

Edelweiss Financial Services Q1FY14 Results**Total Income ₹ 625 cr & Profit after Tax ₹ 56 cr**

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the first quarter of the Financial Year 2013-14 ended June 30, 2013 today.

Q1FY14 Highlights:

- * **Total Revenue ₹ 625 cr**
compared to ₹ 533 cr for Q1FY13, **up 17%**
- * **Profit After Tax ₹ 56 cr**
compared to ₹ 40 cr for Q1FY13, **up 40%**
- * **Group Networth ₹ 3,098 cr; Tangible Equity ₹ 2,757 cr**
- * **Profit After Tax excluding Life Insurance business ₹ 69 cr**
compared to ₹ 46 cr for Q1FY13, **up 49%**
- * **Return on Tangible Equity for Q1FY14 at 12% ex-Insurance**
- * **Achieving Non-Linear growth, BS growth 4%, PAT 49% ex-Insurance**

Since inception, Edelweiss has constantly implemented the diversification strategy to become a large and respected Financial Services firm with businesses spanning all growth areas in the financial sector. It has de-risked the business model by diversifying across businesses, asset classes, client segments and markets to reduce volatility in performance. This has helped Edelweiss record consistently improved financial and business performance quarter on quarter in each of the last seven quarters. With the diversification phase complete, we are focusing on improving efficiency, productivity and customer-centricity.

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

"After a brief period of improving macro-economic environment, conditions started worsening towards the end of the first quarter led by sharp fall in rupee exchange rates. This has prompted the Government and RBI to introduce various measures trying to arrest the fall of rupee. However, the current dilemma is managing conflicting objectives of shoring up rupee through liquidity tightening versus bringing back growth which requires easy liquidity. We expect the operating conditions to be more challenging in the short term before these measures bring back stability over a period of time.

We continue to record improvement in our financial and business indicators following our long-term strategy to diversify across businesses, asset classes and client segments. Following this strategy, we have extended the streak of improving our performance on a QoQ basis to seven straight quarters now despite the tough operating environment. Our priorities for FY14 include focus on improving efficiency and productivity, building scale in retail businesses, building leadership and building a customer centric culture."

Financial Highlights:

- * **Interest and Capital based income** for Q1FY14 is ₹ 525 cr (₹ 450 cr in Q1FY13), up 16%. This income stream includes income from Credit including Housing Finance business, Commodities business and Treasury operations.
- * **Fee & Commission income** from agency businesses is higher at ₹ 83 cr for Q1FY14 (₹ 71 cr in Q1FY13), up 17%. Fee & Commission growth reflects the growing contribution from our retail financial markets businesses despite challenging environment and shrinking revenue pie for the industry. This revenue stream includes income from broking, corporate finance advisory, asset management and wealth advisory businesses. Our securities broking income constitutes about 6.4% of the total revenue for the first quarter.
- * Our **Life Insurance business**, which completes two years of operations now, recorded gross **Premium income** of ₹ 11 cr for Q1FY14 compared to ₹ 3 cr in Q1FY13.

The **diversified revenue mix** has successfully reduced volatility in our results, as despite difficult operating conditions, we continue to maintain the trend of quarter on quarter growth in the top and bottom line in Q1FY14.

Business Highlights:

Operations of Edelweiss are organised around **four broad business groups – Credit including Retail Finance, Commodities, Financial Markets including Asset Management and Life Insurance.**

From catering to a few hundred wholesale clients in 2008, the group now has an account base of over 460,000 clients from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 250,000 DP accounts.

Brief highlights of our business performance are as under:

- * **Credit Business:**

Edelweiss offers **Retail Finance and Corporate Finance**. The total credit book of the group including these segments stands at ₹ 6,623 cr at the end of this quarter recording a growth of 27% over Q1FY13 level of ₹ 5,218 cr.

Retail Finance business offers **housing mortgages including small-ticket housing loans**, loans against property and **SME finance**. As at the end of this quarter it had a book of ₹ 1,826 cr compared to ₹ 946 cr at the end of Q1FY13, a growth of 93%. It has a client base of around 2,980 in 18 major cities including **9 cities where small-ticket housing loans are disbursed.**

The Indian **Housing Finance** market is characterised by very low penetration levels at present and is expected to grow over four times by the end of this decade given the young demographic profile that India enjoys. This business, therefore, presents exciting opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams.

The **asset quality** of the overall credit book continues to remain under control with Gross NPLs at 0.51% and Net NPLs at 0.15% as a result of robust risk management.

Fixed Income Advisory business continued to be a leading debt arranger in the country with a market share of ~7xx% during Q1FY14 (source: Prime Database).

- * The business handled 14 transactions in Q1FY14 including Long-term Bonds placements for large and reputed clients like Exim Bank, SAIL, PFC, Reliance Home Finance, Tata Finance, Kotak Mahindra Prime, Mahindra Finance and Sundaram Finance.

- * In addition, the Debt Restructuring business handled three advisory transactions.

- * **Commodities:**

Edelweiss set up its commodities business about 5 years ago in order to diversify across adjacent asset classes. It is now a strategically important business and a relevant asset class.

We continued to build the agri commodities business as we see it as a significantly large and untapped opportunity in India. We are building our infrastructure, people strategy, technologies, risk and operations backbone around sourcing, credit and distribution verticals for these commodities.

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

With the Indian GDP growth likely to be below 6% for the second successive year, Financial Markets and Asset Management industry continued to face headwinds with lower activity levels resulting in shrinking income for the industry.

- * With Capex investment on the back-burner, **Corporate Finance Advisory** business continued to witness extremely slow deal closures. Despite this, the business handled two transactions in Q1FY14. The deal pipeline continues to be strong.

- * **Institutional Broking** business continued to be among the market leaders. Edelweiss **Research** covers 187 stocks across 20 sectors representing over 70% of market capitalization. During the quarter, we held our **USA Conference** in New York with participation of a large number of Indian corporates and global investors. We also held our **Agri Conference** in Mumbai during the quarter bringing together a large number of Indian corporates, industry bodies and investors facilitating sector focused interaction among them.

- * **Retail Financial Market** businesses scale up continued this quarter taking the retail broking client base to over 4,12,800 including around 1,20,000 online clients. The online portal www.edelweiss.in continues to be one of the most popular sites with the cumulative number of unique visitors reaching 75 lac with 10.3 cr page views over 2.7 cr visits till June 30, 2013.

- * **Asset Management:**

- * AUMs/AUAs under **Alternative Asset Management** were around US\$ 700 million equivalent at the end of Q1FY14 including the Structured Products portfolio. During the quarter this business achieved the first close of the new E-STAR Fund at ₹ 135 cr.

- * **Retail Asset Management** business manages 10 funds across Equity, Debt and Liquid schemes, with average AUMs of ₹ 238 cr during this quarter. This business has an active base of around 9,500 investors and a distributor base of over 3,100 at the end of the quarter.

* **Life Insurance:**

Edelweiss Tokio Life Insurance completed two years of operations at the end of this quarter. It recorded gross premium of ₹ 11 cr in this quarter compared to ₹ 3 cr in Q1FY13. The business has presence in 39 cities across India through 46 branches. The agency channel has been significantly scaled up by adding 600 new Personal Financial Advisors (PFAs) during the quarter taking the total number of PFAs to 4,005.

The Company offers 15 individual products to meet the basic needs of customers on education funding, wealth accumulation, wealth enhancement, living with impaired health, income replacement and retirement funding. It also offers three group products for credit and life protection.

Edelweiss Tokio Life Insurance has recently won “**The Rising Star Insurer**” Award in the Indian Insurance Awards, 2013. This award is given to honour a stand-out young insurer showing promise of becoming a major force to reckon with in the years to come.

Edelweiss entered the life insurance space through a joint venture with Tokio Marine of Japan, one of the oldest and largest Insurance companies globally. This business significantly expands the addressable retail markets for Edelweiss.

* **Balance Sheet, ALM and Liquidity Management:**

* Edelweiss continues to maintain a strong and liquid Balance Sheet with a reasonable gearing. The Treasury actively manages the Balance Sheet, Asset Liability position and liquidity, similar to the way the Treasury of a commercial bank functions. A liquid Balance Sheet together with adequate overnight liquidity cushion ensures that it can release capital to any of our diversified businesses at a short notice and that our maturing obligations are invariably met in time.

* The focus of Balance Sheet Management continues to be on reducing our dependence on short-term market borrowings and diversifying our sources of borrowings. We continue to modify our liabilities profile in sync with our assets profile while ensuring that we maintain a matched assets and liabilities profile.

* The total **Networth** of the Group now stands at ₹ 3,098 cr while the Tangible Equity is ₹ 2,758 cr. During the quarter, capital was raised in two of our subsidiaries by way of Preference Shares to shore up the capital position as well as to secure long term funds.

* The aggregate borrowings as at the end of this quarter are lower at around ₹ 10,998 cr compared to ₹ 11,533 cr as at the end of the previous quarter. Excluding the Bank Fixed Deposits and Government Securities portfolio with back to back borrowings, the **Net Gearing is 2.6x**.

* We continued to maintain adequate liquidity cushion. Fixed Deposits forming a part of our Treasury assets together with unutilized bank lines impart adequate liquidity cushion to our diversified operations.

* **Other Updates:**

- * Edelweiss' presence covers 195 offices in 112 cities including five international offices. Taking together a strong network of over 6,000 Authorized Persons and Sub-brokers, Edelweiss presence covers almost all major cities in India. The total number of employees at the end of the quarter stands at 3,980.
- * **EdelGive Foundation** is the philanthropic initiative of Edelweiss Group with the mission to leverage its resources with a view to empowering social entrepreneurs and organisations towards achieving systemic change.
 - * EdelGive has partnered with TrustLaw – a Thompson Reuters Foundation service – to provide access to legal aid to the non-profits supported by EdelGive. TrustLaw is a network of over 280 law firms/teams across the globe which provides pro bono counseling and information services.
 - * Following the Uttarakhand disaster in June '13, a donation drive was launched in collaboration with an NGO, Goonj, to provide relief to the flood victims. The campaign generated huge response from all the employees of Edelweiss Group who contributed generously both in monetary terms as well as in kind.
- * We continued to invest in processes that enhance efficiencies, adopt new technologies, improve risk management and make significant investment in people to build leadership.

* **Awards and Recognitions:**

- * Edelweiss has been voted "**India's Best Managed Midcap Company**" by the readers of Hong Kong based Finance Asia, Asia's leading financial publishing house, in its annual poll on India's Top Companies in this quarter. This accolade is recognition of our strategy of growing in a calibrated and cost-efficient manner while concentrating on areas like Risk Management, Leadership Development and Customer Centricity.
- * Edelweiss has also been adjudged winner in the award for "**Best Corporate Governance, India 2013**" in the awards declared by Capital Finance International, London recently.



About Edelweiss Financial Services

Edelweiss is a leading Indian company that provides a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. It offers products and services spanning across asset classes, consumer segments and geographies. Its businesses are broadly divided into **Credit including Retail Finance, Commodities, Financial Markets including Asset Management and Life Insurance**. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all segments of clients. The Life Insurance, Retail Finance including Housing Finance, Mutual Fund and Retail Financial Markets businesses have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss' presence now covers 195 offices in 112 cities in India and abroad with 3,980 employees. Together with around 6,000 strong network of Authorized Persons and Sub-Brokers, Edelweiss group has presence across all major centers in India catering to over 460,000 clients under various businesses in retail and wholesale segments.

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

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Safe Harbor

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

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

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

Consolidated Financial Results for the Quarter Ended June 30, 2013

(₹ in crore)

	Particulars	Quarter Ended			Year Ended
		June 30, 2013 (Unaudited)	March 31, 2013 (Unaudited)	June 30, 2012 (Unaudited)	March 31, 2013 (Audited)
1	Income from operations				
	(a) Fee and commission income	82.90	90.03	70.92	319.37
	(b) Interest and treasury income	521.93	467.98	445.62	1,772.52
	(c) Premium from life insurance business	10.24	32.33	3.46	52.48
	(d) Other operating income	5.23	5.12	7.50	24.34
	Total income from operations	620.30	595.46	527.50	2,168.71
2	Expenses				
	(a) Employee benefits expense	104.72	104.65	78.37	363.91
	(b) Depreciation and amortisation expense	12.72	14.31	11.54	51.43
	(c) Change in life insurance policy liability - actuarial	5.52	21.67	0.75	31.49
	(d) Other expenses	105.26	94.29	91.17	364.54
	Total expenses	228.22	234.92	181.83	811.37
3	Profit / (Loss) from operations before other income and finance costs (1-2)	392.08	360.54	345.67	1,357.34
4	Other income	1.43	1.50	1.68	6.75
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	393.51	362.04	347.35	1,364.09
6	Finance costs	310.43	290.80	294.57	1,113.33
7	Profit / (Loss) before tax (5-6)	83.08	71.24	52.78	250.76
8	Tax expense	28.84	28.82	17.48	88.15
9	Net Profit / (Loss) after tax (7-8)	54.24	42.42	35.30	162.61
10	Share of profit / (Loss) of associates	2.89	2.99	3.97	8.57
11	Minority interest	1.46	(5.67)	(0.51)	(7.29)
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	55.67	51.08	39.78	178.47
13	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	76.81	76.38	75.90	76.38
14	Reserves excluding Revaluation Reserves				2,683.09
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)				
	- Basic (Not annualised)	0.73	0.67	0.53	2.35
	- Diluted (Not annualised)	0.72	0.66	0.52	2.31

Part II - Select Information for the quarter ended 30 June 2013

A	PARTICULARS OF SHAREHOLDING				
1	Public shareholding				
	- Number of shares	482,386,640	478,126,590	473,243,590	478,126,590
	- Percentage of shareholding	62.80%	62.59%	62.35%	62.59%
2	Promoters & promoter group shareholding				
	a) Pledged/ Encumbered				
	- Number of shares	22,100,000	14,200,000	35,216,667	14,200,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	7.73%	4.97%	12.33%	4.97%
	- Percentage of shares (as a % of total share capital of the company)	2.88%	1.86%	4.64%	1.86%
	b) Non-encumbered				
	- Number of shares	263,615,690	271,515,690	250,499,023	271,515,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	92.27%	95.03%	87.67%	95.03%
	- Percentage of shares (as a % of total share capital of the company)	34.32%	35.55%	33.01%	35.55%
B	INVESTOR COMPLAINTS			Quarter ended June 30, 2013	
	Pending at the beginning of the quarter			Nil	
	Received during the quarter			2	
	Disposed off during the quarter			2	
	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 2013 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 26 July 2013.
- 2** The Company conducts its operations along with its subsidiaries and associates. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Accounting Standards (AS 21 and AS 23) prescribed by Companies (Accounting Standards) Rules, 2006.
- 3** CRISIL has assigned the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programme 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-stable' (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-Stable' (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 '[ICRA]AA- pn stable' (pronounced 'ICRA double A Minus Principal Not Protected with Stable Outlook') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 80 Crores. CARE has assigned the rating of "CARE AA" (pronounced 'CARE double A') to the Long Term Debt Programme of EFSL for ₹ 50 Crores. The ratings as mentioned for these Programmes / Issues continue to remain in force.
- 4** During the quarter ended 30 June 2013, the Company has issued 4,260,050 equity shares of face value of ₹ 1 each to the employees on exercise of employee stock options.
- 5** The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial year/period's presentation.
- 6** The standalone and consolidated results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah

Chairman

Mumbai, 26 July 2013.