

Edelweiss Financial Services Q1FY13 Total Income ₹ 533 cr
Profit after Tax ₹ 40 cr

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the quarter ended June 30, 2012 today.

- * **Total Revenue for the quarter ₹ 533 cr**
compared to ₹ 370 cr for Q1FY12, **up 44%**
- * **Profit After Tax ₹ 40 cr**
compared to ₹ 33 cr for Q1FY12, **up 20%**
- * **Group Networth ₹ 2,914 cr; Tangible Equity ₹ 2,580 cr**

Edelweiss continues to record growth in total revenues and profit after tax year on year as a result of the conscious strategy to de-risk by diversifying across businesses, asset classes and client segments. These results are after the impact of significant slowdown in the financial services sector and investments made in incubating new businesses – Life Insurance and Retail Financial Services for future growth.

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

"The market sentiments and activity levels in the first quarter continued to be impacted by the macro level headwinds. Persistent high inflation and uncertain monsoon have clouded the outlook in near term. However, despite these challenging conditions, we at Edelweiss achieved growth in topline as well as bottomline year on year. We have also recorded some growth in our bottomline in each of the last three quarters. This is a result of significant diversification that we have achieved in our businesses and revenue streams. We continued to nurture our new retail businesses with plans for scale up of retail finance and life insurance on track. We also continued to invest in improving efficiencies, enhancing our risk management processes and constantly embrace new technologies to remain ahead of the curve.

We expect the headwinds to persist in the first half of the current year and see growth returning gradually thereafter. Having established the financial services footprint, we are confident of capturing our share of growth in the markets when it reappears."

Financial Highlights:

- * **Interest and Treasury income** from capital based businesses is ₹ 450 cr for the quarter (₹ 298 cr in Q1FY12), up significantly 51%. This includes income from credit & commodities businesses and treasury operations & investments.
- * Capital based income accounts for 86% of the total income for Q1FY13, compared to 80% in FY12.
- * **Fee & Commission income** from agency businesses is ₹ 71 cr for the quarter (₹ 68 cr in Q1FY12), up 4%. This includes income from broking, investment banking, asset management and wealth advisory businesses.
- * Our **Life Insurance business**, which is in a nascent stage, recorded **Premium income** of ₹ 3 cr for the quarter.
- * Agency based income accounts for 14% of the total income for Q1FY13 compared to 20% in FY12.

The revenue mix reflects the diversified nature of Edelweiss' businesses and revenue streams.

Business Highlights:

Businesses of Edelweiss are organised around **five broad business groups** – Credit business including Retail Finance and Debt Capital Markets, Capital Markets including Asset Management, Commodities, Life Insurance and Treasury.

- * **Credit Business:**

Edelweiss offers collateralized loans and retail finance including housing mortgage and SME finance. The total credit book of the group stands at ₹ 4,336 cr at the end of the first quarter including the retail finance book, compared to ₹ 2,611 cr as at the end of Q1FY12, a growth of 66%. The collateralized loan book is adequately secured with an average collateral cover of 2.74 times. Given the robust risk management, asset quality of the credit book continues to be satisfactory with Net NPLs of 0.15% despite tough environment.

- * **Retail Finance:**

The Indian **Housing Finance** market characterised by a very low penetration at present, is expected to grow over four times by the end of this decade given the young demographic profile that India enjoys. 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 vast opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams. It offers home loans, loans against property and lease rental discounting. It commenced operations in Surat this quarter and now extends to nine major metros in India.

Edelweiss launched **SME Finance** in the first quarter of FY13 in Mumbai and New Delhi, as a part of strategy to diversify and address new client segments.

Retail Finance business has a book of ₹ 946 cr by the end of this quarter compared to ₹ 185 cr at the end of Q1FY12.

- * **Debt Capital Markets** business continued to be a leading debt arranger in the country with a market share of 13% during Q1FY13 in private placement of debt (source: Prime Database).

* Transactions in this quarter included Long-term Bonds placements for large clients like PFC, PGC, Tata Capital, Aditya Birla Finance, Hero Cycles and SREI Infrastructure Finance across eight deals.

* In addition, the Fixed Income Advisory business handled one advisory transaction. The business had handled 30 deals in FY12.

* **Capital Markets & Asset Management Business:**

- * **Investment Banking** business continues to witness very low levels of activity on the back of slowing investment cycle. The business handled a structured finance transaction for Coastal Projects during the quarter.

While the deal pipeline continues to be strong, the deal closures are extremely slow given the current market sentiments.

- * **Institutional Broking** business continues to perform in line with the markets during the quarter and protect its market share. The industry continues to face lower cash volumes leading to shrinkage of broking revenue pie.

Edelweiss **Research** covers 185 stocks across 20 sectors representing over 70% of market capitalization.

- * **Retail Capital Market** businesses continued to build scale during the quarter. The total client base in **Retail Broking** is over 3,81,700 including 1,28,800 clients on the online portal www.edelweiss.in. The online portal continues to be one of the most popular sites with the cumulative number of unique visitors reaching 49 lac with 7.50 cr page views till June 30, 2012.

- * **Wealth Management** business continued to manage assets of over ₹ 3,000 cr and Depository Participant (DP) AUMs at ₹ 1,500 cr by the end of Q1FY13. The Structured Products portfolio was scaled up to just under ₹ 700 cr as at the end of this quarter.

- * **Asset Management:**

- * AUMs/AUAs under **Alternative Asset Management** were US\$ 570 million equivalent at the end of Q1FY13 including the Structured Products portfolio. This is a growth business for Edelweiss and is poised to achieve significant growth going forward.

- * **Retail Asset Management** business manages 12 funds across Equity, Debt and Liquid Schemes, with average AUMs of ₹ 380 cr during this quarter. This business has an active base of over 6,200 investors with a distribution network comprising over 3,000 Distributors. The focus of this business continues to be on developing a variety of products and building investment track record.

* **Commodities:**

Edelweiss started Commodities business about four years ago to diversify across asset classes. It has now emerged as an independent business. It is engaged in sourcing and distribution of precious metals, currently bullion and silver, at 11 centres to over 400 active clients.

Commodities business has further diversified into dealing in agri commodities about a year ago and is building scale. We believe with increasing financialization of commodities in India, this business presents large business opportunities going forward.

* **Insurance:**

Edelweiss launched the life insurance joint venture with Tokio Marine, one of the oldest and biggest global life Insurance companies from Japan, in the second quarter of FY12 to participate in the exciting growth opportunities that this industry presents. This business also significantly enlarges the addressable retail markets for Edelweiss.

Edelweiss Tokio Life Insurance recorded New Business Premium of ₹ 3 cr in Q1FY13. It expanded its operations to Rajkot during the quarter taking the total number of offices to 32 across 23 cities in Gujarat, Maharashtra, Goa, New Delhi, Uttar Pradesh, Haryana, Punjab and Chandigarh. The agency channel has been scaled up to over 1,260 Personal Financial Advisors (PFAs) by the end of this quarter.

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

* **Treasury:**

Treasury focuses on liquidity and balance sheet management. Treasury assets allocation continues to be a function of liquidity management needs, capital requirement of businesses and opportunities in the markets. Our strong focus on enterprise wide risk management ensures optimum returns in this business while preserving our capital.

* **Other Updates:**

- * The total **Networth** of the Group including minority interest now stands at ₹ 2,914 cr while the Tangible Equity is ₹ 2,580 cr.
- * The aggregate borrowings as at the end of this quarter are ₹ 10,700 cr. Excluding the Bank Fixed Deposits and Government Securities portfolio and the back to back borrowings there against, the **Net Gearing is 2.70x**. We continued to maintain a strong and liquid balance sheet with a reasonable gearing.
- * We continue to make significant investment in people and processes to constantly upgrade our **risk management** processes. This is supported by continuous adoption of new state-of-the-art technologies and systems to improve operational efficiency.
- * **EdelGive**, the Group's social responsibility arm, focuses on creating educational, employment and sustainable livelihood opportunities for the underprivileged. It successfully undertook four capacity building projects for its investees during the first quarter by engaging the work force at Edelweiss. It also extended capacity building support to six non-profit organisations by providing them appropriate grants during the quarter.

About Edelweiss Financial Services

Edelweiss is one of India's leading diversified financial services Group. Edelweiss offers a large range of products and services spanning across asset classes and consumer segments. Its businesses are broadly divided into **Credit including Retail Finance and Debt Capital Markets, Capital Markets including Asset Management, Commodities, Life Insurance and Treasury**. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across corporate, institutional and individual clients. The Life Insurance, Housing Finance, Mutual Fund and Retail Broking businesses – both online and offline formats, have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss' presence now covers 229 offices in 115 cities with 3,202 employees. Together with the Sub-Brokers and Authorized Persons network, Edelweiss group has presence across nearly 625 cities in India.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

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

This document is for information purposes only and any action taken by any person on the basis of the information contained herein is that person's responsibility alone and Edelweiss or its directors or employees will not be liable in any manner for the consequences of such actions.

The company regularly posts all important information at its website www.edelweissfin.com.



Consolidated Unaudited Financial Results for the Quarter Ended June 30, 2012**(₹ in crore)**

Part I					
	Particulars	Quarter Ended			Year Ended
		June 30, 2012	March 31, 2012	June 30, 2011	March 31, 2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Income from operations				
	(a) Fee and commission income	70.92	92.27	68.08	321.31
	(b) Interest and treasury income	445.62	365.48	296.91	1,309.95
	(c) Premium from Life Insurance business	3.46	7.49	-	10.72
	(d) Other operating income	7.50	4.12	2.81	10.98
	Total income from operations	527.50	469.36	367.80	1,652.96
2	Expenses				
	(a) Employee benefits expense	78.37	78.07	61.15	271.21
	(b) Depreciation and amortisation expense	11.54	15.64	5.74	42.19
	(c) Other expenses	94.14	91.80	66.67	328.94
	Total expenses	184.05	185.51	133.56	642.34
3	Profit / (Loss) from operations before other income and finance costs (1-2)	343.45	283.85	234.24	1,010.62
4	Other income	1.68	5.63	1.10	8.19
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	345.13	289.48	235.34	1,018.81
6	Finance costs	292.35	234.60	184.39	829.65
7	Profit / (Loss) before tax (5-6)	52.78	54.88	50.95	189.16
8	Tax expense	17.48	22.64	16.17	68.09
9	Net Profit / (Loss) after tax (7-8)	35.30	32.24	34.78	121.07
10	Share of profit / (loss) of associates	3.97	4.01	0.86	9.54
11	Minority interest	(0.51)	(2.51)	2.43	2.87
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	39.78	38.76	33.21	127.74
13	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	75.90	75.68	75.23	75.68
14	Reserves excluding Revaluation Reserves				2,559.17
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹1/- Per Share)				
	- Basic (Not annualised)	0.53	0.51	0.44	1.69
	- Diluted (Not annualised)	0.52	0.50	0.43	1.66

Part II - Select Information for the quarter ended 30 June 2012

A	PARTICULARS OF SHAREHOLDING				
1	Public shareholding				
	- Number of shares	473,243,590	471,083,590	466,553,590	471,083,590
	- Percentage of shareholding	62.35%	62.25%	62.02%	62.25%
2	Promoters & promoter group shareholding				
	a) Pledged/ Encumbered				
	- Number of shares	35,216,667	35,216,667	33,130,000	35,216,667
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	12.33%	12.33%	11.60%	12.33%
	- Percentage of shares (as a % of total share capital of the company)	4.64%	4.65%	4.40%	4.65%
	b) Non-encumbered				
	- Number of shares	250,499,023	250,499,023	252,585,690	250,499,023
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	87.67%	87.67%	88.40%	87.67%
	- Percentage of shares (as a % of total share capital of the company)	33.01%	33.10%	33.58%	33.10%
B	INVESTOR COMPLAINTS			Quarter ended June 30, 2012	
	Pending at the beginning of the quarter			Nil	
	Received during the quarter			7	
	Disposed off during the quarter			7	
	Remaining unresolved at the end of the quarter			Nil	

Notes:

- 1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter ended 30 June 2012 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 26 July 2012.
- 2 The financial results for the quarter ended 30 June 2012 of EFSL, on standalone basis, have been subjected to a 'Limited Review' by the Statutory Auditors of the Company and the auditors have issued an unqualified review report.
- 3 The Company conducts its operations along with its subsidiaries and associates. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Accounting Standards (AS 21 and AS 23) prescribed by Companies (Accounting Standards) Rules, 2006.
- 4 CRISIL has assigned the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programmes of EFSL for ₹ 4,850 crores and the rating of 'CRISIL AA-/stable' (pronounced 'CRISIL double A minus rating with Stable Outlook') to the long term debt programme of EFSL for ₹ 22 crores. ICRA has assigned the rating '[ICRA]AA-' (pronounced 'ICRA double A minus with Stable Outlook') to the Long Term Debt Programme of EFSL for ₹ 450 crores, the rating 'PP-MLD [ICRA] AA-' (pronounced 'PP-MLD-ICRA double A minus with Stable Outlook') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 25 crores and the rating 'LAA- pn' (pronounced 'L double A Minus Principal Not Protected with Stable Outlook') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 80 crores. The ratings as mentioned for these Programmes / Issues continue to remain in force.
- 5 During the quarter, the company has granted 21,092,600 stock options under Employee Stock Option Scheme; 2,160,000 stock options have been exercised and allotted during the quarter.
- 6 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial year/period's presentation.
- 7 The standalone and consolidated results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah

Chairman

Mumbai, 26 July 2012.