

Edelweiss Financial Services Q2FY13 Total Income ₹ 511 cr
Profit after Tax ₹ 42 cr

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

- * **Total Revenue for the quarter ₹ 511 cr**
compared to ₹ 368 cr for Q2FY12, **up 39%**
- * **Profit After Tax ₹ 42 cr**
compared to ₹ 26 cr for Q2FY12, **up 58%**
- * **Group Networth ₹ 2,952 cr; Tangible Equity ₹ 2,619 cr**

Edelweiss continues to record consistently improved financial and business performance quarter on quarter in the last four quarters, despite challenging environment, as a result of the conscious strategy to de-risk the business model by diversifying across businesses, asset classes and client segments. These results are after the impact of investments made in incubating our new businesses – Life Insurance and Retail Financial Services for future growth. The profit after tax for the second quarter of FY13 is ₹ 54 cr excluding the loss in our life insurance business.

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

"After a prolonged period of inaction, government announced a slew of economic reforms during the quarter setting in a renewed sense of optimism. Improvement in liquidity, banks signaling reduction in their lending rates, robust FII inflows and stable or declining commodities prices indicate that growth is bottoming out. However, the key to investment coming back on track will be the execution of reforms process. At the same time, controlling inflation and fiscal deficit remain the key challenges. We are hopeful that the reforms process will continue to engage the government and we see growth returning soon.

For us, the second quarter has seen higher activity in credit, investment banking, broking and corporate debt syndication. We have also been able to demonstrate consistently improved financial and business performance sequentially in the past four quarters as a result of significant diversification in our businesses and the execution efficiencies that we have been constantly working on. We continue to invest in new businesses on the path to becoming a fully diversified financial services group. Given the strengths of Edelweiss, 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 ₹ 418 cr for the quarter (₹ 279 cr in Q2FY12), up significantly 50%. This income stream includes income from Credit, Commodities and Treasury businesses.
- * Capital based income accounts for 83% of the total income for Q2FY13, compared to 77% in Q2FY12 as a result of the scale up of Credit business.
- * **Fee & Commission income** from agency businesses is ₹ 80 cr for the quarter (₹ 84 cr in Q2FY12), down 5% reflecting continued challenging environment for agency businesses overall in the past four quarters though the activity levels improved this quarter marginally compared to the previous quarter. Agency Fee & Commission income 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 ₹ 6 cr for the quarter.
- * Agency based income accounts for 17% of the total income for Q2FY13 compared to 23% in Q2FY12.

The revenue mix reflects the diversified nature of Edelweiss' businesses and income streams which successfully lowers the volatility in performance.

Business Highlights:

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

- * **Credit Business:**

Edelweiss offers **Wholesale finance** by way of collateralized loans and **Retail finance** which includes housing mortgage, loan against property and SME finance. The total credit book of the group stands at ₹ 5,773 cr at the end of this quarter compared to ₹ 5,219 cr as at the end of Q1FY13. The wholesale collateralized loan book is adequately secured with an average collateral cover of 2.72 times. Asset quality of the credit book continues to be satisfactory in spite of the tough operating environment with Gross NPLs at 0.42% and Net NPLs at 0.12% as a result of robust risk management.

Edelweiss forayed into **Retail finance** two years ago by launching housing finance business following the articulated strategy of diversifying into adjacent markets and client segments. Retail Finance business has now built a book of ₹ 1,195 cr by the end of this quarter compared to ₹ 946 cr at the end of the previous quarter. This business currently operates across 9 major metros and plans to enlarge its footprint going forward.

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 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 vast opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams.

- * **Debt Capital Markets** business continued to be a leading debt arranger in the country with a market share of 8% during Q2FY13 in private placement of debt (source: Prime Database).

- * While Edelweiss is a large wholesale debt arranger in the country, this quarter marked its entry in public issues of debt by being a Lead Arranger in the NCD issues of ₹ 436 cr for Shriram City Union Finance and of ₹ 500 cr for India Infoline. Other transactions this quarter included Long-term Bonds placements for large clients like REC (three issues), HDFC, Tata Capital Housing Finance, Sundaram Finance and Dhanlaxmi Bank across seven deals.

- * In addition, the Fixed Income Advisory business handled one advisory transaction.

The business, in all, handled 10 transactions in Q2FY13 compared to 9 in Q1FY13.

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

- * **Investment Banking** business continues to witness slow deal closures on the back of lackluster investment demand even though the deal pipeline continues to be strong. Despite this, the business handled two transactions during the quarter - a private equity placement of ₹ 155 cr for Parag Milk Foods and de-listing of shares of India Securities.

- * **Institutional Broking** business continued to be among the market leaders during the quarter. The market sentiments and activity levels improved towards the end of the quarter on the back of a slew of reforms announcements by the government. Edelweiss was quick to capture these business opportunities leading to an increase in market share and an uptick in the income from broking in the second quarter.

Edelweiss **Research** covers 189 stocks across 20 sectors representing over 70% of market capitalization.

During the quarter, Edelweiss arranged the **EdelPulse Conference** on the theme – **Reality: Moving towards Ruralism** which brought together over 25 dealers/sector experts and 140 participants from over 70 funds to facilitate an understanding of ground level developments in the field of rural initiatives and emerging opportunities. **EdelPulse** is a unique event that has earned an enviable reputation over the years among institutional investors in India for its insightful window into the real world of business whereby the industry participants (dealers, marketing personnel and intermediaries) provide an unbiased view of the ground level realities.

- * **Retail Capital Market** businesses continued to add new clients taking the base to 389,300 and build scale during the quarter. The online portal www.edelweiss.in continues to be one of the most popular sites with the cumulative number of unique visitors reaching 53 lac with 8 cr page views till September 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 Q2FY13. The Structured Products portfolio scaled up to about ₹ 800 cr as at the end of this quarter with a handsome growth of around ₹ 100 cr in the quarter.
- * **Asset Management:**
 - * AUMs/AUAs under **Alternative Asset Management** were US\$ 590 million equivalent at the end of Q2FY13 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 11 funds across Equity, Debt and Liquid Schemes, with average AUMs of ₹ 306 cr during this quarter. This business now has an active base of over 7,100 investors compared to 6,200 at the start of the quarter. It has 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 while the industry grapples with issues connected with its business model and growth.

* **Commodities:**

Edelweiss entered Commodities business about four years ago following the strategy 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 further diversified into dealing in agri commodities over a year ago and is building scale. We believe that with increasing financialization of commodities in India, this business presents large business opportunities going forward.

* **Life Insurance:**

Edelweiss Tokio Life Insurance completed one year of operations this quarter. It recorded New Business Premium of ₹ 6 cr in the quarter compared to ₹ 3 cr in Q1FY13. It expanded its operations to six major cities - Bangalore, Mangalore, Hyderabad, Kanpur, Lucknow and Varanasi during the quarter taking the total number of offices to 39 across 29 cities in Gujarat, Maharashtra, Goa, New Delhi, Uttar Pradesh, Haryana, Punjab, Andhra Pradesh, Karnataka and Chandigarh. The agency channel has been significantly scaled up with the number of Personal Financial Advisors (PFAs) reaching 1,845 by the end of this quarter compared to 1,260 at the beginning of the quarter.

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. It also offers group products for credit and life protection.

The life insurance joint venture with Tokio Marine, one of the oldest and biggest global life Insurance companies from Japan, was launched to participate in the exciting growth opportunities that this industry presents given extremely low level of penetration in India. This business also significantly enlarges the addressable retail markets for Edelweiss.

* **Treasury:**

Treasury actively manages our liquidity position and balance sheet. 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 while preserving our capital and ensuring adequate short-term liquidity position.

* **Balance Sheet and Liquidity Management:**

- * The total **Networth** of the Group including minority interest now stands at ₹ 2,952 cr while the Tangible Equity is ₹ 2,619 cr.
- * The aggregate borrowings as at the end of this quarter are lower at ₹ 10,155 cr compared to ₹ 10,700 cr as on June 30, 2012. Excluding the Bank Fixed Deposits and Government Securities portfolio and the back to back borrowings there against, the **Net Gearing is 2.53x**.

- * We continued to maintain a strong and liquid balance sheet with a reasonable gearing. Bank Fixed Deposits aggregating ₹ 610 cr forming a part of our Treasury assets as on September 30, 2012 impart adequate liquidity cushion for our diversified operations.
- * We continued to reduce our dependence on short-term 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.
- * **Other Updates:**
 - * We continue to invest in processes that enhance efficiencies, adopt new technologies, improve risk management and make significant investment in people to build leadership.
 - * **EdelGive**, the Group's social responsibility arm, focuses on creating educational, employment and sustainable livelihood opportunities for the underprivileged and supports other social causes.
 - * During the quarter an online **"Yes India Can"** campaign was launched on the social media along with Olympic Gold Quest to support the Indian athletes at the London Olympics 2012. Following the Olympics, MC Mary Kom, Olympic medalist and world boxing champion, was felicitated at Edelweiss House.
 - * A New Delhi Marathon Campaign was also launched during the quarter to raise funds from Edelweiss employees to help the victims of recent Assam and Uttarakhand floods.

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 (part of Retail 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 covers 220 offices in 111 cities with 3,362 employees. Together with the strong network of over 3,900 Sub-Brokers and Authorized Persons, 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 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 and Half-Year Ended September 30, 2012

(₹ in crore)

	PART I	Quarter Ended			Half Year Ended		Year Ended
	Particulars	September	June	September	September	September	March
		30, 2012	30, 2012	30, 2011	30, 2012	30, 2011	31, 2012
		(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Unaud.)	(Audited)
1	Income from operations						
	(a) Fee and commission income	79.58	66.97	84.04	146.55	152.11	321.31
	(b) Interest and treasury income	416.97	449.57	277.87	866.54	574.78	1,309.95
	(c) Premium from Life Insurance business	6.31	3.46	0.77	9.77	0.77	10.72
	(d) Other operating income	6.21	7.50	2.02	13.71	4.83	10.98
	Total income from operations	509.07	527.50	364.70	1,036.57	732.49	1,652.96
2	Expenses						
	(a) Employee benefits expense	83.26	78.37	62.27	161.63	123.42	271.21
	(b) Depreciation and amortisation expense	12.30	11.54	8.50	23.84	14.24	42.19
	(c) Other expenses	91.88	91.92	79.71	183.80	146.38	328.94
	Total expenses	187.44	181.83	150.48	369.27	284.04	642.34
3	Profit / (Loss) from operations before other income and finance costs (1-2)	321.63	345.67	214.22	667.30	448.45	1,010.62
4	Other income	1.03	1.68	2.26	2.71	3.36	8.19
5	Profit / (Loss) from ordinary activities before finance costs (3+4)	322.66	347.35	216.48	670.01	451.81	1,018.81
6	Finance costs	263.02	294.57	176.14	557.59	360.53	829.65
7	Profit / (Loss) before tax (5-6)	59.64	52.78	40.34	112.42	91.28	189.16
8	Tax expense	19.69	17.48	13.05	37.17	29.22	68.09
9	Net Profit / (Loss) after tax (7-8)	39.95	35.30	27.29	75.25	62.06	121.07
10	Share of profit / (loss) of associates	0.87	3.97	1.17	4.84	2.04	9.54
11	Minority interest	(0.76)	(0.51)	2.14	(1.27)	4.57	2.87
12	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)	41.58	39.78	26.32	81.36	59.53	127.74
13	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	75.92	75.90	75.66	75.92	75.66	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)	0.55	0.53	0.35	1.08	0.79	1.69
	- Diluted (Not annualised)	0.54	0.52	0.34	1.06	0.77	1.66

Part II - Select Information for the quarter and half year ended 30 September 2012							
A	PARTICULARS OF SHAREHOLDING						
1	Public shareholding						
	- Number of shares	473,513,590	473,243,590	470,930,590	473,513,590	470,930,590	471,083,590
	- Percentage of shareholding	62.37%	62.35%	62.24%	62.37%	62.24%	62.25%
2	Promoters & promoter group shareholding						
	a) Pledged/ Encumbered						
	- Number of shares	35,216,667	35,216,667	30,800,000	35,216,667	30,800,000	35,216,667
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	12.33%	12.33%	10.78%	12.33%	10.78%	12.33%
	- Percentage of shares (as a % of total share capital of the company)	4.64%	4.64%	4.07%	4.64%	4.07%	4.65%
	b) Non-encumbered						
	- Number of shares	250,499,023	250,499,023	254,915,690	250,499,023	254,915,690	250,499,023
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	87.67%	87.67%	89.22%	87.67%	89.22%	87.67%
	- Percentage of shares (as a % of total share capital of the company)	32.99%	33.01%	33.69%	32.99%	33.69%	33.10%
B	INVESTOR COMPLAINTS					Quarter ended Sept 30, 2012	
	Pending at the beginning of the quarter					Nil	
	Received during the quarter					19	
	Disposed off during the quarter					19	
	Remaining unresolved at the end of the quarter					Nil	
	Consolidated statement of assets and liabilities as at 30 September 2012						
						(₹ in crore)	
						As at	
					September	March	September
					30, 2012	31, 2012	30, 2011
					(Unaud.)	(Audited)	(Unaud.)
A	EQUITY AND LIABILITIES						
1	Shareholders' funds						
	(a) Share capital				75.92	75.68	75.66
	(b) Reserves and surplus				2,634.43	2,559.17	2,528.93
	Sub-total - Shareholders' funds				2,710.35	2,634.85	2,604.59
2	Share application money pending allotment				1.98	1.18	-
3	Minority interest				239.21	238.78	240.48

4	Non-current liabilities						
	(a) Long-term borrowings				1,492.75	1,077.46	524.08
	(b) Other long-term liabilities				17.93	11.58	33.75
	(c) Long-term provisions				40.75	34.42	44.12
	Sub-total - Non-current liabilities				1,551.43	1,123.46	601.95
5	Current liabilities						
	(a) Short-term borrowings				8,443.24	9,047.21	7,368.32
	(b) Trade payables				583.25	783.32	939.85
	(c) Other current liabilities				926.18	634.14	306.11
	(d) Short-term provisions				27.14	82.81	34.41
	Sub-total - Current liabilities				9,979.81	10,547.48	8,648.69
	TOTAL - EQUITY AND LIABILITIES				14,482.78	14,545.75	12,095.71
B	ASSETS						
1	Non-current assets						
	(a) Fixed assets				504.18	523.30	507.61
	(b) Goodwill on consolidation				139.93	139.47	139.47
	(c) Non-current investments				708.84	731.61	1,367.62
	(d) Deferred tax assets (net)				26.40	25.98	53.74
	(e) Long-term loans and advances				2,302.87	1,926.93	981.83
	(f) Other non-current assets				187.81	134.89	852.71
	Sub-total - Non-current assets				3,870.03	3,482.18	3,902.98
2	Current assets						
	(a) Current investments				684.24	669.46	171.64
	(b) Inventories				3,028.30	3,383.04	1,871.68
	(c) Trade receivables				184.89	188.86	401.91
	(d) Cash and cash equivalents				3,001.92	3,274.76	2,372.91
	(e) Short-term loans and advances				3,148.21	2,796.38	2,801.71
	(f) Other current assets				565.19	751.07	572.88
	Sub-total - Current assets				10,612.75	11,063.57	8,192.73
	TOTAL - ASSETS				14,482.78	14,545.75	12,095.71

Notes:

- 1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and half year ended 30 September 2012 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 6 November 2012.
- 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 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') 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 250,000 options under Employee Stock Option Scheme; 270,000 stock options have been exercised and allotted during the quarter.
- 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, 6 November 2012.