

Edelweiss Financial Services Limited

Q2FY14 Earnings Update

October 30, 2013



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

1. Financial Highlights



- * Second Quarter Macro-economic environment one of the toughest
 - Liquidity tightening resulted in significant rise in short term interest rates; being eased now as currency rates have stabilized
 - Restrictions on imports of gold and availability of Swap windows easing pressure on CAD & currency rates
 - Supply led inflation leading to Repo rate hikes in September & October; interest rates to remain elevated in near term
 - BFSI sector asset quality slippage reflecting stress in manufacturing, infra and real estate sectors
 - Capital Markets activity sluggish; revenue pool shrinking
- * Economic activity to remain subdued in near term on Fiscal Deficit, CAD and Inflation concerns; return of growth gradually in next few quarters as ground level activity picking up



- * While the first quarter was robust, rapid worsening of environment made operating conditions one of the toughest in the second quarter
- * **Short term interest rates** spike led to rise in cost of funding; upped the ante on **liquidity management**
- * Economic downturn brought **risk** concerns to the front; asset quality good despite some stress during this quarter due to economic slowdown
- * Focus on **improving capital and operating efficiency**
- * Continue to achieve **non-linear growth** – H1FY14 BS growth 11%, PAT growth 32% (ex-Ins) YoY
- * **Balance Sheet strengthening** key focus area; continue to reduce dependence on short term market borrowings; matched ALM profile
- * Continue to strengthen **compliance**, adopt new **technologies**, enhance **risk management**, build **leadership** and instill **customer centricity**
- * Businesses robust and ready to scale up on return of growth

Financial Highlights



₹ in million	Q2FY14	Q1FY14	Q2FY13	H1FY14	H1FY13
Revenue	5,863	6,246	5,110	12,109	10,441

Profit After Tax	461	557	416	1,018	814
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Profit After Tax – Ex-Ins	624	692	510	1,315	993
Tangible RoE – Ex-Ins	11.6%	12.6%	10.2%	12.3%	10.0%

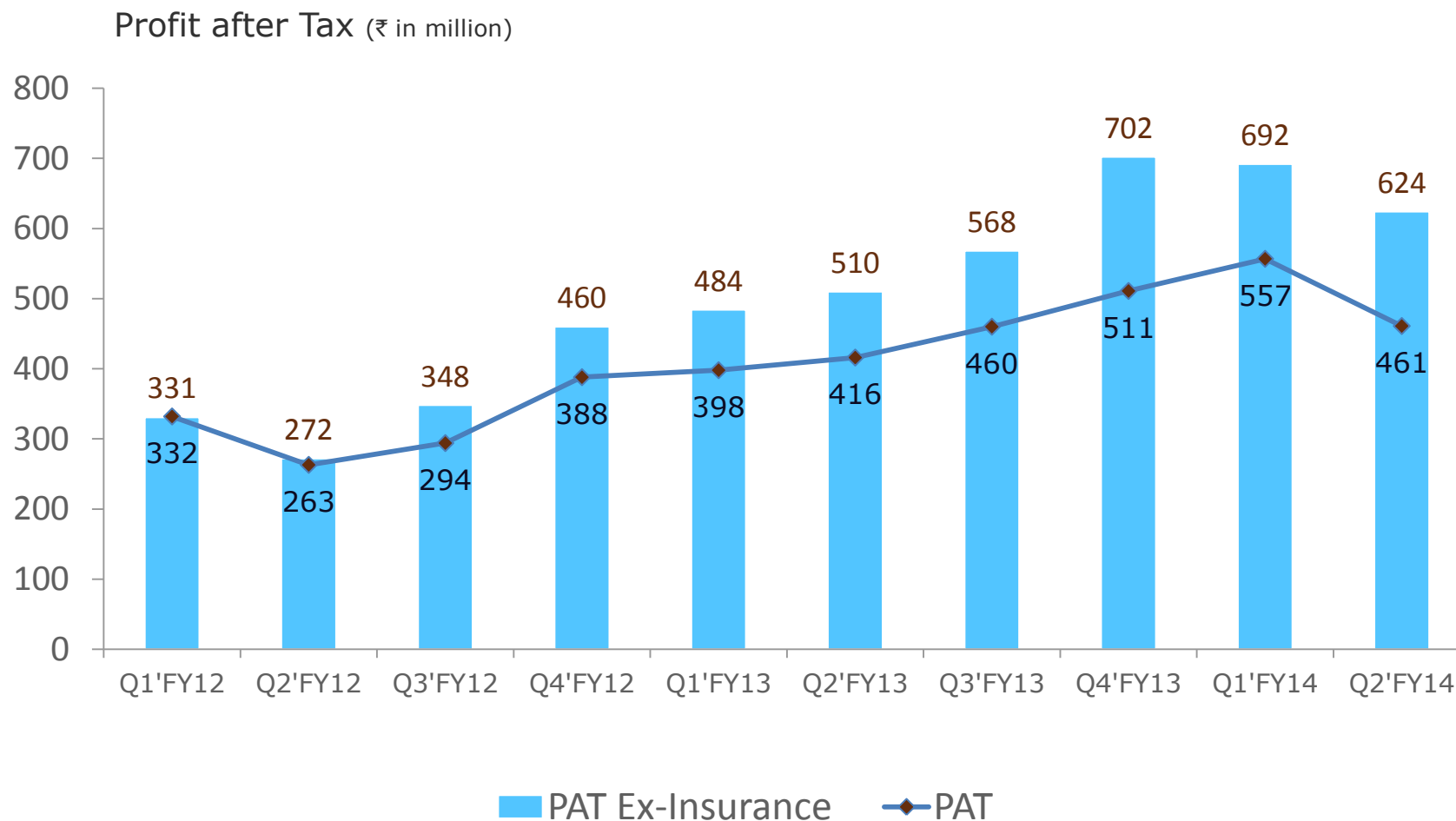
Consistent Improvement in Profitability Ex-Insurance YoY

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

Prior period figures have been regrouped/reclassified wherever necessary

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

Challenging Environment Impacted Profitability



Robustness of Business Model Intact

Non-Linear Growth in Profitability



Ex-Insurance (₹ in million)	Q2FY14	Q1FY14	Q2FY13	YoY Growth
Revenue	5,548	6,012	4,921	13%
Profit After Tax	624	692	510	22%
Balance Sheet (ex-Ins)	139,355	136,578	126,052	11%

22% Growth in Profitability with 11% Balance Sheet Growth YoY



Ex-Insurance (₹ in million)	H1FY14	H1FY13	FY13	YoY Growth
Revenue	11,560	10,146	20,858	14%
Profit After Tax	1,315	993	2,264	32%
Balance Sheet (ex-Ins)	139,355	126,052	140,728	11%

32% Growth in Profitability with 11% Balance Sheet Growth YoY

Consolidated Results



₹ in million	FY14	FY14	FY13	FY14	FY13	FY13
	Q2	Q1	Q2	H1	H1	Annual
Fee and Commission Income	896	829	796	1,725	1,505	3,194
Fund based Income	4,652	5,248	4,179	9,900	8,674	17,811
Premium from Life Insurance Business	227	103	63	330	98	525
Other Operating Income	55	52	62	107	137	243
Other Income	33	14	10	47	27	67
Total Revenue	5,863	6,246	5,110	12,109	10,441	21,840
Employee Benefits Expense	1,013	1,047	833	2,060	1,616	3,639
Financial Costs	2,924	3,104	2,630	6,029	5,576	11,133
Depreciation & Amortization	136	127	123	263	238	514
Change in life ins. policy liability – actuarial	124	55	24	179	31	315
Other expenses	904	1,053	895	1,956	1,807	3,646
Total Expenses	5,101	5,386	4,505	10,487	9,268	19,247
Profit Before Tax	762	860	605	1,622	1,173	2,593
Tax Expenses	298	288	197	586	372	881
Profit After Tax	464	572	408	1,036	801	1,712
Share of Minority Interests in Profits	3	15	(8)	18	(13)	(73)
Profit After Tax and Minority Interest	461	557	416	1,018	814	1,785
Diluted EPS [#] (in ₹) (FV ₹ 1)	0.59	0.72	0.54	1.31	1.06	2.31
Book Value per Share (in ₹) (FV ₹ 1)	38.7	36.6	35.7	38.7	35.7	36.1

Focus on improving efficiency and productivity in FY14

[#]Qtly/HYly EPS not annualised

Prior period figures have been regrouped/reclassified wherever necessary

Consolidated Results ex-Insurance



₹ in million	FY14	FY14	FY13	FY14	FY13	FY13
	Q2	Q1	Q2	H1	H1	Annual
Fee and Commission Income	896	829	796	1,725	1,466	3,194
Fund based Income	4,574	5,125	4,056	9,699	8,518	17,374
Other Operating Income	54	52	62	107	137	243
Other Income	24	5	7	29	24	48
Total Revenue	5,548	6,011	4,921	11,560	10,145	20,859
Employee Benefits Expense	811	863	695	1,674	1,361	3,050
Financial Costs	2,924	3,104	2,630	6,028	5,576	11,133
Depreciation & Amortization	113	106	105	219	203	432
Other expenses	718	896	759	1,615	1,590	3,003
Total Expenses	4,566	4,969	4,189	9,536	8,730	17,618
Profit Before Tax	982	1,042	732	2,024	1,415	3,241
Tax Expenses	298	288	197	586	372	882
Profit After Tax	684	754	535	1,438	1,043	2,359
Share of Minority Interests in Profits	60	62	25	123	50	95
Profit After Tax and Minority Interest	624	692	510	1,315	993	2,264
Diluted EPS [#] (in ₹) (FV ₹ 1)	0.81	0.89	0.66	1.70	1.29	2.93

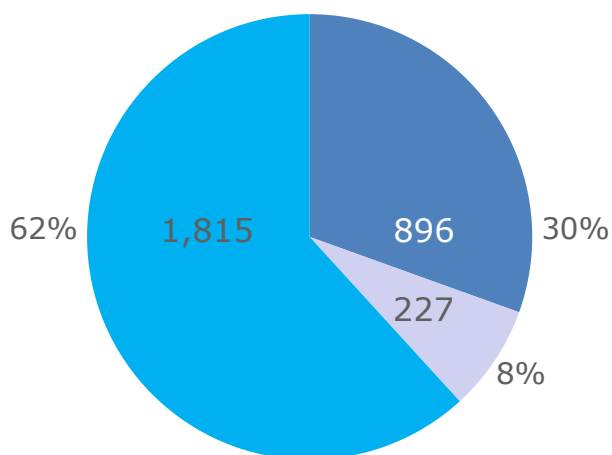
#Qtlly/HYly EPS not annualised
Prior period figures have been regrouped/reclassified wherever necessary
As per Management's estimates

Balanced Revenue Growth & Business Mix at Net Revenue Level

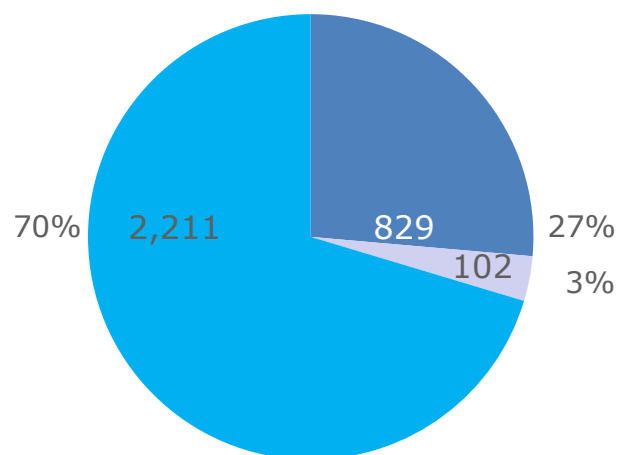


(₹ in million)

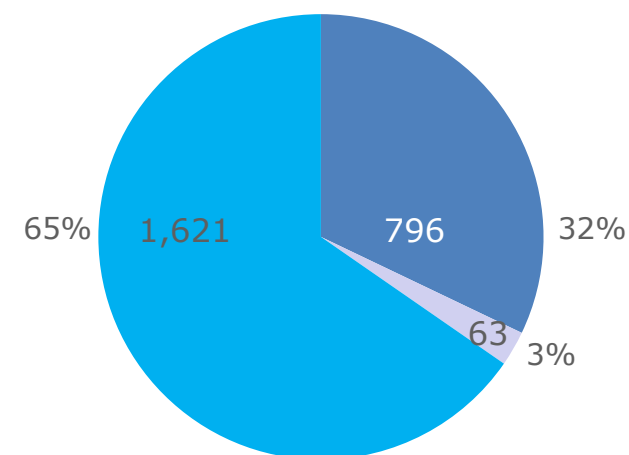
Q2FY14



Q1FY14



Q2FY13



■ Agency Revenue ■ Insurance Premium ■ Fund Based Net Revenue

Balanced Mix at Net Revenue Level



₹ in million	Q2FY14	Q1FY14	Q2FY13
Interest Income	4,248	4,698	3,586
Interest on Loans	2,186	2,323	1,617
Interest on Debt Instruments	854	1,003	734
Interest on FDs & Others	1,208	1,372	1,235
Other Fund Based Income	492	617	665
Total Fund Based Revenue	4,740	5,315	4,251
Less: Interest Expense	2,925	3,104	2,630
Net Fund Based Revenue	1,815	2,211	1,621
Net Fund Based Revenue as a % of Net Revenue	62%	70%	65%

Marginal Interest Spreads contraction due to higher short term rates in Q2FY14; recovering now



₹ in million	Q2FY14	Q1FY14	Q2FY13
Agency Fee & Commission	896	829	796
Income from Securities Broking	325	398	352
Advisory & Other Fees	525	387	401
Income from Commodities Broking	46	44	43
Life Insurance Premium	227	102	63
Total Agency & Insurance Revenue	1,123	931	859
Agency & Insurance Revenue as a % of Net Revenue	38%	30%	35%

Insurance business gaining scale and supporting fee & commission income
Securities Broking Income 5.5% of Revenue in Q2FY14

2. Balance Sheet and ALM

* Balance Sheet



- * Strengthening **Balance Sheet** and managing **Liquidity** – key focus area
- * Continue to diversify sources of borrowings; significantly reduced dependence on short term market borrowing since March '11
- * Modifying liability profile in sync with changes in asset profile
- * Active asset liability management ensured matched ALM profile across all tenors – strong focus area
- * Net Gearing* **2.4x** (2.6x at the end of Q1FY14)
- * **Long-term rating “CARE AA”**
- * **Highest short-term rating “CRISIL A1+”**

Summary Balance Sheet



As on (₹ in million)	Sept 30, '13 (Unaudited)	June 30, '13 (Unaudited)	Sept 30, '12 (Unaudited)	March 31, '13 (Audited)
Equity and Liabilities				
Shareholders' Funds	30,601	28,628	27,123	27,617
Minority Interest	3,001	2,348	2,392	2,333
Borrowings	112,418	109,977*	101,550	115,335
Total	146,020	140,953	131,065	145,285
Assets				
Goodwill	1,404	1,404	1,399	1,404
Fixed & Non Current Assets	46,368	42,093	37,301	43,640
Net Current Assets (CA-CL)	98,248	97,456*	92,365	100,241
Total	146,020	140,953	131,065	145,285

Calibrated Growth in Balance Sheet Resulting in Improved Capital Efficiency



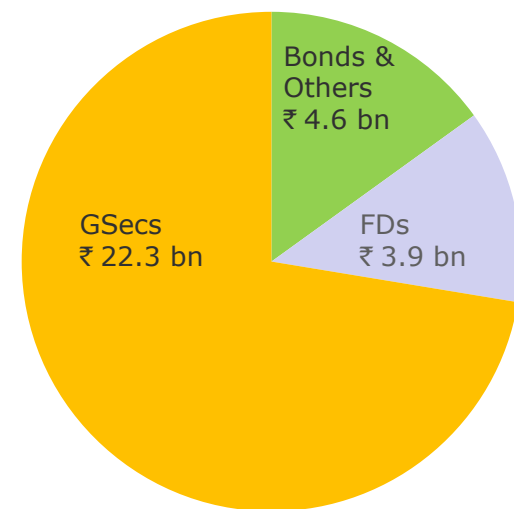
* Focus on:

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

* BMU 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

* BMU assets 21% of effective Balance Sheet size



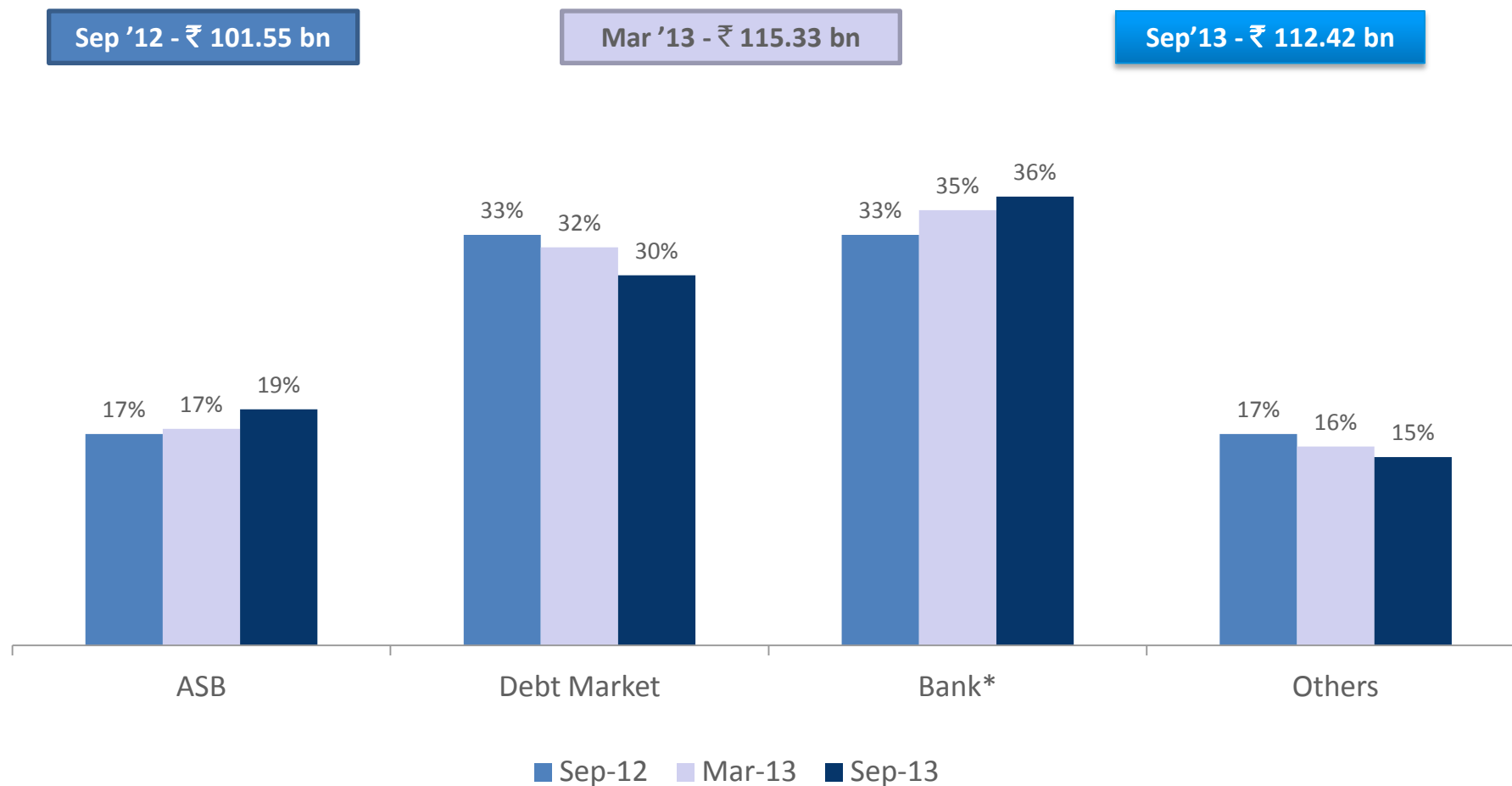
BMU Assets ₹ 30.80 bn*

Multi-asset class operation

Balance Sheet and ALM

* ALM

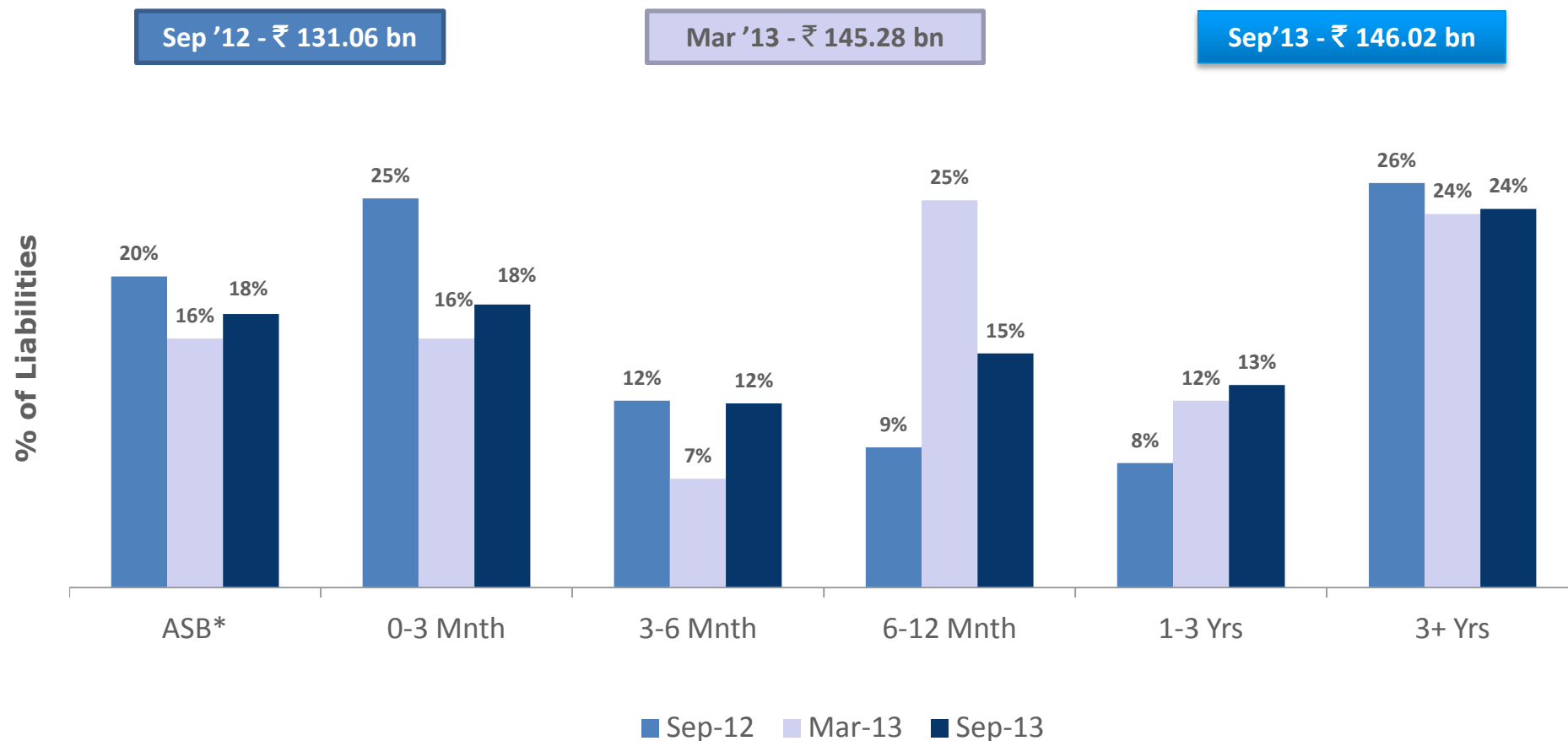
Balance Sheet Strategy: Sources of Borrowings



Diversified Sources of Funding with lower dependence on Debt Markets

* Unutilized bank lines of ₹ 7.55 bn as on Sept '13 not included
ASB – Asset Specific Borrowing

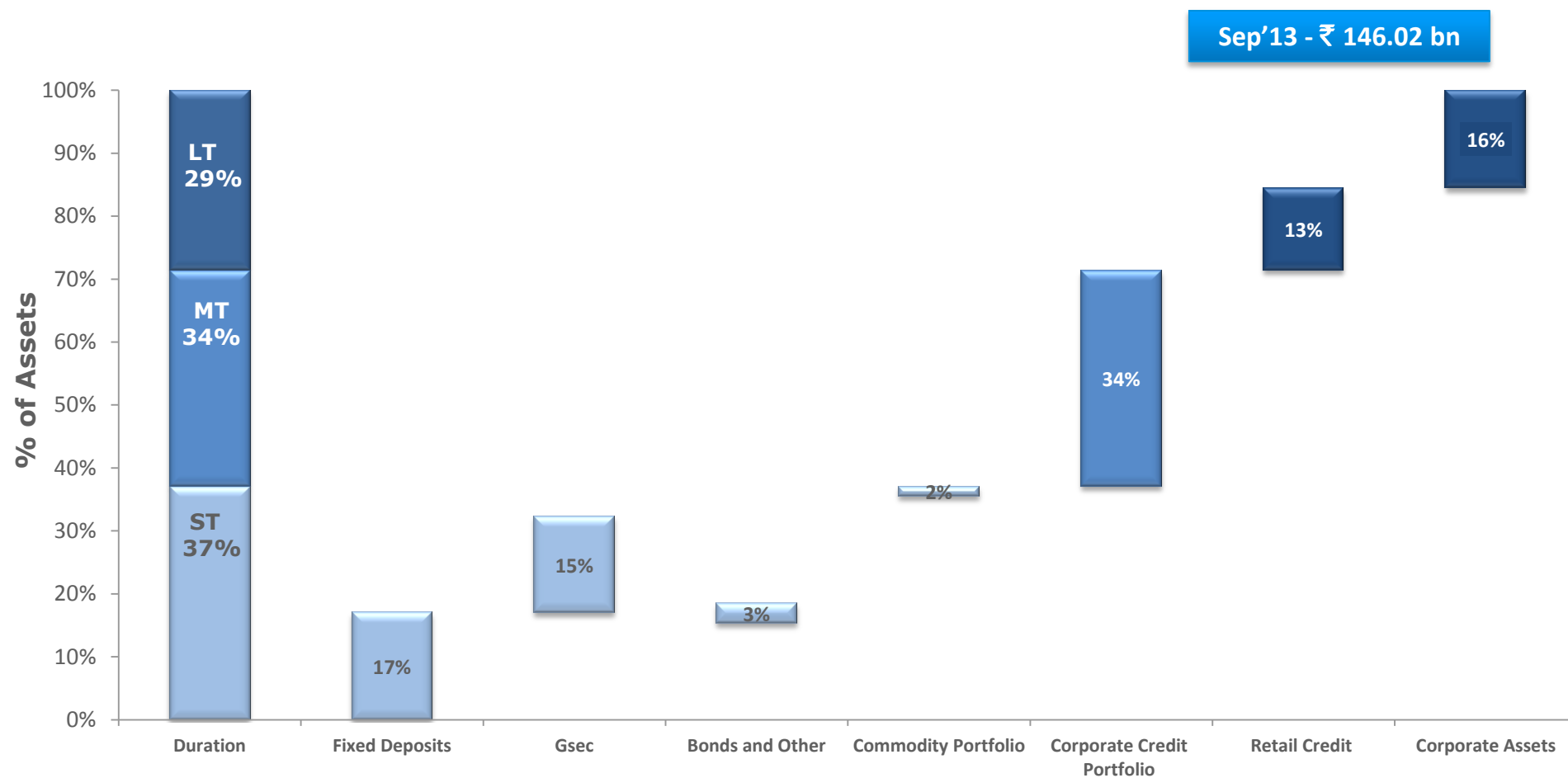
Balance Sheet Strategy: Liability Maturity Profile



Increase in duration of liabilities

*ASB – Asset Specific Borrowing; Liabilities include Network
Unutilized bank lines were ₹ 7.55 bn as on Sept '13

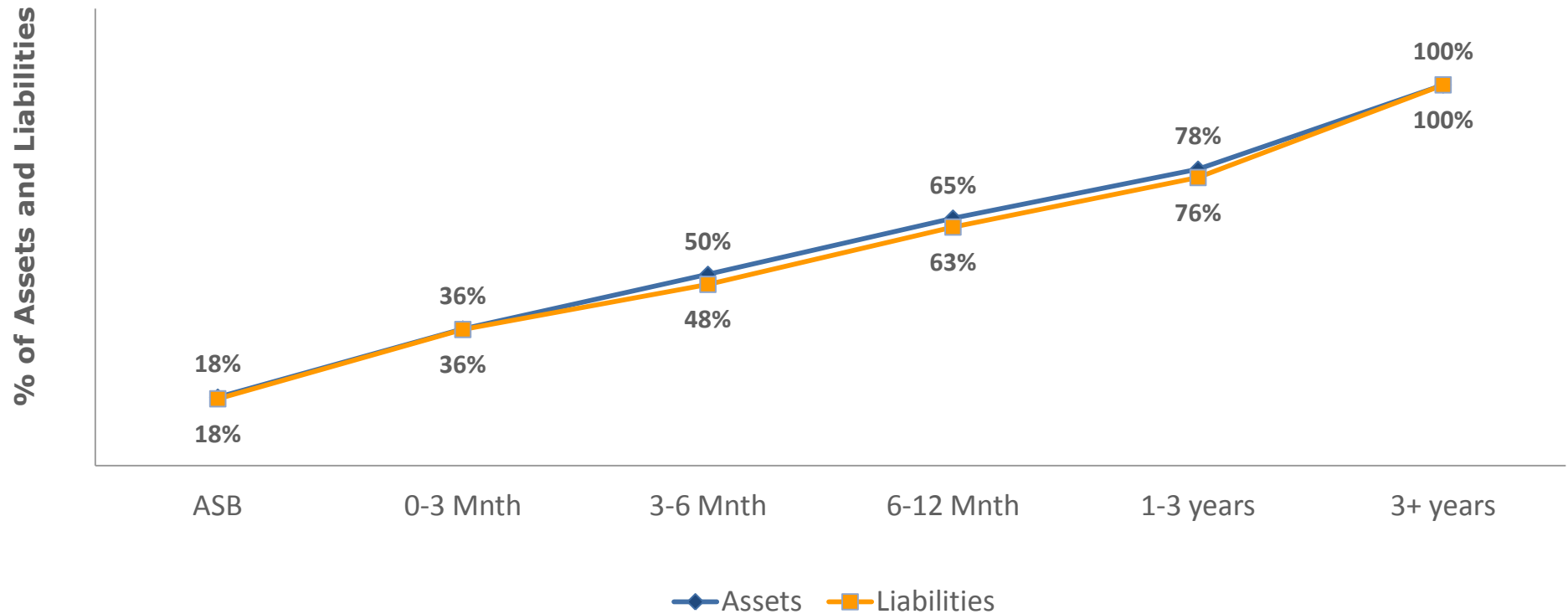
Balance Sheet Strategy: Diversified Asset profile



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



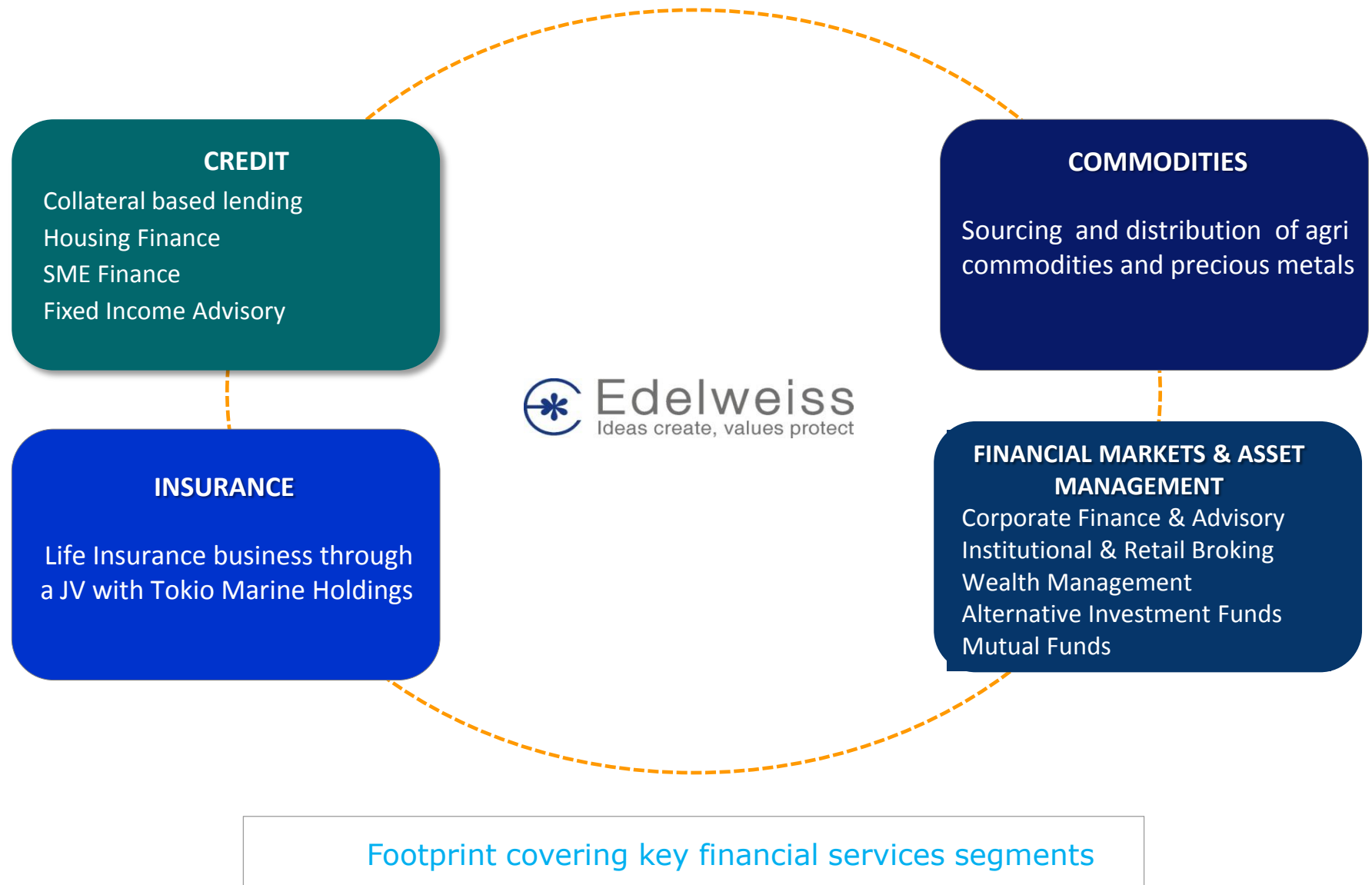
Sep'13 - ₹ 146.02 bn



Positive ALM

ALCO manages and monitors ALM, Interest Rate Risk and Liquidity

3. Business Highlights





- Strong **~460,000 clients/accounts** base across businesses
- 207 offices in 113 cities including 5 international offices
- Touch points include over 6,200 Authorised Persons and Sub-brokers across India



As on (₹ in million)	Sept 30, '13	June 30, '13	Sept 30, '12
Total Credit Book	69,197	66,230	57,730
Corporate finance	45,872	41,585	40,860
Retail finance	19,119	18,260	11,950
Retail LAS	4,206	6,385	4,920
Average collateral cover on Wholesale finance book	2.5x	2.5x	2.7x
Number of Retail finance clients	3,370	3,000	1,700
Housing finance & LAP portfolio LTV	55%	55%	57%

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

Credit

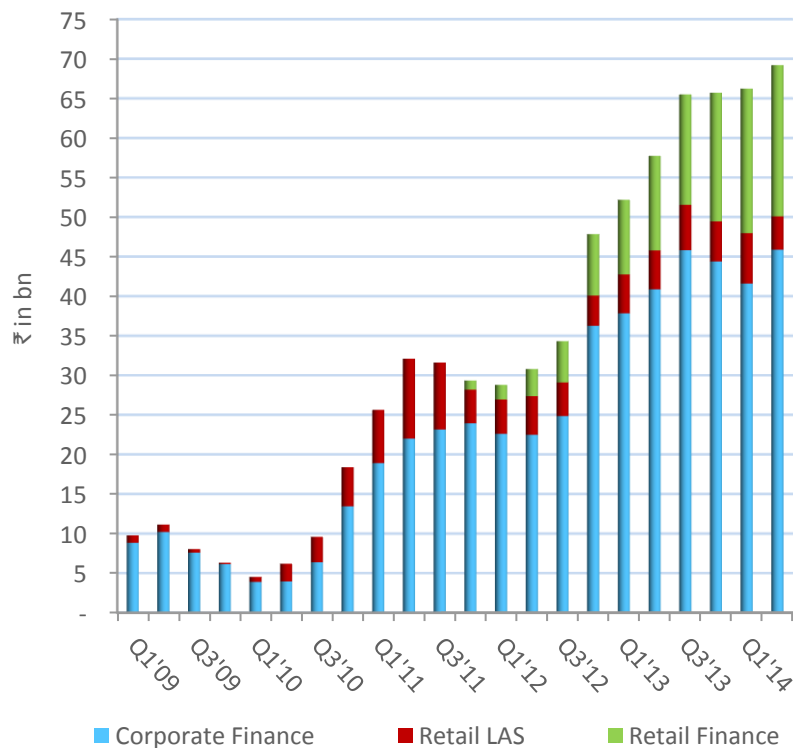
Commodities

Financial Markets &
AM

Life Insurance

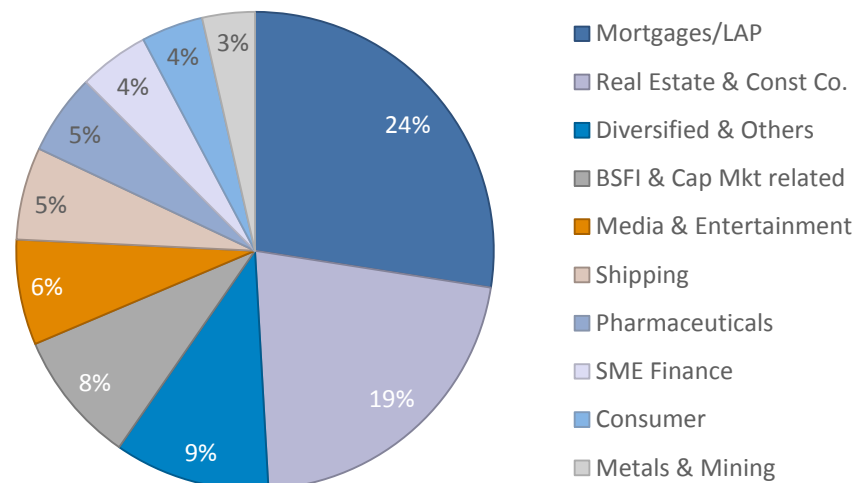


Credit Book Growth & Composition



Retail loans constitute 34% of the total book

Top Sector Exposures as on Sept 30, 2013



A well diversified credit book with robust risk management approach

Credit

Commodities

Financial Markets &
AM

Life Insurance



As on (₹ in million)	Sept 30, '13	June 30, '13	Sept 30, '12
Total Credit Book	69,197	66,230	57,730
Gross NPLs	488	340	240
Gross NPL %	0.71%	0.51%	0.42%
Net NPLs %	0.19%	0.15%	0.12%
Total Provision Held [#]	518	414	304
Total Provision Cover [#]	106%	122%	126%

Severe economic downturn in Q2FY14 resulted in some stress
But robust Risk Management ensuring good asset quality

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
- * **11 transactions** across Fixed Income Advisory in Q2FY14 (17 in Q1FY14)

High interest rates slowing debt issuances by Corporates

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 in the past two years
- * Focus on operations, inventory and collateral risk management for commodities business
- * Assets ₹ 17.30 bn including FDs and stocks at the end of the quarter



₹ in billion	Q2FY14	Q1FY14	Q2FY13
Corp Finance Advisory Deals	4	2	2
Average Daily Volumes (ADV) [#]	58.20	59.00	61.75
Clients ADV	32.00	34.30	27.70
Stocks under Research Coverage	181	187	189
Retail Capital Market Clients	418,000	412,800	389,300
Wealth Management - AUAs	37	32	30

RCM launched Mobile Trading Applications across Operating Systems
Large revenue opportunity

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\$ 745 mn equivalent through 6 funds & Structured Products

* Leading issuer of Structured Products

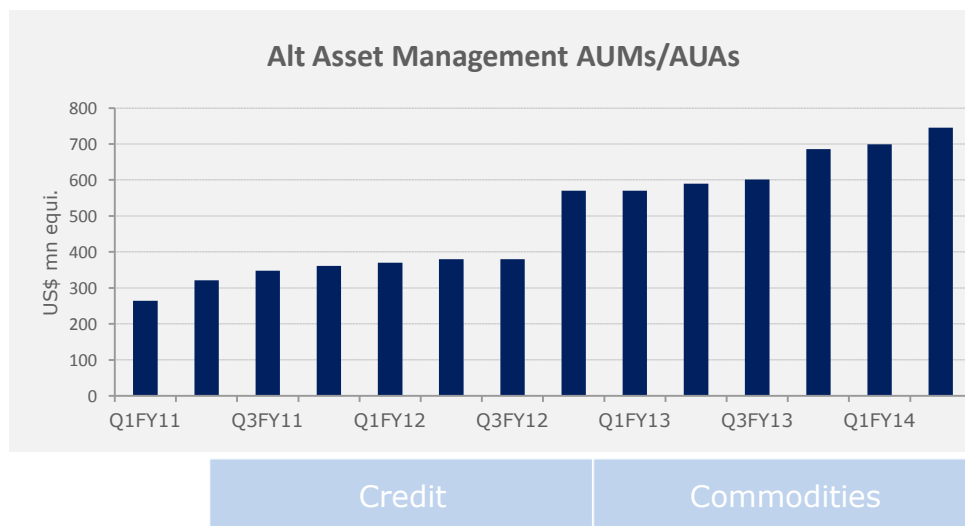
* **Mutual Fund** average AUMs of ₹ 1.9 bn in Q2FY14

* Over 10,400 active investors

* Over 3,150 distributors

* Focus on building investment track record & developing product portfolio

* Mutual Fund part of our long-term retail strategy





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

- Scale-up in Organic Agency continues: 57 branches at end of Sept 2013
- Gross Premium ₹ 239 mn in Q2FY14 (₹ 68 mn in Q2FY13)
- ~26,270 policies in force at the end of Q2FY14 (~9,760 at the end of Q2FY13)

As on	Sept 30, '13	June 30, '13	Sept 30, '12
No. of Personal Financial Advisors	5,091	4,005	1,845
No. of Branches	57 in 48 cities	46 in 39 cities	39 in 29 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	FY14	FY13	FY13
	Q2	Q1	Q2	Annual
Premium Income	239	113	68	548
Investment Income & Other Income	88	132	125	457
Total Income	327	245	193	1,005
Total Expenses	547	427	320	1,652
Profit Before Tax	(220)	(182)	(127)	(647)
Profit After Tax	(220)	(182)	(127)	(647)
Net Worth	6,659	4,375	5,014	4,558

Capital infusion by the JV partners in second quarter demonstrates long-term commitment to the business

Credit

Commodities

Financial Markets &
AM

Life Insurance

4. Enterprise Updates



		Q2FY14	Q1FY14	Q2FY13
End of Period Head Count		4,003	3,980	3,362
Senior Attrition (annualized)		13%	13%	16%
Learning & Development	Training man days	3,862	3,403	3,302
	Employees covered	1,442	1,220	961

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



Philanthropic initiative to drive sustainable social change

Impacted over 1,60,000 lives

Current portfolio of 18 non - profit organisations

Committed ₹ 218 mn till date

Over 8,000 hours of pro-bono support

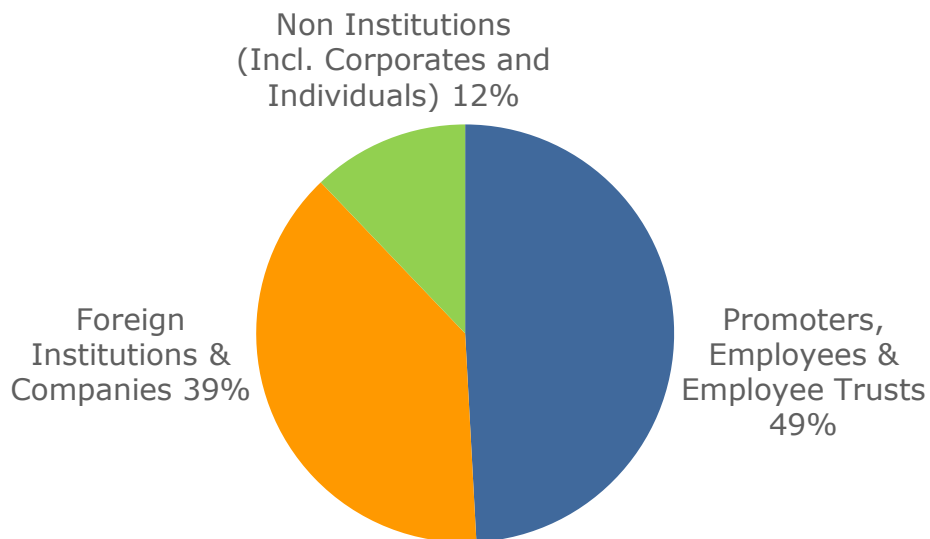
Over 3,500 Edelweiss employees touched via volunteering or financial contribution

Focus on Education, Livelihoods and Womens' Rights

EdelGive has supported **MC MaryKom** for last 3 years especially during her Olympic preparation and has also been supporting **P V Sindhu** by funding through Olympic Gold Quest Movement



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



	Name	Percent
1	Carlyle	8.4%
2	Govt. of Singapore	8.1%
3	BIH SA	5.7%
4	Greater Pacific Capital	5.1%
5	Fidelity	2.9%
6	SAIF Advisors	2.3%
7	Amansa Investments	1.5%
8	GKFF Ventures (Argonaut)	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, now Balance Sheet Management 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
Independent Director

Served as 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



Name	Brief Background
Mr. S. S. Thakur	First Chairman of HDFC Bank Ltd from 1994 to 2000 and former Chairman of CDSL. Also worked in RBI, including as Controller of Foreign Exchange, and multi lateral agencies.
Mr. T. S. Krishna Murthy	Former Chief Election Commissioner of India. Retired IAS – positions held included Secretary, Deptt of Company Affairs. Was also responsible for economic policy making in GoI at the highest levels
Mr. G. N. Bajpai	Former Chairman of SEBI and one of the most influential leaders of the Indian financial services industry. Prior to his appointment as SEBI Chairman, Mr. Bajpai was Chairman of the Life Insurance Corporation of India (LIC).
Mrs. Ranjana Kumar	Four decades of experience in commercial banking. Former CMD of two Public Sector Banks, CMD of NABARD and Vigilance Commissioner in Central Vigilance Commission
Mr. V. K. Sharma	A veteran central banker, retired as Executive Director of RBI after a three and half decade long career. Played a key role in regulating financial markets as well as rural credit.



Name of the Subsidiary	Names of the Independent Directors
ECL Finance Ltd.	Mr. P. N. Venkatachalam
Edelweiss Housing Finance Ltd.	Mr. Uday Shankar Dutt
Edelweiss Securities Ltd.	Mr. Narendra Jhaveri
Edelweiss Commodities Services Ltd.	Mr. P. N. Venkatachalam
Edelweiss Finance & Investments Ltd.	Mr. P. N. Venkatachalam Dr. Vinod Juneja
Edelweiss Asset Management Ltd.	Mr. Kanu H. Doshi Mr. U. R. Bhat
Edelweiss Tokio Insurance Co. Ltd.	Mr. R. P. Singh Mr. P. Vaidyanathan
Edelweiss Asset Reconstruction Co. Ltd.	Mr. T. S. Krishna Murthy Mr. V. Janakiraman Mr. S. G. Gulati Mr. Ashok Kini Mr. Vikas Balia



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