

Edelweiss Financial Services FY13 Results
Total Income ₹ 2,184 cr & Profit after Tax ₹ 178 cr

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its audited, consolidated results for the year ended March 31, 2013 today.

FY13 Highlights:

- * **Total Revenue ₹ 2,184 cr**
compared to ₹ 1,671 cr for FY12, **up 31%**
- * **Profit After Tax ₹ 178 cr**
compared to ₹ 128 cr for FY12, **up 40%**
- * **Group Networth ₹ 2,995 cr; Tangible Equity ₹ 2,655 cr**
- * **Profit After Tax excluding Life Insurance business ₹ 243 cr**
compared to ₹ 146 cr for FY12, **up 66%**
- * **Return on Tangible Equity for FY13 at 11% ex-Insurance**
- * **Achieving Non-Linear growth, BS growth 10%, PAT 66% ex-Insurance**

Q4FY13 Highlights:

- * **Total Revenue for Q4FY13 ₹ 600 cr, up 25% YoY**
- * **Profit after Tax for Q4FY13 ₹ 51 cr, up 32% YoY**
- * **Profit After Tax for Q4FY13 ex-Life ₹ 77 cr** compared to ₹ 48 cr for Q4FY12, **up 60% YoY**
- * **14% Return on Tangible Equity for Q4FY13 ex-Insurance**

Over the past few years, Edelweiss has constantly implemented the strategy to de-risk the business model by diversifying across businesses, asset classes, client segments and markets to reduce volatility in performance. As a result, Edelweiss has recorded consistently improved financial and business performance quarter on quarter in each of the last six quarters despite global and domestic economic downturn and low levels of activity in the markets for most of this period. With the diversification phase complete, we are now focusing on improving efficiency and productivity and inculcating a culture of Customer-Centricity.

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

"Fourth quarter witnessed easing inflation, robust FII inflows, softer commodities prices and a rate cut by RBI improving the operating conditions. The Union Budget acknowledging the challenges that India faces on the current and fiscal deficit fronts and without being populist also improved the outlook. However, this quarter and early part of FY14 also saw signs of political instability raising questions on the ability of the Government to continue policy action. Managing current account and fiscal deficit, continuation of reforms and revival of capex investment would determine the onset of sustainable growth.

Our long-term strategy to diversify across businesses, asset classes and client segments is bearing fruits as demonstrated by constant improvement in our financial and business indicators in each of the previous six quarters on a QoQ basis. While our retail finance and retail capital markets business have broken even, the burn in insurance business is as per the plan. Our return on tangible equity excluding the impact of insurance business during the fourth quarter is already inching up to 14% and the cost to income ratio is also on a declining trend. While the business environment improves, we will continue to focus on improving efficiency and productivity, building scale in Retail businesses and inculcating a culture of customer centricity during FY14."

Dividend:

Board of Directors recommends a final dividend of ₹ 0.10 per share for FY13 (FV ₹ 1 per equity share). Earlier during the year, the company had declared and paid interim dividend of ₹ 0.55 per equity share. The total dividend for FY13, therefore, works out to ₹ 0.65 per equity share (FV ₹ 1), which is equal to 65% Dividend Rate.

Financial Highlights:

- * **Interest and Capital based income** for FY13 is ₹ 1,781 cr (₹ 1,319 cr in FY12), up significantly 35%, and for Q4FY13 it was ₹ 471 cr (₹ 369 cr in Q4FY12), up 25%. This income stream includes income from Credit including Housing Finance business, Commodities business and Treasury operations.
- * **Fee & Commission income** from agency businesses is flat at ₹ 319 cr for FY13 (₹ 321 cr in FY12) and also for Q4FY13 at ₹ 90 cr (₹ 92 cr in Q4FY12). Flat Fee & Commission reflects the challenging environment, lower levels of activity in the capital markets and shrinking revenue pie for the industry. This revenue stream 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 ₹ 52 cr for FY13 **in the first full year of business** (₹ 11 cr in FY12); for Q4FY13 its premium income was ₹ 32 cr (₹ 7 cr in Q4FY12).

The **diversified revenue mix** has successfully reduced volatility in our performance as despite difficult operating environment, we have been able to achieve significant growth in the top and bottom line in FY13.

Business Highlights:

Operations of Edelweiss are organised around **four broad business groups** – Credit including Retail Finance, Capital Markets including Asset Management, Commodities and Life Insurance. The retail finance and retail capital markets businesses launched during the past 4 years are scaling up well and have broken even leaving only the life insurance business to break even.

From catering to a few hundred wholesale clients in 2008, the 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.

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 ₹ 6,572 cr at the end of this year recording a growth of 37% over the previous year's level of ₹ 4,785 cr.

Retail Finance business offers **housing mortgages including small-ticket loans**, loans against property and **SME finance**. As at the end of this year it had a book of ₹ 1,627 cr compared to ₹ 776 cr at the end of the previous year thereby recording a growth of 110%. It now has a client base of around 2,400 in and around 13 major cities including **5 cities where small-ticket housing loans are granted**. This business presents exciting opportunities to Edelweiss for long-term growth together with designed diversification in the revenue streams.

Despite challenging environment and volatility in markets, robust risk management kept the **asset quality** of the overall credit book under control with Gross NPLs at 0.43% and Net NPLs at 0.11%. Retail Finance business has no delinquencies as on March 31, 2013.

* **Debt Capital Markets** business continued to be a leading debt arranger in the country with a market share of ~10% during FY13 (source: Prime Database).

* Transactions handled in Q4FY13 included Long-term Bonds placements for large and reputed clients like Nabard, HDFC, IDFC, PFC (three issues), Mahindra Finance and Elecon Engineering across eight deals.

* In addition, the Debt Syndication business handled two advisory transactions.

The business, in all, handled 10 transactions in Q4FY13 taking its tally of transactions for FY13 to 39 compared to 30 transactions in FY12.

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

Capital Markets and Asset Management industry continues to face tough operating environment with lower activity levels resulting in shrinking income for the industry.

* **Investment Banking** business continues to witness extremely slow deal closures with capex investment being on the back-burner though the deal pipeline continues to be strong. Despite this, the business handled three transactions for City Union Bank, Coastal projects and PI Industries in Q4FY13.

- * **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 **flagship India Conference** in Mumbai which met with excellent response with participation of over 85 Indian Corporates and over 450 global and Indian institutional investors facilitating over 2,900 meetings among them.
- * **Retail Capital Market** businesses scale up continued this quarter taking the retail broking client base to 4,03,900. The online portal www.edelweiss.in continues to be one of the most popular sites with the cumulative number of unique visitors reaching 64 lac with 9.3 cr page views till March 31, 2013.
- * **Wealth Management** business has AUAs of over ₹ 3,200 cr by the end of Q4FY13. The focus of this business includes cross-selling Edelweiss products to its clients.
- * **Asset Management:**
 - * AUMs/AUAs under **Alternative Asset Management** were US\$ 685 million equivalent at the end of Q4FY13 including the Structured Products portfolio and the ARC assets. It has recently launched a new E-STAR Fund.
 - * **Retail Asset Management** business manages 10 funds across Equity, Debt and Liquid Schemes, with average AUMs of ₹ 258 cr during this quarter. This business now has an active base of around 9,030 investors compared to 8,070 at the start of the quarter. It has a distributor base of over 3,100 at the end of the quarter.

* **Commodities:**

Edelweiss set up its commodities business about 5 years ago in order to diversify across adjacent asset classes. It is now emerged as a strategically important business and a relevant asset class. We are building the commodities business across two verticals – agri commodities and precious metals.

We see agri business as a significantly large and untapped opportunity in India across three value-creation perspectives – sourcing of commodities through our infrastructure and intermediary network, making credit available to the participants in the value chain and better distribution. 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.

* **Life Insurance:**

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

The business recorded Premium income of ₹ 52 cr in FY13 compared to ₹ 11 cr in FY12. It continues to expand the retail footprint and in a short span of less than 21 months since its launch, it has written over 29,000 policies. Its customer base has expanded to include policy holders in 1,200 villages. It expanded its operations to 3 more major cities in the fourth quarter – Dhanbad, Ranchi and Kochi taking the total number of branches to 45 across 38 cities. The agency channel has been significantly scaled up with the number of Personal Financial Advisors (PFAs) reaching 3,401 by the end of this quarter compared to 825 at the beginning of the year. The business has entered into a Bancassurance tie-up with The Catholic Syrian Bank Limited.

The business 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 depending upon the needs of the customers. It also offers group products for credit and life protection.

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

- * Edelweiss maintains a strong and liquid Balance Sheet with a reasonable gearing and which has the ability to release capital to any of its diversified businesses at a short notice. The Treasury Department actively manages the functions of Balance Sheet, Asset Liability position and the liquidity position, similar to the way the Treasury of a commercial bank functions.
- * We continued to reduce our dependence on short-term borrowings, diversify our sources of borrowings and modify our liabilities profile in sync with our assets profile. Strengthening liabilities profile and having a matched ALM are our key focus areas.
- * The total **Networth** of the Group now stands at ₹ 2,995 cr while the Tangible Equity is ₹ 2,655 cr.
- * The aggregate borrowings as at the end of this year are higher at around ₹ 11,535 cr compared to ₹ 10,414 cr as at the end of the previous year. However, the growth in our borrowings is much lower than the growth in the Credit book (₹ 1,787 cr) during the same period. Excluding the Bank Fixed Deposits and Government Securities portfolio and the back to back borrowings there against, the **Net Gearing is 2.8x**.
- * We continued to maintain adequate liquidity cushion. Fixed Deposits forming a part of our Treasury assets together with unutilized bank lines impart adequate overnight liquidity cushion for our diversified operations.

* **Other Updates:**

- * Edelweiss' presence covers 211 offices in 106 cities with 3,907 employees. Taking together a strong network of over 4,000 Authorized Persons and Sub-brokers, Edelweiss presence covers nearly **545 cities in India including over 280 towns in Tier 3 to 6**.
- * **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. After the successful Mumbai Marathon campaign which motivated 40 Edelites to participate in the Marathon run and raise fund, EdelGive hosted the second edition of **"Palette 2013 – Art under Palms"**. The event brought together artworks from eminent artists across India to over 600 guests. The event successfully helped in raising funds for 10 NGOs that support the cause of Education among underprivileged children.
- * We continue to invest in processes that enhance efficiencies, adopt new technologies, improve risk management and make significant investment in people to build leadership.

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 and Life Insurance**. 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, Retail Finance including 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 211 offices in 106 cities in India and abroad with 3,907 employees. Together with 4,003 strong network of Sub-Brokers and Authorized Persons, Edelweiss group has presence across nearly 545 cities in India catering to over 450,000 clients across 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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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 Financial Results for the Quarter and Year Ended March 31, 2013

(₹ in crore)

Part I		Quarter Ended			Year Ended	
	Particulars	March	December	March	March	March
		31, 2013	31, 2012	31, 2012	31, 2013	31, 2012
		(Unaud.)	(Unaud.)	(Unaud.)	(Audited)	(Audited)
1	Income from operations					
	(a) Fee and commission income	90.03	82.80	92.27	319.37	321.31
	(b) Interest and treasury income	467.98	438.00	365.48	1,772.52	1,309.95
	(c) Premium from Life Insurance business	32.33	10.38	7.49	52.48	10.72
	(d) Other operating income	5.12	5.50	4.12	24.34	10.98
	Total income from operations	595.46	536.68	469.36	2,168.71	1,652.96
2	Expenses					
	(a) Employee benefits expense	104.65	97.63	78.07	363.91	271.21
	(b) Depreciation and amortisation expense	14.31	13.28	15.64	51.43	42.19
	(c) Change in life insurance policy liability - actuarial	21.67	6.72	4.05	31.49	5.76
	(d) Other expenses	94.29	89.55	87.75	364.54	323.18
	Total expenses	234.92	207.18	185.51	811.37	642.34
3	Profit / (Loss) from operations before other income and finance costs (1-2)	360.54	329.50	283.85	1,357.34	1,010.62
4	Other income	1.50	2.54	5.63	6.75	8.19
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	362.04	332.04	289.48	1,364.09	1,018.81
6	Finance costs	290.80	264.93	234.60	1,113.33	829.65
7	Profit / (Loss) before tax (5-6)	71.24	67.11	54.88	250.76	189.16
8	Tax expense	28.82	22.16	22.64	88.15	68.09
9	Net Profit / (Loss) after tax (7-8)	42.42	44.95	32.24	162.61	121.07
10	Share of profit / (loss) of associates	2.99	0.74	4.01	8.57	9.54
11	Minority interest	(5.67)	(0.35)	(2.51)	(7.29)	2.87
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	51.08	46.04	38.76	178.47	127.74
13	Paid-up equity share capital (Face Value of ₹1/- Per Share)	76.38	76.17	75.68	76.38	75.68
14	Reserves excluding Revaluation Reserves				2,683.09	2,559.17
15	Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)					
	- Basic (Not annualised)	0.67	0.60	0.51	2.35	1.69
	- Diluted (Not annualised)	0.66	0.59	0.50	2.31	1.66

Part II - Select Information for the quarter and year ended 31 March 2013						
A	PARTICULARS OF SHAREHOLDING					
1	Public shareholding					
	- Number of shares	478,126,590	476,024,590	471,083,590	478,126,590	471,083,590
	- Percentage of shareholding	62.59%	62.49%	62.25%	62.59%	62.25%
2	Promoters & promoter group shareholding					
	a) Pledged/ Encumbered					
	- Number of shares	14,200,000	32,300,000	35,216,667	14,200,000	35,216,667
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	4.97%	11.30%	12.33%	4.97%	12.33%
	- Percentage of shares (as a % of total share capital of the company)	1.86%	4.24%	4.65%	1.86%	4.65%
	b) Non-encumbered					
	- Number of shares	271,515,690	253,415,690	250,499,023	271,515,690	250,499,023
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	95.03%	88.70%	87.67%	95.03%	87.67%
	- Percentage of shares (as a % of total share capital of the company)	35.55%	33.27%	33.10%	35.55%	33.10%
B	INVESTOR COMPLAINTS				Quarter ended March 31, 2013	
	Pending at the beginning of the quarter				Nil	
	Received during the quarter				9	
	Disposed off during the quarter				9	
	Remaining unresolved at the end of the quarter				Nil	

Notes:

- The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and year ended 31 March 2013 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 15 May 2013.
- 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 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-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. The ratings as mentioned for these Programmes / Issues continue to remain in force.
- 4 During the quarter, the Company has granted 3,42,000 options under Employee Stock Option Scheme; 21,02,000 stock options have been allotted on exercise of employee stock options during the quarter.
- 5 During the year, the Company had declared and paid interim dividend of ₹ 0.55 per share (on a face value of ₹ 1 per equity share). Further, the Board of Directors has recommended final dividend of ₹ 0.10 per share (on face value of ₹ 1 per equity share) for the financial year 2012-13. The payment of final dividend is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

6 Consolidated Segment Results						
					(₹ in Crores)	
		Quarter Ended			Year Ended	
	Particulars	March	December	March	March	March
		31, 2013	31, 2012	31, 2012	31, 2013	31, 2012
		(Unaud.)	(Unaud.)	(Unaud.)	(Audited)	(Audited)
1 Segment revenue [Total income]						
	Agency	128.25	118.39	119.16	494.13	375.13
	Capital Based	428.97	394.21	337.25	1,590.55	1,231.18
	Life Insurance	41.91	26.70	20.39	98.17	53.21
	Unallocated	0.82	0.66	2.20	1.18	11.17
	Total income	599.95	539.96	479.00	2,184.03	1,670.69
2 Segment results [Profit / (Loss) before tax]						
	Agency	15.65	2.00	15.81	42.29	33.62
	Capital Based	97.58	86.00	73.33	307.25	244.05
	Life Insurance	(25.92)	(14.54)	(9.42)	(64.72)	(18.07)
	Unallocated	-	-	-	-	-
	Profit / (Loss) before tax	87.31	73.46	79.72	284.82	259.60
	Less:					
	(a) Interest	-	-	-	-	-
	(b) Unallocated net expenditure	(13.08)	(5.61)	(20.83)	(25.49)	(60.90)
	Total Profit before tax	74.23	67.85	58.89	259.33	198.70
3 Capital employed [Segment assets - Segment liabilities]						
	Agency	453.56	477.85	500.56	453.56	500.56
	Capital Based	1,575.39	1,465.56	1,511.23	1,575.39	1,511.23
	Life Insurance	455.83	482.43	520.83	455.83	520.83
	Unallocated	276.94	339.12	103.41	276.94	103.41
	Total capital employed	2,761.72	2,764.96	2,636.03	2,761.72	2,636.03

The Company has made its consolidated segment reporting to meaningfully represent its business lines. Agency includes broking, advisory, product distribution and other fee based businesses; Capital includes income from treasury operations, investment income and wholesale financing; Life insurance represents life insurance business. Segment data for previous financial year/period has been reclassified to conform to current financial year/period presentation.

7 Consolidated statement of assets and liabilities as at 31 March 2013

		(₹ in Crores)	
		As at	
		March	March
		31, 2013	31, 2012
		(Audited)	(Audited)
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	76.38	75.68
	(b) Reserves and surplus	2,683.09	2,559.17
	Sub-total - Shareholders' funds	2,759.47	2,634.85
2	Share application money pending allotment	2.25	1.18
3	Minority interest	233.31	238.78
4	Non-current liabilities		
	(a) Long-term borrowings	1,980.08	1,077.46
	(b) Other long-term liabilities	13.54	11.58
	(c) Long-term provisions	72.22	34.42
	Sub-total - Non-current liabilities	2,065.84	1,123.46
5	Current liabilities		
	(a) Short-term borrowings	8,973.74	9,047.21
	(b) Trade payables	1,023.03	783.32
	(c) Other current liabilities	1,418.62	634.14
	(d) Short-term provisions	57.02	82.81
	Sub-total - Current liabilities	11,472.41	10,547.48
	TOTAL - EQUITY AND LIABILITIES	16,533.28	14,545.75
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets	498.21	523.30
	(b) Goodwill on consolidation	140.40	139.47
	(c) Non-current investments	808.66	731.61
	(d) Deferred tax assets (net)	35.96	25.98
	(e) Long-term loans and advances	2,716.35	1,926.93
	(f) Other non-current assets	305.18	134.89
	Sub-total - Non-current assets	4,504.76	3,482.18

2	Current assets		
	(a) Current investments	402.60	669.46
	(b) Inventories	3,152.06	3,383.04
	(c) Trade receivables	158.32	188.86
	(d) Cash and cash equivalents	3,708.98	3,274.76
	(e) Short-term loans and advances	4,120.36	2,796.38
	(f) Other current assets	486.20	751.07
	Sub-total - Current assets	12,028.52	11,063.57
	TOTAL - ASSETS	16,533.28	14,545.75

- 8** The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial year/period's presentation.
- 9** 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, 15 May 2013.