year ended March 31, 2013 was ₹ 73,26,392

### iii. Recognition and Awards:

N.A

### iv. Job profile and suitability:

Mr. Rujan Panjwani is the President, Edelweiss Group. Mr. Rujan Panjwani oversees the Group's Treasury, Global Risk Group, Asset Management and Credit businesses. He also extends support to some of the subsidiaries and associates. Mr. Rujan Panjwani is associated with Edelweiss since 2000.

### v. Remuneration Proposed:

The remuneration proposed to be paid to Mr. Rujan Panjwani, shall comprise of annual salary not exceeding ₹ 1,50,00,000/-, perquisites up to an amount equivalent to the annual salary and performance based bonus upto 200% of the amount of salary, as per the details provided in the resolutions set out in Item No. 8 of the Notice.

It is clarified that Employee Stock Options granted/to be granted to Mr. Rujan Panjwani from time to time are not to be included for the purpose of computation of overall ceiling of remuneration.

### vi. Comparative remuneration profile:

The remuneration proposed to be paid to Mr. Rujan Panjwani, is not comparable with other companies in the financial sector due to the diverse nature of business.

### vii. Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any:

Mr. Rujan Panjwani is not related to any other Director of the Company.

## III. OTHER INFORMATION

### i. Reasons of loss or inadequate profits

The Company had adequate profits during the previous financial year. As a prudent measure approval of the members is being sought for payment of remuneration to Mr. Rujan Panjwani in the event of inadequacy of profits in any financial year.

### ii. Steps taken or proposed to be taken for improvement

While the profits of the Company is presently adequate, the Company constantly endeavours to enhance the ambit of services provided and increase its market presence.

### iii. Expected increase in productivity and profits in measurable terms

The Company expects increase in the profits in line with the increase in its activity and market penetration.

This may also be treated as an abstract of the terms of appointment of Mr. Rujan Panjwani as an Executive Director, under Section 302 of the Companies Act, 1956.

The Board recommends for approval the Resolutions set out in Item Nos. 7 and 8 of the Notice.

None of the Directors except Mr. Rujan Panjwani, is concerned or interested in these Items of business.

### ITEM NOS. 9 and 10:-

The tenure of appointment of Mr. Rashesh Shah as the Managing Director and Mr. Venkat Ramaswamy as an Executive Director expires on March 31, 2014. The Board of Directors at their meeting held on June 24, 2013 had, subject to the approval of the members re-appointed Mr. Rashesh Shah as the Managing Director and Mr. Venkat Ramaswamy as an Executive Director for a period of 3 years w. e. f. April 1, 2014.

The details in this regard are as under:

## DETAILS OF THE COMPANY

### I. GENERAL INFORMATION

#### i. Nature of Industry:

The Company along with its subsidiaries provides wide range of financial services. The Company has grown from a boutique investment bank to a diversified financial conglomerate providing credit and engaged in capital markets, asset management services, commodities, life insurance and treasury functions, operating through the Company and its subsidiaries. The services provided *inter alia* include investment banking, institutional equities, securities broking, private client brokerage, asset management, wealth management, client advisory services, wholesale financing, housing finance and treasury operations.

Being a company engaged in the financial services sector, a substantial portion of the total cost is incurred on human resources who manage the business which is distinct from the other sectors.

#### ii. Date or expected date of commencement of commercial production:

N. A.

#### iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

N. A.

#### iv. Financial performance:

The net profit of the Company for the financial year ended March 31, 2013 was ₹ 467.91 million and the consolidated profit was ₹ 1,784.61 million.

#### v. Export performance and net foreign exchange collaborations:

N. A.

#### vi. Foreign investments or collaborators, if any:

During the financial year ended March 31, 2013, the Company made foreign investments of ₹ 329.45 million (including loans given at gross value) in its wholly-owned subsidiaries abroad.

### II. DETAILS OF THE APPOINTEES

#### i. Background:

##### (a) Mr. Rashesh Shah:

Mr. Rashesh Shah, co-founder of the Company has over 20 years of diverse experience in the financial services sector in India and has been instrumental in building Edelweiss into one of India's leading diversified financial services conglomerate. Prior to founding Edelweiss, he worked with ICICI Limited. He serves on the Boards of various companies and is a member of the Committee constituted by SEBI for reviewing SEBI (Prohibition of Insider Trading) Regulations, 1992. He was a member of Executive Committee of the National Stock Exchange of India Limited. He is currently Chairman, Maharashtra Council of FICCI as well as Chairman, ASSOCHAM National Council on Capital Markets.

His academic qualifications include an MBA from IIM, Ahmedabad and a Diploma in International Trade from the Indian Institute of Foreign Trade, New Delhi.

##### (b) Mr. Venkat Ramaswamy:

Mr. Venkat Ramaswamy, co-founder of the Company spearheads one of the Company's most strategic businesses-Financial Markets & Asset Management. He brings significant experience and expertise on client relationships to Edelweiss. Prior to Edelweiss he worked with Spartek Emerging Opportunities Fund and ICICI Limited. His academic qualifications include an MBA from the University of Pittsburgh, United States of America and a Bachelor's Degree in Electronics Engineering.

#### ii Past Remuneration:

The gross remuneration drawn by the appointees during the financial year ended March 31, 2013 is as under:-

Sr. No.	Name of the Appointee	Amount (₹)
1.	Mr. Rashesh Shah	1,79,69,908/-
2.	Mr. Venkat Ramaswamy	1,49,53,495/-

**iii. Recognition and Awards:**

Mr. Rashesh Shah is a member of the Committee constituted by the SEBI for reviewing SEBI (Prohibition of Insider Trading) Regulations, 1992. Mr. Rashesh Shah has served on the Executive Committee of National Stock Exchange of India Limited (NSE) and was the Chairman of the Capital Market Committee of FICCI. He is on the Board of various companies. He has been featured in a variety of publications, including The Far Eastern Economic Review, Business India, Business World and The Economic Times. Mr. Rashesh Shah was recently honoured with 'The Alumnus of the Year' award from the Indian Institute of Foreign Trade (IIFT) and the "Entrepreneur of the Year" by Bombay Management Association for 2008-2009.

**iv. Job profile and suitability:**

**Mr. Rashesh Shah** is the Managing Director of Edelweiss Financial Services Limited (EFSL). As the Managing Director of EFSL, Mr. Rashesh Shah is responsible for the overall functioning of the Company, its subsidiaries and associates. As the Managing Director of EFSL he spends substantial time not only in overseeing the working and performance of the Company but also the subsidiaries. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group.

**Mr. Venkat Ramaswamy** is an Executive Director of Edelweiss Financial Services Limited (EFSL). He oversees business development activities as well as execution of various deals. He spearheads one of the Company's most strategic businesses Financial Markets & Asset Management. He brings significant experience and expertise on client relationships to Edelweiss. He also extends support to some of the subsidiaries and associates.

**v. Remuneration Proposed:**

The remuneration proposed to be paid to Mr. Rashesh Shah and Mr. Venkat Ramaswamy shall comprise of annual salary not exceeding ₹ 1,50,00,000/- each, perquisites up to an amount equivalent to the annual salary and performance based bonus upto 200% of the amount of salary, as per the details provided in the resolutions set out in Item Nos. 9 and 10 of the Notice respectively.

**vi. Comparative remuneration profile:**

The remuneration proposed to be paid to Mr. Rashesh Shah and Mr. Venkat Ramaswamy is not comparable with other companies in the financial sector due to the diverse nature of business.

**vii. Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any:**

Mr. Rashesh Shah and Mr. Venkat Ramaswamy are not related to any other Director of the Company.

**III. OTHER INFORMATION**

**i. Reasons of loss or inadequate profits**

The Company had adequate profits during the previous financial year. As a prudent measure approval of the members is being sought for payment of remuneration to Mr. Rashesh Shah and Mr. Venkat Ramaswamy in the event of inadequacy of profits in any financial year.

**ii. Steps taken or proposed to be taken for improvement**

While the profits of the Company is presently adequate, the Company constantly endeavours to enhance the ambit of services provided and increase its market presence.

**iii. Expected increase in productivity and profits in measurable terms**

The Company expects increase in the profits in line with the increase in its activity and market penetration.

This may also be treated as an abstract of the terms of re-appointment of Mr. Rashesh Shah, as the Managing Director, and Mr. Venkat Ramaswamy, as an Executive Director, under Section 302 of the Companies Act, 1956.

The Board recommends for approval the Special Resolutions set out in Item Nos. 9 and 10 of the Notice.

None of the Directors except Mr. Rashesh Shah and Mr. Venkat Ramaswamy is concerned or interested in Item Nos. 9 and 10 of the Notice respectively.

**ITEM NOS. 11 and 12:-**

With a view to provide the employees of the Company a share in the growth of the Company, to attract, retain and motivate the best available talent in the Company, your Company had formulated and implemented Edelweiss Employees Stock Incentive Plan 2008 (Plan 2008) and Edelweiss Employees Stock Incentive Plan 2009 (Plan 2009) and granted Stock Options under the Plan 2008 and Plan 2009.

As at March 31, 2013, the Vested Options were 26,78,000 and 1,60,74,500 under Plan 2008 and Plan 2009, respectively. Due to the market conditions, exercise of the Options under the said Plans have become unattractive. Therefore, it is proposed to amend Plan 2008 and Plan 2009 by enabling the Committee as defined under the Plans to extend the exercise period of the Vested Options, in such a manner as the Committee may deem fit. There shall be no change/revision in the Exercise Price of the Vested Options.

The proposed amendment is in compliance with the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The other terms of the Plan 2008 and Plan 2009 will remain unchanged.

The Plan 2008 and Plan 2009 together with the proposed amendments are available for inspection at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all working days till the date of the Annual General Meeting.

Your Directors recommend the Special Resolutions set out in Item Nos. 11 and 12 for the approval of the members.

The Directors of the Company who have been granted the Stock Options under the Plan 2008 and Plan 2009 may be deemed to be concerned/interested in the resolutions.

**For and on behalf of the Board of Directors  
EDELWEISS FINANCIAL SERVICES LIMITED**

**B. Renganathan  
Sr. Vice President & Company Secretary**

June 24, 2013

Registered Office:  
Edelweiss House, Off C.S.T. Road,  
Kalina,  
Mumbai – 400 098.

**Details of Directors seeking appointment/re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

Particulars	Mr. Narendra Jhaveri	Mr. P.N. Venkatachalam	Mr. Navtej S. Nandra	Mr. Rujan Panjwani	Mr. Rashesh Shah	Mr. Venkat Ramaswamy
Date of Birth	August 9, 1935	March 22, 1944	October 14, 1966	April 7, 1963	September 30, 1963	August 12, 1966
Date of Appointment	July 21, 2007	August 9, 2007	May 15, 2013	June 24, 2013	November 21, 1995	February 20, 1996
Experience in functional Area	Specialisation in public finance and has more than 40 years of experience in financial services sector.	Has more than 40 years of experience in the banking sector, non-banking financial services and allied industry	Wide experience in global financial services strategy and execution	Has over 25 years of experience in the financial services sector.	Has more than 20 years of diversified of experience in the financial services sector.	Has more than 20 years experience in venture capital and private equity advisory and fund raising.
Qualification	Masters in Economics, Gujarat University, M.Sc., in Economics from London School of Economics	M.A. in Economics, Certified Associate from the Indian Institute of Bankers	MBA from IIM, Ahmedabad, B.Com (honors) from the University of Delhi	B.E. in Electrical Engineering	B. Sc from the University of Bombay. MBA from IIM, Ahmedabad.	B. E. (Electronic & Communication) from Karnataka University. MBA from the University of Pittsburgh.
Directorship in other Companies (Public Limited Companies)	<ul style="list-style-type: none"> <li>Afcons Infrastructure Ltd.</li> <li>Siemens Ltd.</li> <li>Hindalco Industries Ltd.</li> <li>Edelweiss Securities Ltd.</li> <li>GVFL Ltd.</li> <li>Pidilite Industries Ltd</li> <li>Cadila Pharmaceuticals Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>ECL Finance Ltd.</li> <li>Edelweiss Finance &amp; Investments Limited.</li> <li>Sundaram Finance Limited.</li> <li>UTI Asset Management Company Ltd.</li> <li>UTI Retirement Solutions Limited</li> </ul>	Nil	<ul style="list-style-type: none"> <li>Edelweiss Asset Management Limited.</li> <li>Edel Land Limited</li> <li>Edelweiss Custodial Services Limited.</li> <li>ECL Finance Limited</li> </ul>	<ul style="list-style-type: none"> <li>Edelweiss Tokio Life Insurance Company Limited</li> <li>Rediff.com India Limited</li> <li>Edelweiss Asset Reconstruction Company Limited</li> </ul>	<ul style="list-style-type: none"> <li>Edelweiss Investment Adviser Limited</li> <li>Edelweiss Alternative Asset Advisors Limited</li> <li>Edelweiss Tokio Life Insurance Company Limited</li> <li>Prime Urban Development India Limited</li> </ul>
Membership of committees of other Public Limited Companies (Audit Committee and Shareholders' / Investors' Grievance Committee only)	<ul style="list-style-type: none"> <li>Afcons Infrastructure Ltd.</li> <li>Hindalco Industries Ltd.</li> <li>Pidilite Industries Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>ECL Finance Ltd.</li> <li>UTI Asset Management Company Ltd.</li> </ul>	Nil	<ul style="list-style-type: none"> <li>ECL Finance Limited</li> <li>Edelweiss Asset Management Limited</li> </ul>	<ul style="list-style-type: none"> <li>Rediff.com India Limited</li> </ul>	<ul style="list-style-type: none"> <li>Edelweiss Tokio Life Insurance Company Limited</li> </ul>
No. of shares held in the Company	78,000	20,000	79,24,180	1,01,61,380	13,43,01,730	5,30,26,560



## NOTES

## NOTES

## NOTES

## NOTES

## Edelweiss Financial Services Limited

Registered Office: Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400 098.

### ATTENDANCE SLIP

(To be signed and handed over at the entrance of the meeting venue)

Regd. Folio No.:

No. of Shares held :

DP ID\*

Client ID\*

Full Name of the Member (in Block Letters) \_\_\_\_\_

Name of the Proxy \_\_\_\_\_

(To be filled-in if the Proxy Form has been duly deposited with the Company)

I hereby record my presence at the **18<sup>th</sup> ANNUAL GENERAL MEETING** of the Company on **Friday, July 26, 2013 at 3:00 p.m.** at the Registered Office of the Company at Edelweiss House, Off CST Road, Kalina, Mumbai – 400 098.

Members / Proxy's Signature

(To be Signed at the time of handing over this slip)

\* Applicable for members holding shares in electronic form.

Note : Members are requested to bring their copies of the Annual Report to the meeting.

## Edelweiss Financial Services Limited

Registered Office: Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400 098.

### PROXY FORM

Regd. Folio No.:

No. of Shares held :

DP ID\*

Client ID\*

I/We \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

being a member / members of the above-named Company hereby appoint Shri \_\_\_\_\_

of \_\_\_\_\_ in district of \_\_\_\_\_

\_\_\_\_\_ or failing him Shri of \_\_\_\_\_

of \_\_\_\_\_ in district of \_\_\_\_\_

as my / our proxy to vote for me / us on my / our behalf at the **18<sup>th</sup> ANNUAL GENERAL MEETING** of the Company to be held on **Friday, July 26, 2013 at 3:00 p.m.** at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400 098 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signature \_\_\_\_\_

Affix  
Revenue  
Stamp

\* Applicable for members holding shares in electronic form.

**Note:** This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.



# FY13@Edelweiss

## Business Reach

**Edelweiss Housing Finance organised successful loan camps in FY13**



In Erode



In Salem



In Madurai



Clients of Edelweiss' Retail Capital Markets businesses were invited to a box cricket tournament in Pune.



Deepak Mittal, CEO, Edelweiss Tokio Life Insurance and Yash Prasad Mohan, Chief Agency Officer, inaugurate the Dhanbad branch of the Company, that now has a presence in 45 branches across 38 cities of India.



Edelweiss Financial Planning organised a Health-cum-Financial Check Up Camp in housing societies in Delhi and across the country.



Edelweiss Retail Broking webinar on Long Term Investing received an overwhelming response from clients across the country.



## Conferences



Dr. K. C. Chakrabarty (Deputy Governor - Reserve Bank of India) and Rashesh Shah, Chairman and CEO, Edelweiss Group, at the Edelweiss India Conference 2013.



Rashesh Shah, Chairman & CEO, Edelweiss Group at the 9<sup>th</sup> India International Gold Convention 2012.



Mr. Navneet Munot (CIO - SBI Mutual Fund), Mr. S Nagnath (CIO - DSP Blackrock Mutual Fund), Mr. Raj Venkatesan (CIO - Standard Pacific), Mr. Sarath Sathkumara (MD - Taiyo Capital) and moderator - Mr. Vikas Khemani, President and Co-Head, Wholesale Capital Markets, Edelweiss, at the Edelweiss India Conference 2013.



(L-R) Shailendra Bhandari , MD & CEO, ING Vysya Bank; Ameet H Desai, CEO, Adani Advisory LLP; Kosmo Kalliarekos, MD, Barings Private Equity Asia; Navneet Munot, Chief Investment Officer, SBI Mutual Fund; Rashesh Shah, Chairman and CEO, Edelweiss Group and moderator Nikunj Dalmiya, ET NOW (centre) at Convergence, the Edelweiss Private Equities Conference.



## EdelGive



Edelweiss and EdelGive Foundation hosted the second edition of 'Palette 2013-Art under Palms', held at Fountainhead Leadership Center, Alibaug on February 17, 2013. The event helped raise awareness about EdelGive's work and raise funds from the sale of art for 10 NGOs that support the cause of Education among underprivileged children.



EdelGive supports sessions on financial services for migrant labourers provided by RSSA.

Photo credits: Aajeevika Bureau



Edelweiss played host to 60 adolescent girls from the St. Catherine's Home with 17 employees volunteering to share their understanding on the basics of banking, saving, insurance and budgeting through interactive games.



Vidya Shah, Director, EdelGive Foundation, spoke on how the foundation has successfully embedded philanthropy throughout Edelweiss' business at the Asia Centre for Social Entrepreneurship & Philanthropy (ACSEP), NUS Business School, Singapore.



## People Initiatives



Edelweiss employees participated in the Mumbai Marathon 2013 with eight teams running for EdelGive Foundation investees. The total collection across the organisation crossed ₹9 Lac.



Edelweiss strongly believes in a culture of learning and teamwork. Offsites and trainings help strengthen teams and set business challenges and opportunities for the year ahead.



The Fountainhead Leadership Centre at Alibaug is Edelweiss' corporate and leadership training initiative. It's state-of-the-art conferencing, residential and recreational facilities have hosted several corporations through the year and has been used extensively by Edelweiss employees for trainings and workshops.

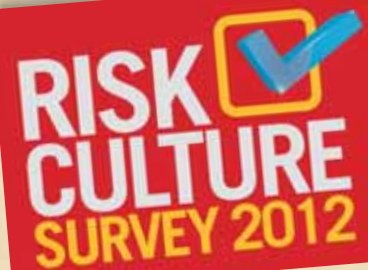
BizDivas, the Wellness and Wellbeing initiative for the women at Edelweiss was launched with an inaugural awareness session on Cervical Cancer



Over 60 Edelweiss employees participated in Stepathlon, a virtual race around the world over a hundred days. The initiative saw an increased fitness level in most participating employees.



Towers Watson, a global consulting firm, carried out the Edelweiss Risk Culture Survey 2012, an organisation-wide risk assessment initiative. The survey helped assess a macro level picture of the organisation's risk culture and its level of preparedness and awareness of risk.



Edelweiss conducted the Survey of Edelweiss Employees (SEE) across the organisation with the aim to strengthen the processes and systems to achieve business growth and excellence.

# Edelweiss Group Presence





**Edelweiss**  
Ideas create, values protect

Head Office:

Edelweiss Financial Services Limited

Edelweiss House, Off CST Road




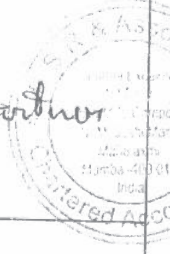

Kalina, Mumbai 400 098

Maharashtra, India

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

### FORM A




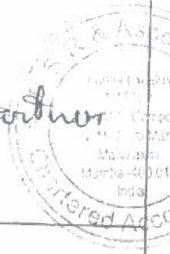

Format of covering letter of the annual audit report to be filed with the stock exchanges  
 (Clause 31 of the Listing Agreement)

1.	Name of the Company:	Edelweiss Financial Services Limited
2.	Annual financial statements for the year ended	March 31, 2013
3.	Type of Audit observation	Unqualified Report
4.	Frequency of observation	N.A.
5.	To be signed by-	
	Chief Executive Officer/ Managing Director	For Edelweiss Financial Services Limited  Rashesh Shah MD & CEO
	Chief Financial Officer	For Edelweiss Financial Services Limited  S. Ranganathan Chief Financial Officer
	Auditor of the Company	 N. Sampath Ganesh, Partner BSR & Associates 
	Audit Committee Chairman	 Narendra Jhaveri, Chairman, Audit Committee



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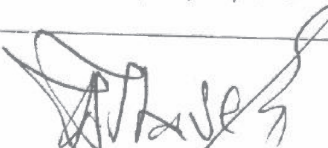
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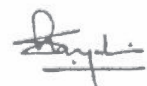

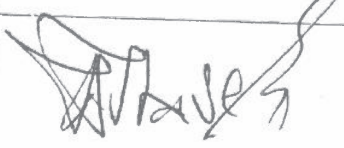
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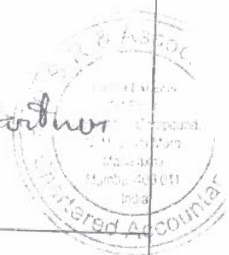
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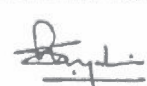

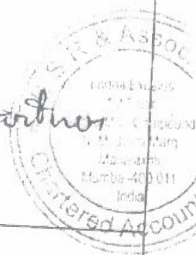

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