

Edelweiss Financial Services Limited

Q1FY14 Earnings Update

July 2013



1. Financial Highlights
2. Balance Sheet and ALM
3. Business Highlights
4. Enterprise Updates

1. Financial Highlights



- * Macro-economic environment subdued
 - Possible withdrawal of Fed's support may impact global liquidity
 - RBI pauses in easing rates; restrictions to shore up Rupee
 - Inflation outlook improving with good monsoon so far; yet supply side constraints remain and rupee depreciation may reverse the trend
 - Softer Commodities prices; positive for Current Account Deficit
 - FII inflows fickle
 - Capital Markets activity sluggish; revenue pool static/shrinking
- * Economic reforms process slow; second year of sub-6% growth expected
- * Controlling CAD & Fiscal Deficit, revival of Capex cycle and continuation of reforms - key for resumption of growth
- * Dilemma of managing conflicting objectives of stabilizing value of rupee through liquidity tightening whereas growth needs easy liquidity



- * Consistent improvement in **operating metrics** QoQ in the last **seven quarters** despite challenging environment – result of **diversification strategy**
- * Focused approach to **improving capital and operating efficiency** leading to sustainable growth in profitability
- * Significant **uptick in profitability** parameters ex-insurance; 49% YoY growth in Q1FY14 PAT ex-Insurance
- * Continue to achieve **non-linear growth** – BS growth 4%, PAT growth 49% (ex-Ins) YoY
- * **Liabilities side strengthening** continues with lower dependence on short term market borrowings; matched ALM profile - a key focus area
- * Continue to strengthen organisation, adopt new **technologies**, enhance **risk management** practices, build **leadership** and instill **customer centricity**

Q1FY14 - Financial Highlights



₹ in million	Q1FY14	Q4FY13	Q1FY13
Revenue	6,246	5,999	5,332

Profit After Tax	557	511	398
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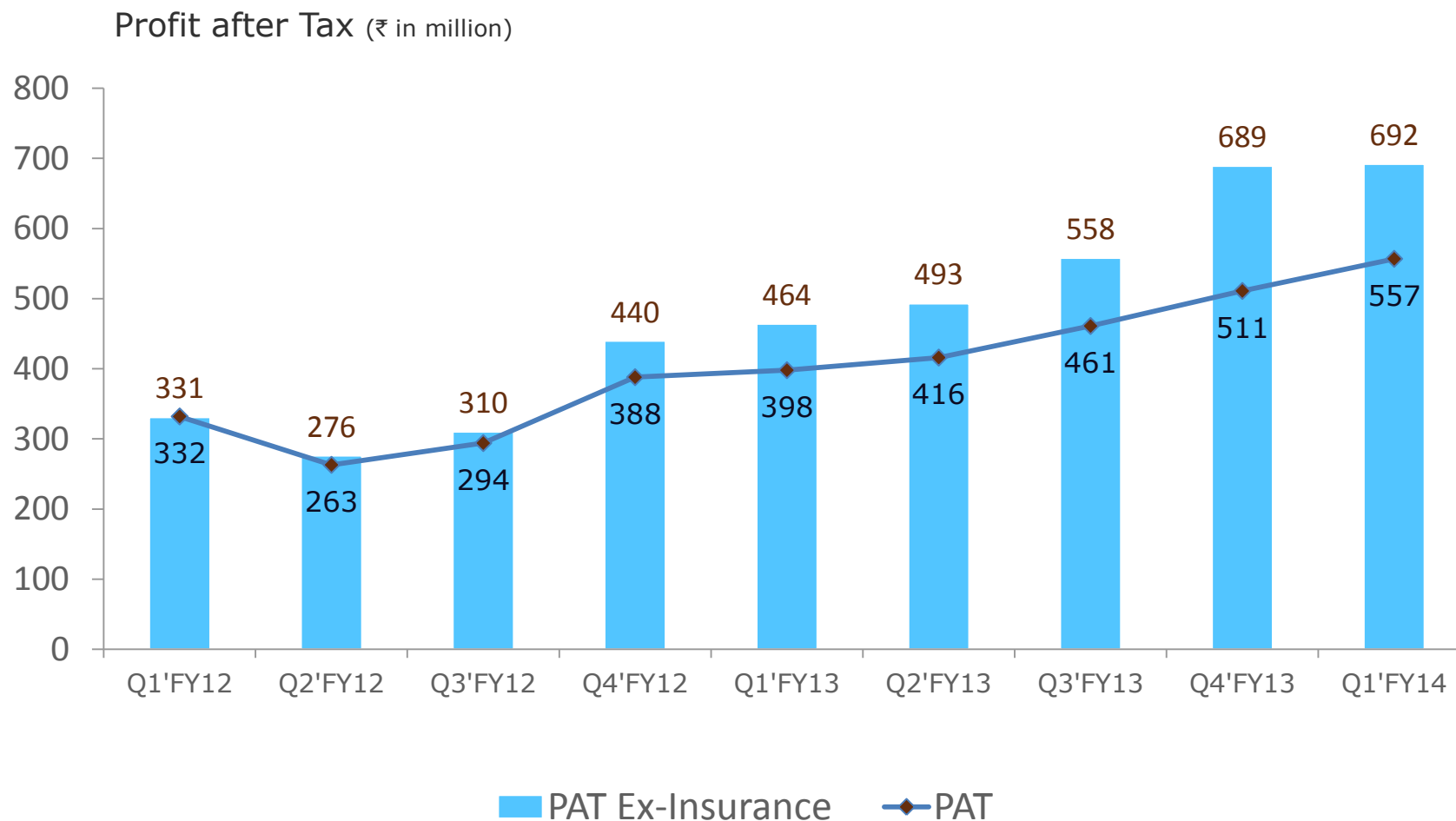
Profit After Tax – Ex-Insurance	692	689	464
Tangible RoE – Ex-Insurance	12%	14%	9%

Consistent Improvement in Profitability Ex-Insurance

Notes: Ex-ins numbers ex-ins are Management Estimates; PAT ex-ins is excluding Minority

Tangible Equity does not include Goodwill, Deferred tax assets and shares owned by employee trust

Sustained Growth in Profitability



7th Straight Quarter of QoQ Growth in Consolidated PAT



Ex-Insurance (₹ in million)	Q1FY14	Q4FY13	Q1FY13	YoY Growth
Revenue	6,012	5,580	5,224	15%
Profit After Tax	692	689	464	49%
Balance Sheet (ex-Ins)	136,578	140,720	131,047	4%

49% Growth in Profitability with just 4% Balance Sheet Growth YoY

Consolidated Results



₹ in million	FY14	FY13	FY13	FY13
	Q1	Q4	Q1	Annual
Fee and Commission Income	829	900	709	3,194
Interest and Treasury Income	5,248	4,710	4,496	17,811
Premium from Life Insurance Business	103	323	35	525
Other Operating Income	52	51	75	243
Other Income	14	15	17	67
Total Revenue	6,246	5,999	5,332	21,840
Employee Benefits Expense	1,047	1,046	784	3,639
Financial Costs	3,104	2,908	2,946	11,133
Depreciation & Amortization	127	143	115	514
Change in life ins. policy liability - actuarial	55	217	7	315
Other expenses	1,053	943	912	3,646
Total Expenses	5,386	5,257	4,764	19,247
Profit Before Tax	860	742	568	2,593
Tax Expenses	289	288	175	881
Profit After Tax	571	454	393	1,712
Share of Minority Interests in Profits	14	(57)	(5)	(73)
Profit After Tax and Minority Interest	557	511	398	1,785
Diluted EPS [#] (in ₹) (FV ₹ 1)	0.72	0.66	0.52	2.31
Book Value per share (in ₹) (FV ₹ 1)	36.6	36.1	35.2	36.1

Focus on improving efficiency and productivity in FY14

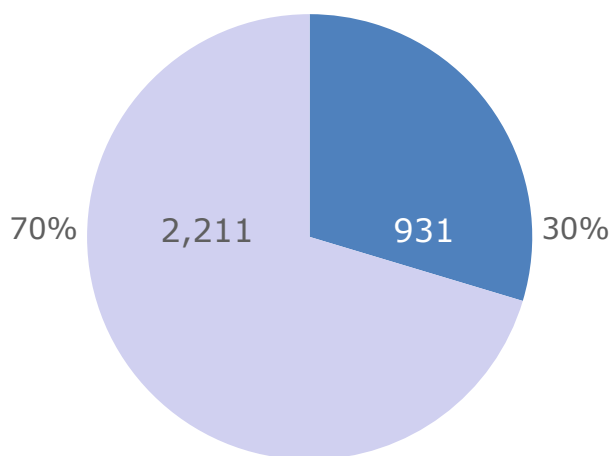
#Qtly EPS not annualised
Prior period figures have been regrouped/reclassified wherever necessary

Balanced Revenue Growth & Business Mix at Net Revenue Level

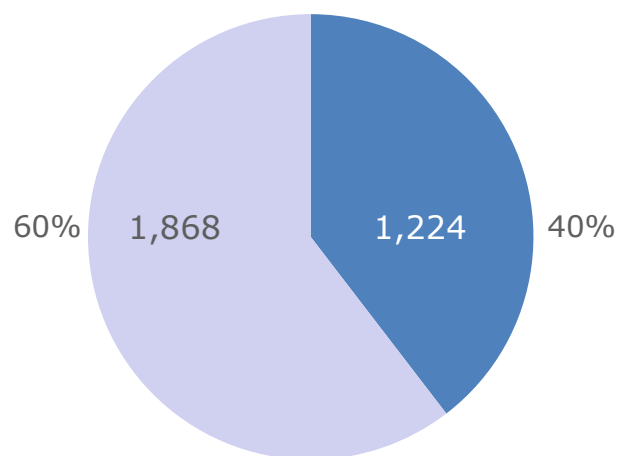


(₹ in million)

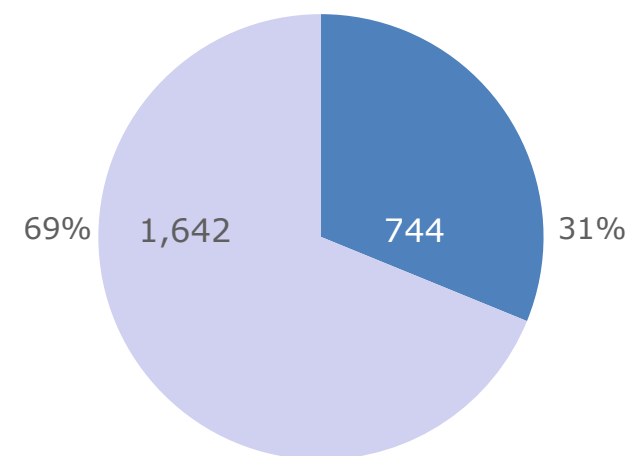
Q1FY14



Q4FY13



Q1FY13



■ Agency & Insurance Revenue

■ Capital Based Net Revenue

Balanced Mix at Net Revenue Level



₹ in million	Q1FY14	Q4FY13	Q1FY13
Interest Income	4,698	4,220	3,678
Interest on Loans	2,323	2,014	1,549
Interest on Debt Instruments	1,003	844	716
Interest on Fixed Deposits & Others	1,372	1,362	1,413
Income from Treasury	551	490	818
Other Operating Revenue	52	51	75
Other Income	14	15	17
Total Capital Based Revenue	5,315	4,776	4,588
Less: Interest Expense	3,104	2,908	2,946
Net Capital Based Revenue	2,211	1,868	1,642
Net Capital Based Revenue as a % of Net Revenue	70%	60%	69%

Interest Spreads Stable during Q1FY14



₹ in million	Q1FY14	Q4FY13	Q1FY13
Agency Fee & Commission	829	900	709
Income from Securities Broking	398	414	275
Advisory & Other Fees	387	442	391
Income from Commodities Broking	44	44	43
Premium from Life Insurance	102	323	35
Total Agency Based Revenue	931	1,223	744
Agency Based Revenue as a % of Net Revenue	30%	40%	31%

Insurance business gaining scale and supporting fee & commission income;
Securities Broking Income 6.4% of Revenue in Q1FY14

2. Balance Sheet and ALM

* Balance Sheet



- * Continue to diversify sources of borrowings; significantly reduced dependence on short term market borrowing over the last two years
- * Modifying liability profile in sync with changes in asset profile
- * Active asset liability management has ensured matched ALM profile across all tenors – a strong focus area
- * Net Gearing (excluding asset backed borrowings against FDs and GSecs and episodic borrowing) of **2.6x**
- * Cost of borrowing for Q1FY14 lower at **9.5%** (9.7% in Q4FY13)
- * EFSL enjoys **long-term rating** of **CARE AA**
- * EFSL and five subsidiaries enjoy highest short-term rating of **CRISIL A1+**



At the end of (₹ in million)	Q1FY14 (Unaudited)	FY13 (Audited)	Q1FY13 (Unaudited)
Equity and Liabilities			
Shareholders' Funds	28,628	27,617	26,756
Minority Interest	2,348	2,333	2,383
Borrowings*	109,977	115,335	107,008
TOTAL	140,953	145,285	136,147
Assets			
Goodwill	1,404	1,404	1,395
Fixed & Non Current Assets	42,093	43,640	35,295
Net Current Assets (CA-CL)*	97,456	100,241	99,457
TOTAL	140,953	145,285	136,147

Calibrated Growth in Balance Sheet Resulting in Improved Capital Efficiency

Balance Sheet and ALM

* ALM

Balance Sheet Strategy: Sources of Borrowings

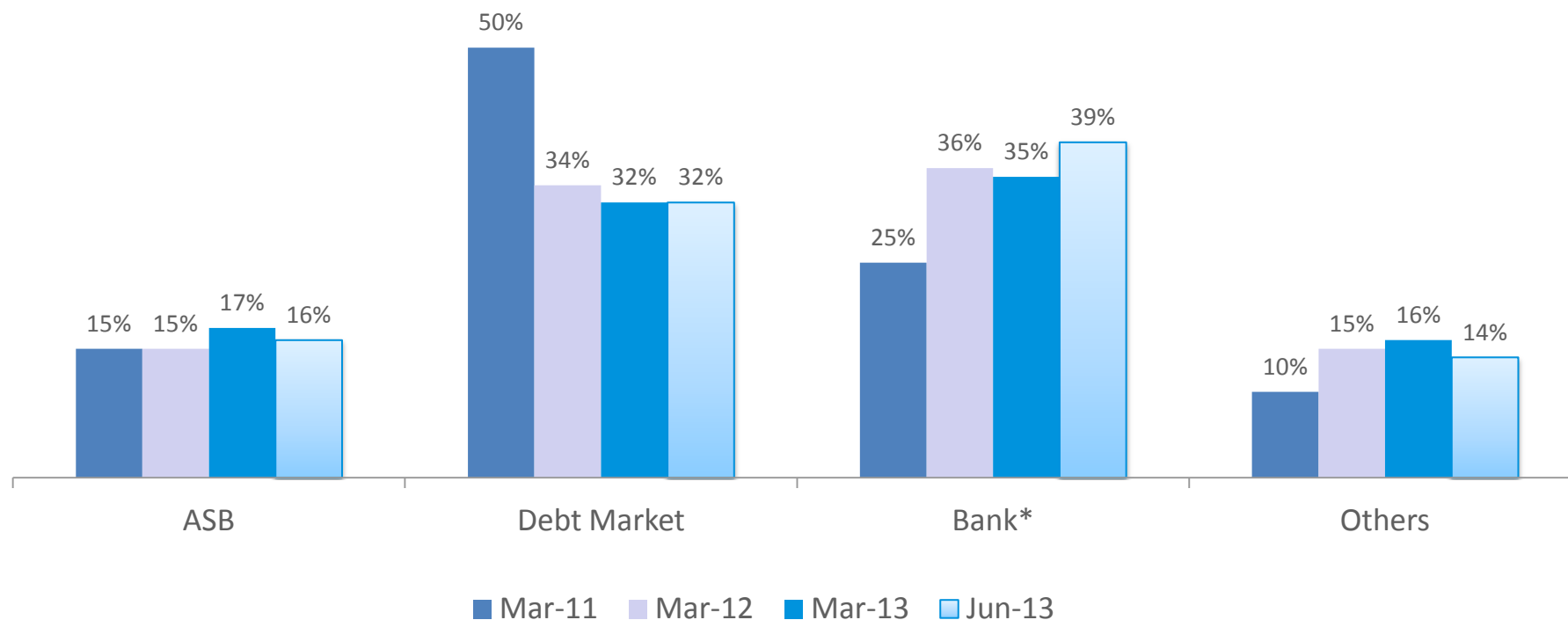


Mar'11 - ₹ 78.58 bn

Mar'12- ₹ 104.14 bn

Mar'13 - ₹ 115.33 bn

June '13 - ₹ 109.98 bn*



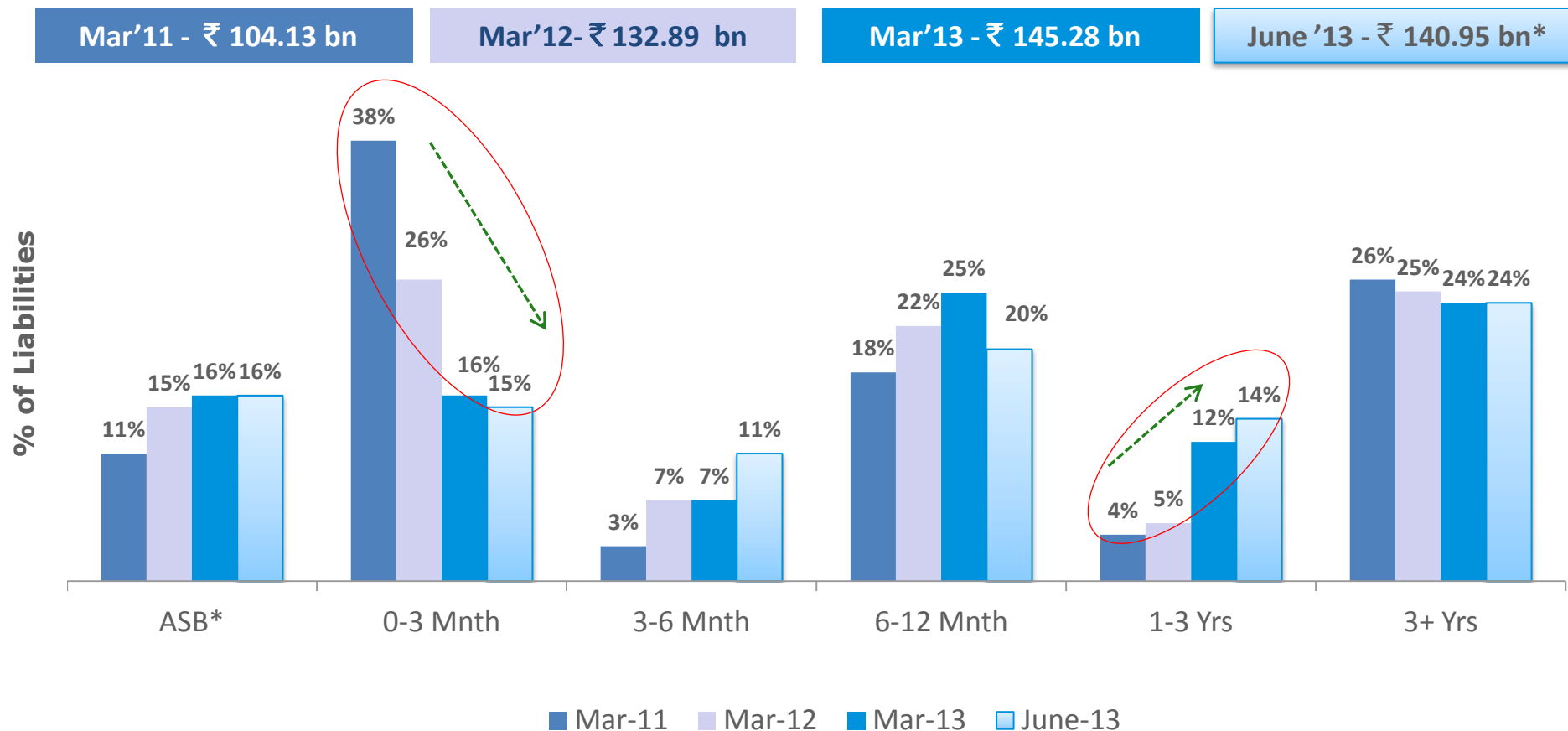
Diversified Sources of Funding with lower dependence on Debt Markets

* Unutilized bank lines of ₹ 683 cr. in FY13 and ₹ 577 cr. in Q1 FY14 not included

*Excluding episodic borrowing

Note: ASB – Asset Specific Borrowing

Balance Sheet Strategy: Liability Maturity Profile

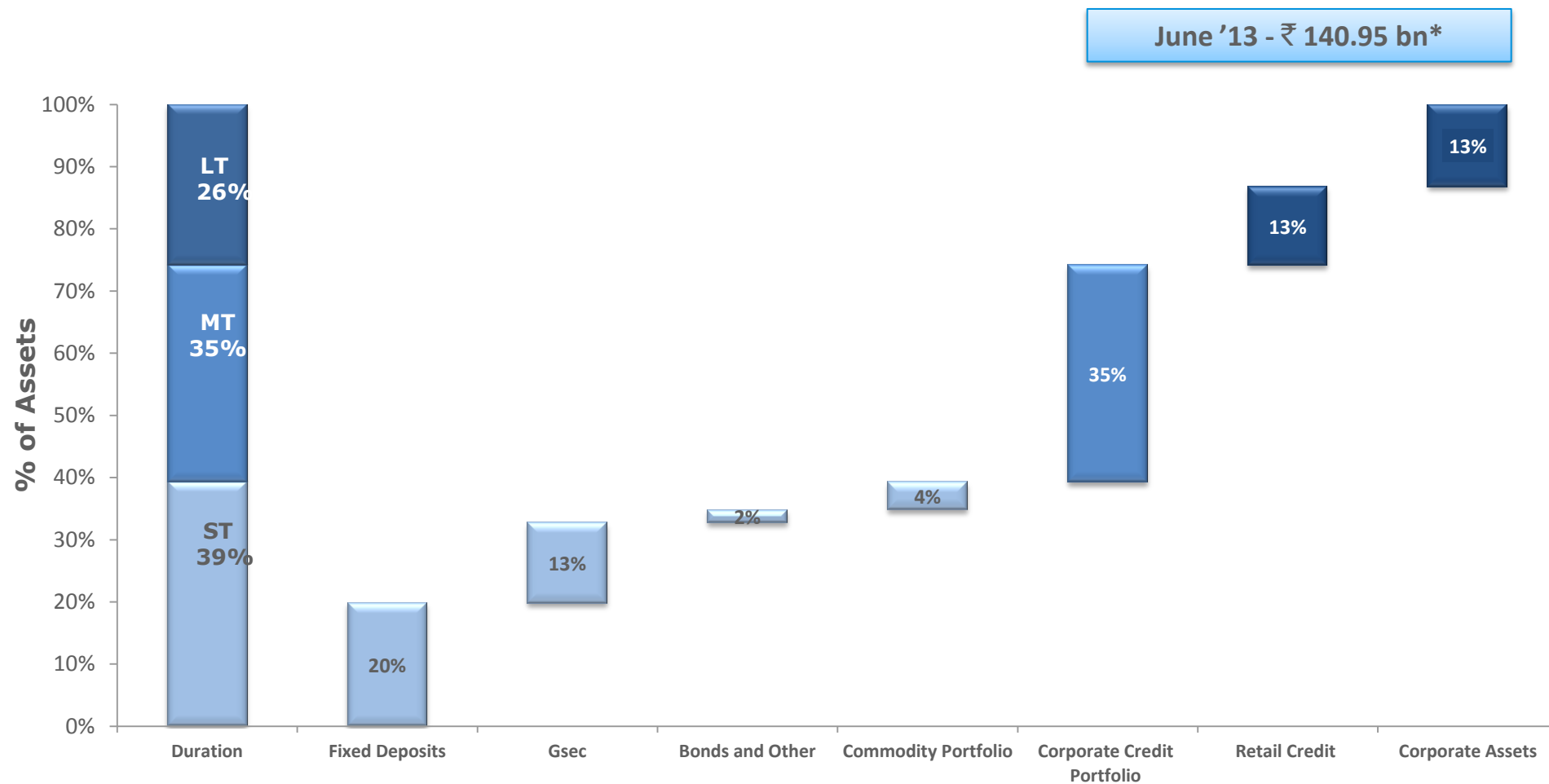


Increase in duration of liabilities

Note: ASB – Asset Specific Borrowing; Liabilities include Network

* Excluding episodic borrowings

Balance Sheet Strategy: Diversified Asset Profile

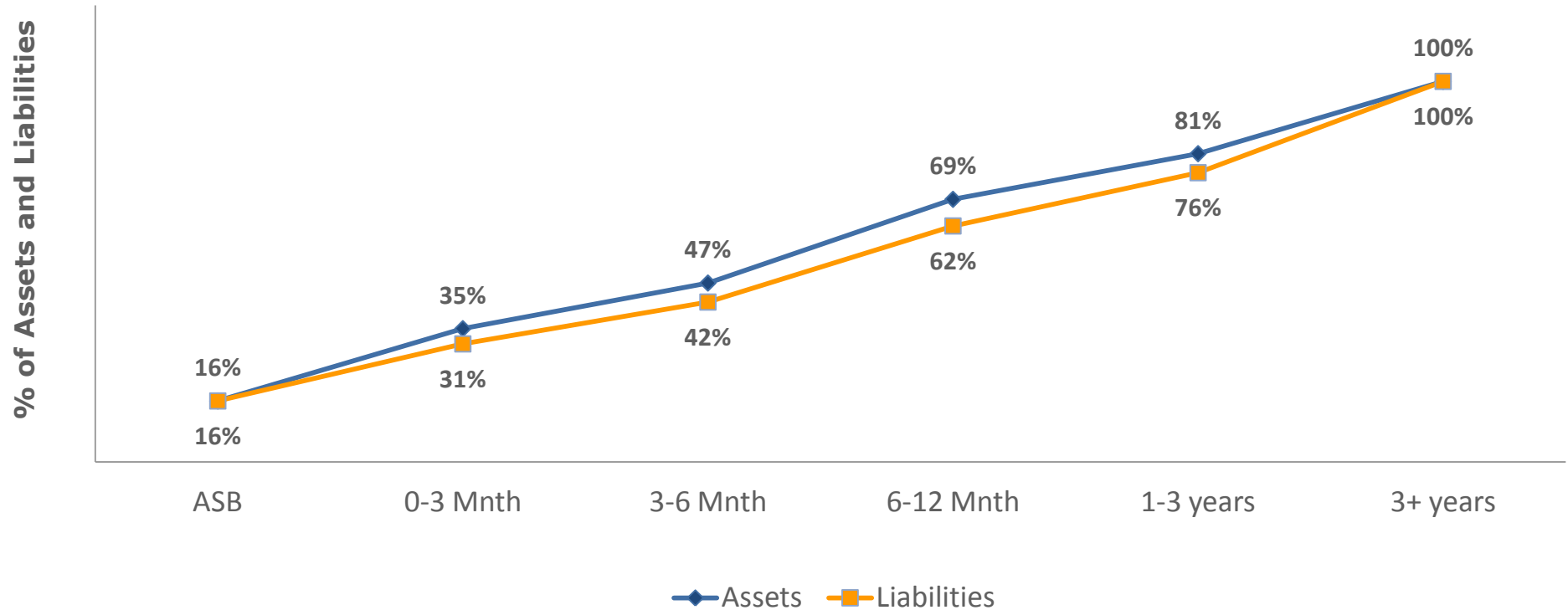


Diversified Asset profile: Spread across FDs, Credit, FI & Commodities

* Excluding episodic



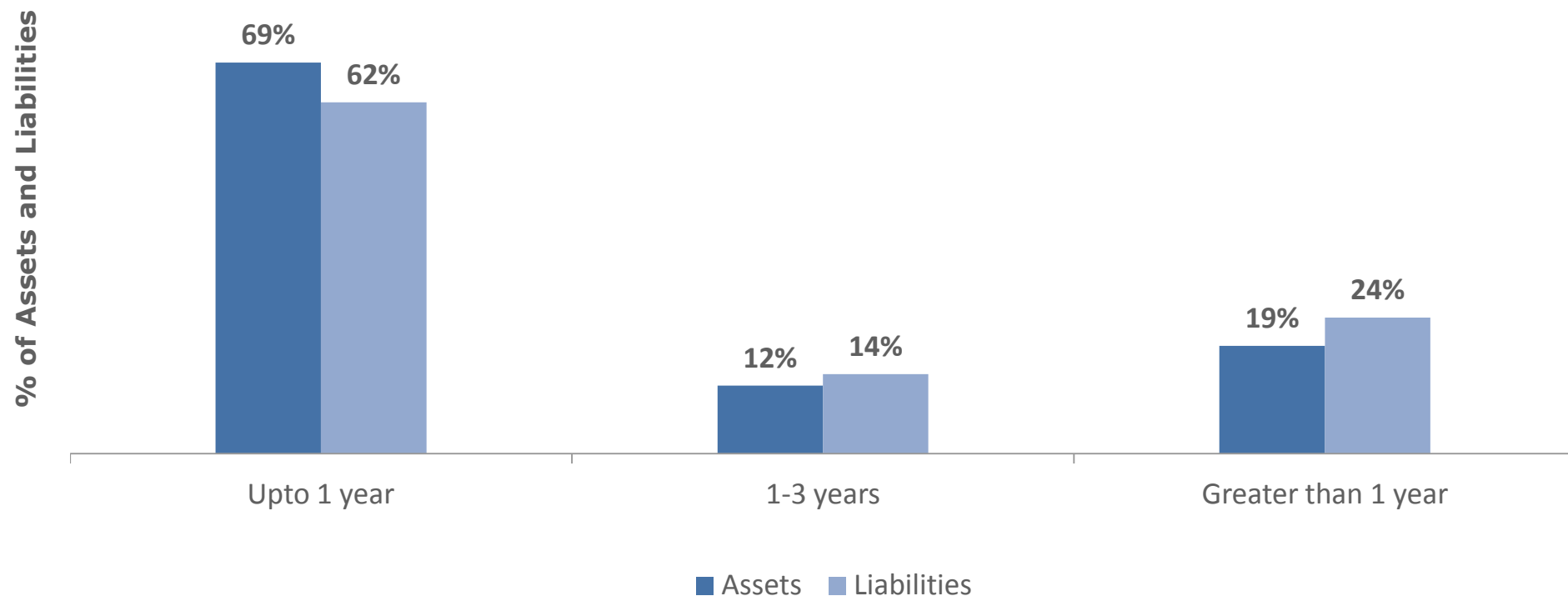
June '13 - ₹ 140.95 bn*



Maintaining Positive ALM across all buckets

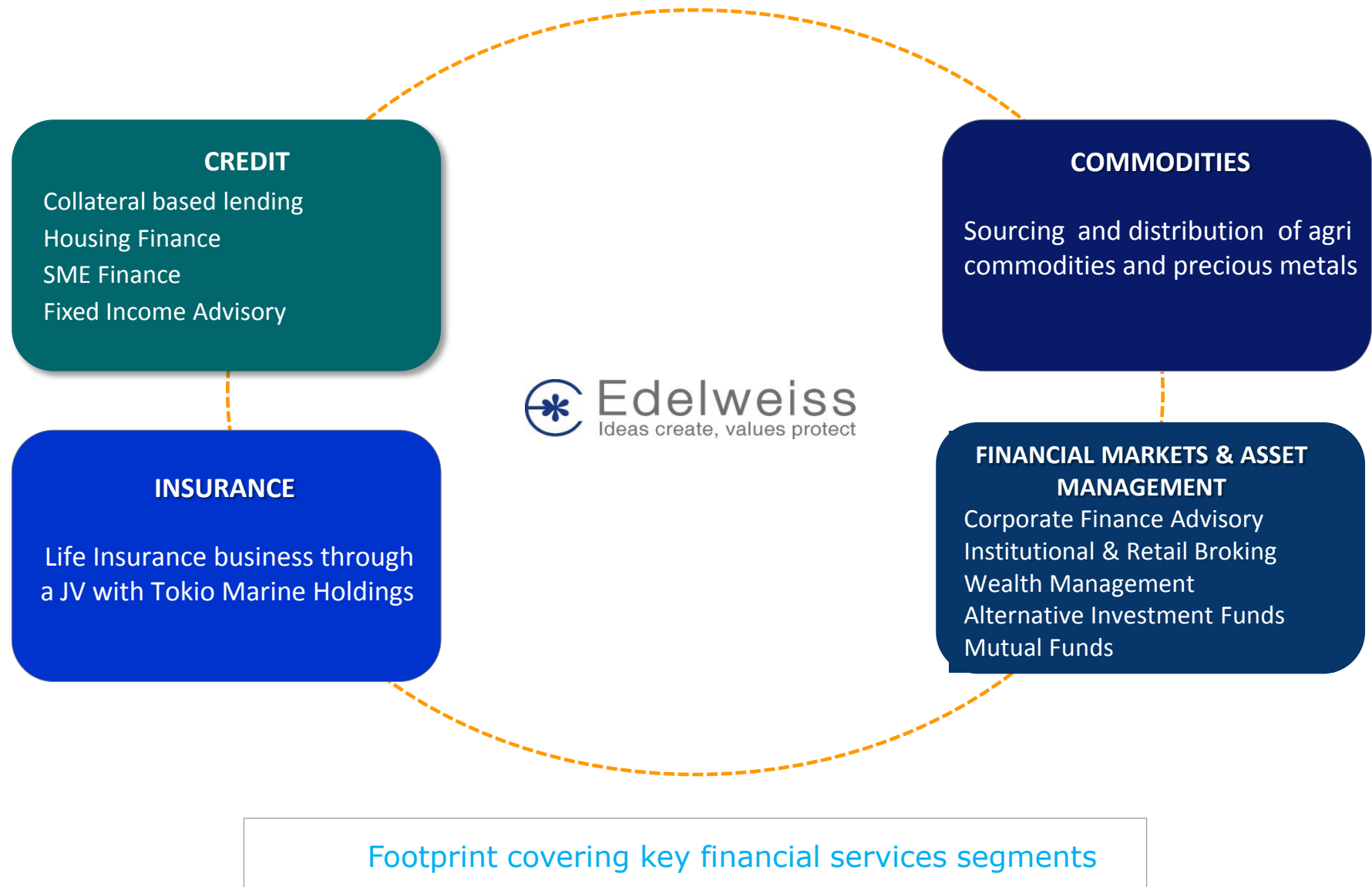


June '13 - ₹ 140.95 bn*



ALCO manages and monitors ALM, Interest Rate Risk and Liquidity

Business Highlights





- Strong **~460,000 clients/accounts** base across businesses
- 195 offices in 112 cities including 5 international offices
- Touch points include over 6,000 Authorised Persons and Sub-brokers across India



At the end of (₹ in million)	Q1FY14	Q4FY13	Q1FY13
Total Credit Book	66,230	65,716	52,185
Corporate finance	41,585	44,371	37,815
Retail finance & LAS	24,645	21,345	14,370
Average collateral cover on Wholesale finance book	2.5x	2.4x	2.7x
Number of Retail finance clients	3,000	2,400	1,400
Housing finance & LAP portfolio LTV	55%	56%	55%

Retail finance diversified into small-ticket home loans (STHL)
STHL now across 9 cities

Credit

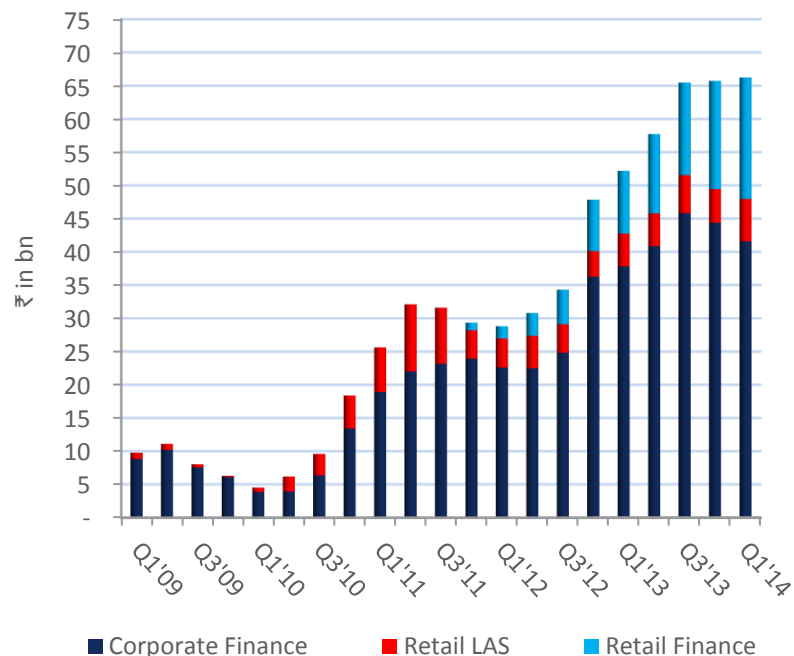
Commodities

Financial Markets &
AM

Life Insurance

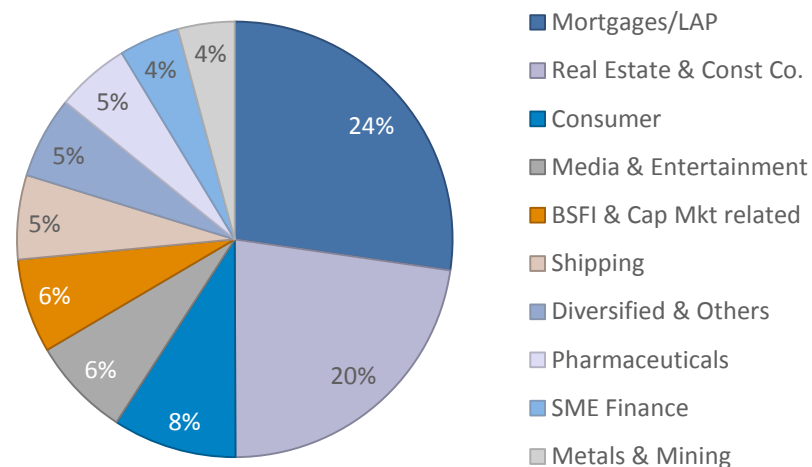


Credit Book Growth & Composition



Retail loans constitute 37% of the total book

Top Sector Exposures as on June 30, 2013



A well diversified credit book with robust risk management approach

Credit

Commodities

Financial Markets &
AM

Life Insurance



At the end of (₹ in million)	Q1FY14	Q4FY13	Q1FY13
Total Credit Book	66,230	65,716	52,185
Gross NPLs	340	285	230
Gross NPL %	0.51%	0.43%	0.44%
Net NPLs %	0.15%	0.11%	0.12%
Total Provision Held [#]	414	372	282
Total Provision Cover [#]	122%	131%	122%

Robust Risk Management ensuring good asset quality despite some stress

Credit

Commodities

Financial Markets &
AM

Life Insurance



- * Over 400 active clients among Banks, MFs, Ins. Cos., PDs, PFs and FIIs
- * Comprehensive research and analytics support to clients
- * **17 transactions** across Fixed Income Advisory in Q1FY14 with 8.5% market share (39 transactions in FY13)[#]

Credit

Commodities

Financial Markets &
AM

Life Insurance



- * Increased financialization of Commodities in India - growth driver
- * Sources, distributes & deals in agri commodities and precious metals
- * Significant investments in building backend & network of market intermediaries for agri procurement & distribution since two years
- * Building infra at key mandis and trading centres to develop a sourcing platform, running a pilot at Kota (Rajasthan)
- * Continuing to invest in Precious Metals business
- * Focus on operations, inventory and collateral risk management for commodities business
- * Assets ₹ 23.3 bn including FDs and stocks at the end of the quarter



*** Corporate Finance Advisory** – Q1FY14 witnessed one of the lowest levels of activity in the recent past

- Continuing to build relationship with financial sponsors and mid-cap to large clients
- Closed 2 advisory transactions in Q1FY14 despite challenging environment



₹ in billion	Q1FY14	Q4FY13	Q1FY13
Average Daily Volumes (ADV) [#]	59.00	66.15	45.60
Market Share [#]	3.0%	3.7%	2.9%
Clients ADV	34.30	35.60	23.10
Average Broking Yield (Gross)	2.6 bps	2.8 bps	3.3 bps
Stocks under Research Coverage	187	187	185
Number of Retail Broking Clients	412,800	403,900	381,700
Wealth Management - AUAs	32	32	30

Cross-sell of Edelweiss products – a new focus area for Retail Financial Markets Group

Credit

Commodities

Financial Markets &
AM

Life Insurance

[#] On BSE and NSE, including Clients and Treasury operations;
excludes our turnover under BSE Incentive Scheme



* **Alternative Assets Management**

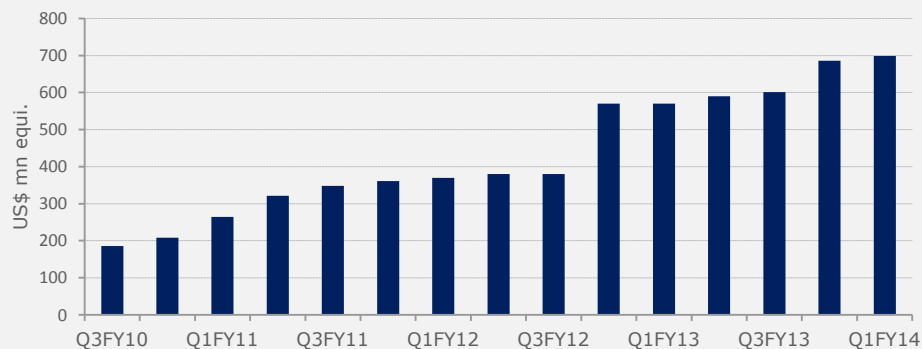
AUMs/AUAs US\$ 699 mn equivalent through 6 funds & Structured Products

- * Achieved first close of E-STAR Fund
- * Leading issuer of Structured Products

* **Mutual Fund** average AUMs of ₹ 2.4 bn in Q1FY14

- * Over 9,480 active investors
- * Over 3,100 distributors
- * Focus on building investment track record and developing product portfolio
- * Part of our long-term retail strategy

Alternate Asset Management AUMs/AUAs



Credit

Commodities

Financial Markets &
AM

Life Insurance



*** Life Insurance** business with JV partner Tokio Marine Holdings, Inc.

- Business launched in Q2FY12 to expand Edelweiss' retail footprint
- Scale-up in Organic Agency continues: 46 branches at end of June 2013
- Banca tie-up with Catholic Syrian Bank in February 2013
- Gross Premium ₹ 113 mn in Q1FY14 (₹ 38 mn in Q1FY13)
- 23,609 individual policies in force at the end of Q1FY14 (7,410 in Q1FY13)

At the end of	Q1FY14	Q4FY13	Q1FY13
No. of Personal Financial Advisors	4,005	3,401	1,268
No. of Branches	46 in 39 cities	45 in 38 cities	30 in 23 cities

Strong uptick in operating footprint; Burn as per the Plan

Credit	Commodities	Financial Markets & AM	Life Insurance
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Edelweiss Tokio Life Insurance Company Limited				
₹ in million	FY14	FY13	FY13	FY13
	Q1	Q4	Q1	Annual
Premium Income	113	333	38	548
Investment Income & Other Income	132	96	73	457
Total Income	245	429	111	1,005
Total Expenses	427	688	227	1,652
Profit Before Tax	(182)	(259)	(116)	(647)
Profit After Tax	(182)	(259)	(116)	(647)
Net Worth	4,375	4,558	5,100	4,558

Credit

Commodities

Financial Markets &
AM

Life Insurance



EDELWEISS TOKIO LIFE WINS “THE RISING STAR INSURER” AWARD

Citation by The Indian Insurance Awards
“This award is given to honour a stand-out young insurer already showing promise of becoming a major force to reckon with in years to come.”

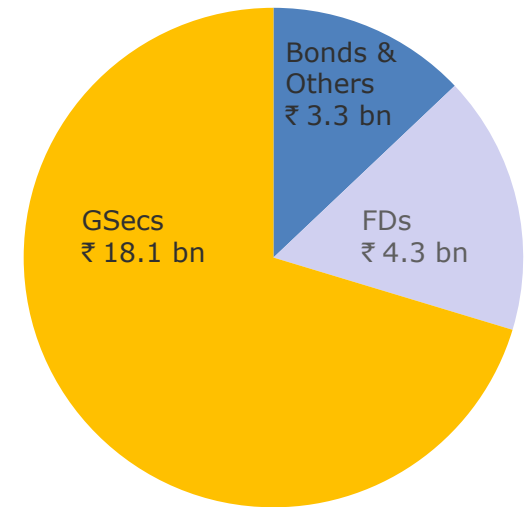
* Focus on:

- Balance sheet management
- Liquidity management
- Capital preservation with optimum returns

* Treasury allocation continues to be a function of:

- Capital requirement of businesses
- Opportunities in the markets
- Liquidity management needs; maintain a liquidity cushion of ~₹ 5 bn

* Treasury assets 18% of effective Balance Sheet size*



Treasury Assets ₹ 25.7 bn*

Multi-asset class Treasury operation

* Excluding episodic

4. Enterprise Updates



		Q1FY14	Q4FY13	Q1FY13
End of Period Head Count		3,980	3,907	3,202
Senior Attrition		13%	13%	16%
Learning & Development	Training man days	1,779	2,016	1,514
	Employees covered	1,106	1,058	614

Building Leadership Capability through a four-tier Leadership Structure for future growth



Philanthropic initiative to drive sustainable social change

Impacted over 1,50,000 lives

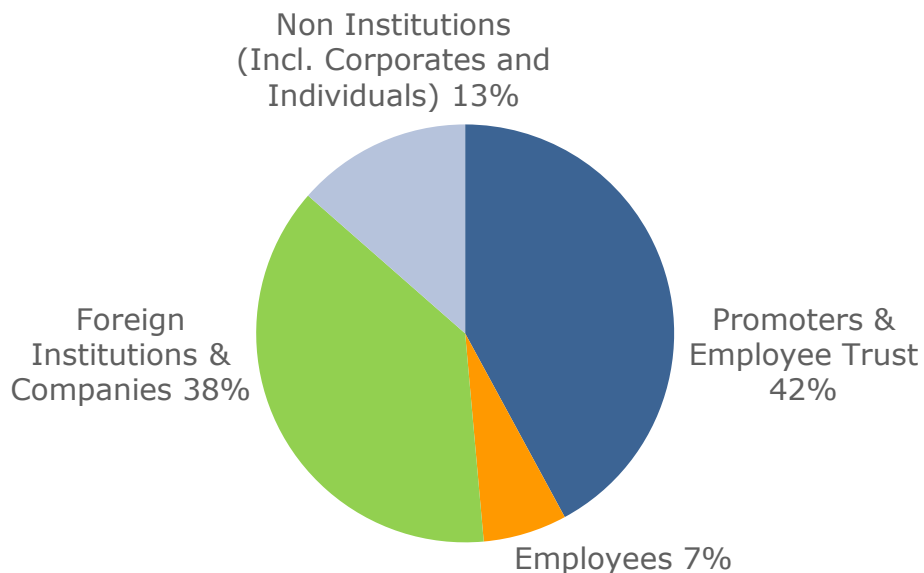
Current portfolio of 18 non- profit organisations

Committed ₹ 212 mn till date

Over 7000 hours of pro-bono support

Focus on Education, Livelihoods and Womens' Rights

Fund Raising Launched for Uttarakhand Relief Operations



Top Institutional Shareholders above 1%# As on 30th June, 2013

	Name	Percent
1	Govt. of Singapore	8.1%
2	Carlyle	7.9%
3	BIH SA	5.8%
4	Greater Pacific Capital	5.1%
5	Fidelity	3.2%
6	SAIF Advisors	1.9%
7	Amansa Investments	1.5%
8	Argonaut Ventures	1.5%
9	Sequoia Capital	1.0%

Stable Institutional Ownership

(#) Holding of known affiliates have been clubbed together for the purpose of this information



CHAIRMAN & CEO



Mr. Rashesh Shah **Chairman & CEO**

Co founder of Edelweiss; has over 20 years of experience in financial services. He has served on the Executive Committee of National Stock Exchange & been appointed as Chairman, Maharashtra Council of FICCI. He also chairs the National Council on Capital Markets formed by ASSOCHAM.

EXECUTIVE DIRECTORS



Mr. Venkat Ramaswamy **Executive Director**

Co-founder of Edelweiss; He spearheads Investment Banking and Alternative Assets Advisory. He is widely recognized as one of India's finest deal makers. Prior to Edelweiss he worked with Spartek Emerging Opportunities Fund and ICICI Limited.



Mr. Himanshu Kaji **Executive Director**

Diverse experience of over 20 years in financial services; In addition to his responsibilities as Executive Director, as Group Chief Operating Officer he manages all Enterprise functions at Edelweiss. He is also in charge of Corporate Planning, Risk Management, Strategy Development and Execution for the Group.



Mr. Rujan Panjwani **Executive Director**

Rujan Panjwani has over two and half decades of experience in the Financial Services industry. He joined Edelweiss on 1st June 2000 and was responsible for setting up the Treasury & Balance Sheet Unit. He also played a pivotal role in setting up several businesses for the Group.



INDEPENDENT / NON-EXECUTIVE DIRECTORS



Mr. Narendra Jhaveri Independent Director

Has occupied important positions in National Council of Applied Economic Research (NCAER), RBI & ICICI Ltd



Mr. K Chinniah Non Executive Director

Global Head - Portfolio, Strategy & Risk Group with GIC Special Invst. (Pvt. Equity arm of the Govt. of Singapore Invst Corp ("GIC"))



Mr. Sanjiv Misra Independent Director

Worked with Goldman Sachs, Citigroup. Is the President of Phoenix Advisers Pte. Ltd, a boutique advisory firm



Mr. Navtej S. Nandra Independent Director

President of E*TRADE Financial Corporation. Prior to this he served as Head of International for Morgan Stanley Investment Management.



Mr. P N Venkatachalam Independent Director

35 years of experience in the banking sector in India. Former Member of the Interim Pension Fund Regulatory Authority of India, Former MD, State Bank of India



Mr. Berjis Desai Independent Director

Practicing for more than 30 years in the legal field. Managing Partner J. Sagar & Associates



Mr. Sunil Mitra Independent Director

Broad experience in economic policy making. Former Finance Secretary of Govt. of India



Capital Finance International

AS WORLD ECONOMIES CONVERGE

Edelweiss Group Wins Award for

Best Corporate Governance, India 2013



An illustration on the left side of the slide shows three silhouetted figures standing on a three-tiered podium. The central figure is on the highest tier and has their arms raised in a celebratory gesture. The podium is colored with blue, red, and yellow tiers. A large, glowing white circular logo with a stylized flower inside is positioned in front of the figures.

PROUD TO BE INDIA'S **BEST MANAGED MID CAP** COMPANY!

Readers of Hong Kong based FinanceAsia magazine have voted Edelweiss the joint No. 1 in the Best Managed Mid Cap category.



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