

Edelweiss Financial Services Limited
Q1FY20 Unaudited, Limited Reviewed Results
Total Income INR 2,546 Cr
Ex-Insurance Profit After Tax INR 182 Cr

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, limited reviewed results for the quarter ended June, 2019 today.

Q1FY20 Highlights:

- **Total Revenue INR 2,546 Cr** (2,481 Cr for Q1FY19)
- **Ex-Insurance Pre-credit cost PBT INR 537 Cr** (INR 612 Cr for Q1FY19)
- **Ex-Insurance Profit After Tax INR 182 Cr** (INR 311 Cr for Q1FY19)
- **Ex-Insurance RoA for the quarter at 1.7% and RoE 10.2%**
- **Consolidated Profit After Tax INR 132 Cr** (INR 264 Cr for Q1FY19)
- **Debt Equity reduced further to 3.7x** (4.9x for Q1FY19)
- **As a conservative policy, we have front-loaded credit costs this quarter**

Edelweiss is a diversified financial services firm with presence in India's most scalable and profitable sectors. Our various businesses address the needs of multiple client segments and demographics. During the last few years, several of Edelweiss' "young" businesses have gained ground while the mature businesses have scaled up into sustainable business models with increased market share in their respective segments.

Our **diversified model** has helped us in this tough environment as Capital Light businesses anchored the profits this quarter.

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

"The current economic slowdown is not confined to just one sector, but has impacted virtually all areas of the economy; this is evident from the results of many companies this season. While we expect H1FY20 to be muted, we are hoping that H2FY20 will be better with signs of an easing liquidity environment with steps taken by the RBI and the Government leading to an expected economic recovery, although it may take some time. In these challenging times, what has helped us is our diversified business model."

"In 2017, we had outlined our strategic growth plan to separate our three businesses - Credit, Advisory & Insurance - into independent entities with their own strategic investors, ring-fenced capital base and independent boards. In line with this strategy, our existing long term investor, Kora Management, is investing a total of ~INR 875 Cr (\$125 mn) with us of which ~INR 525 Cr (\$75 mn) will be in Edelweiss Global Investment Advisors, our

advisory business. We are also close to finalising other marquee investors for this first external investment round in EGIA, which will be limited to ~INR 1,400 Cr (\$200 mn) in all. The Edelweiss Group will continue to be a majority shareholder in the three entities. ”

“Although the environment has been challenging, our advisory business has done reasonably well and customer assets has seen an upside of 14 per cent YoY. On the credit side, asset quality has been a concern and therefore we have started frontloading our credit costs in a transparent manner. We are fortunate to have teams with strong resolution capability focused on ensuring weak assets with good collateral value are resolved in the least time and cost. We have been monitoring liquidity very closely consciously preserving liquidity at the cost of growth. Our collateral values remain strong, we have a strong capital base, a low debt equity ratio, and capital adequacy of close to 20 per cent.”

Business Highlights:

Operations of Edelweiss are organized around **Credit, Advisory and Insurance businesses.**

Credit Business:

Credit business of Edelweiss offers the following products:

- **Retail Credit** comprises of Retail Mortgage, SME and Business Loans, ESOP and Margin Financing, Agriculture and Rural Finance.
- **Corporate Credit** comprises of Structured Collateralized Credit and Wholesale Mortgages.
- **Distressed Credit**

Balance Sheet Management Unit (BMU) is subsumed in the Credit business

- **Balance Sheet Management:** BMU manages the liquidity like a commercial bank, while simultaneously managing the Balance Sheet and ensuring that maturing liabilities are repaid smoothly. It also manages key components of the Balance Sheet, monitors interest rate sensitivity in the portfolio and takes pre-emptive steps to mitigate any potential liquidity risks. Its focus continues to be on strengthening the Balance Sheet by reducing dependence on short-term market borrowings, diversifying sources of borrowings, maintaining a matched ALM profile and maintaining adequate liquidity.

Brief highlights of business performance are as under:

- Credit Business had a muted Q1FY20 due to higher liquidity management and higher credit costs
- At the end of Q1FY20, Retail Credit book was INR 16,981 Cr and Corporate Credit book was INR 16,987 Cr
- Total Credit Book including Distressed Credit stands at INR 42,599 Cr at the end of Q1FY20
- Gross NPAs at 2.33% and Net NPAs at 1.24%.
- Distressed Credit business has capital employed of INR 8,631 Cr and recoveries stands at INR 1,076 Cr for Q1FY20. Edelweiss ARC continues to be the largest Asset Reconstruction Company in the country. We are

excited about the ARC opportunity as it helps in releasing productive assets for the nation's economy and reduces burden on commercial banks. Focus of this business continues to be on acquiring large viable operating and EBITDA earning assets that are financially broken.

- BMU losses stood at INR 38 Cr includes cost of liquidity management; Starting this quarter, this will be subsumed in the Credit business.
- Edelweiss has entered into a strategic partnership with Bank of Baroda to co-lend to MSMEs

Liquidity and Balance Sheet Management:

- Liquidity is being managed very closely
- Overall Liquidity maintained at ~INR 8,800 Cr
- Strengthening our Capital Base - The consolidated Capital Adequacy Ratio for Edelweiss Group is 19.4% as on 30th June 2019.
- D/E (Ex Treasury Assets) maintained at 3.7x

Advisory business:

We are currently planning an investment round of upto \$200mn in advisory business. Kora management –an existing investor in Edelweiss – is the first investor in the investment round to have agreed binding terms. A separate Press Release has details of this investment.

Advisory businesses include **Wealth Management, Asset Management and Capital Markets.**

1. Wealth Management:

- The AuA of the Wealth Management business grew to ~INR **1,06,600** Cr at the end of Q1FY20
- Edelweiss Private Wealth Management has launched digital advisory solution and platform – 'Infinity' for its private wealth clients

2. Asset Management:

- Asset Management business comprises Alternative Asset Management and Mutual Fund
- Leading player in the Private Debt space with funds across Real Estate Credit, Distressed Credit and Structured Debt
- The total AuM of Asset Management business stood at ~INR 36,300 Cr at the end of Q1FY20
- Alternative asset management has successfully executed 2 deals this quarter to capitalize on the deployment opportunity

3. Capital Markets:

- **Institutional Broking** business continued to be among the market leaders and performed in line with the industry. Research covers 264 stocks across 30 sectors
- Edelweiss continued to be a major distributor in public issues of equities and debt

Life Insurance:

Edelweiss Tokio Life Insurance is one of the fastest growing life insurance companies in India. It continues to scale up its business with the objective of enhancing quality of business and focus on customer.

All Edelweiss Tokio (individual and group) ULIP funds have been providing superior returns. The company follows the agency-led multi-channel distribution approach with emphasis on productivity with a focus on building direct capability, specifically online.

It continues to expand its distribution footprint across agency and alternate channels with presence across **121** branches in **93** locations and the agency channel force of ~ **44,506** Personal Financial Advisors.

Insurance Broking:

Edelweiss has entered into a strategic partnership for a minority stake dilution in Insurance Broking arm with Arthur J. Gallagher & Co.

EdelGive Foundation, with the mission to empower non-profit organizations towards achieving sustainable social change, has so far financially supported over 95 NGOs with financial commitments of over INR **207** Cr in the social sector.

Updates and Awards:

- Edelweiss Group signed on sprinter Hima Das to its roster of women athletes, committing itself to the financial well-being of six of India's iconic women sports champions including Rani Rampal (Captain of the Indian women's hockey team), Heena Sidhu (Shooter), Manika Batra (Paddler), Mirabai Chanu (Weightlifter) and Dipa Karmakar (Gymnast).

Awards

- **Best Private Bank - India (Private Wealth Management)**
Finance Asia Country Awards 2019
- **Best Business Transformation Award (SME Lending)**
Digital Customer Experience Summit & Awards 2019
- **Best Use of Technology in Risk Management (Treasury Risk & Technology)**
Treasury, Financial Risk and Compliance Summit 2019
- **Best Torchbearers of Commodity Derivatives Market (Professional Investor Research)**
MCX Award 2019
- **Order of Merit (Edelweiss Tokio Life Insurance, Zindagi Plus)**
Skoch Awards 2019

About Edelweiss Financial Services

The Edelweiss Group is one of India's leading diversified financial services company providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. Edelweiss's products and services span multiple asset classes and consumer segments across domestic and global geographies. Its businesses are broadly divided into **Credit Business (Retail Credit** comprises of **Retail Mortgage, SME and Business Loans, ESOP and Margin Financing, Agriculture and Rural Finance, Corporate Credit** comprises of **Structured Collateralised Credit** to Corporates and **Wholesale Mortgages, Distressed Credit and BMU** operations manage the liquidity and Balance Sheet for the entire group), **Advisory Business** (Wealth Management, Asset Management and Capital Markets) and **Insurance (Life and General Insurance)**. Edelweiss has a Balance Sheet of INR 54,513 Cr, as of 30th June, 2019. The Group had a revenue of INR 2,546 Cr and PAT of INR 132 Cr for Q1FY20.

The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across all client segments. The group has sizeable presence in large retail segment through its businesses such as Life Insurance, Housing Finance, Mutual Fund and Retail Financial Markets. Together with strong network of Sub-Brokers and Authorized Persons, Edelweiss group has presence across all major cities in India.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Reuters: EDEL.NS and EDEL.BO and Bloomberg: EDEL IS and EDEL IB. Edelweiss stock is covered by sell side research analysts of Morgan Stanley, Citi Research, SBI Cap Securities, ICICI Securities, Maybank Kim Eng Securities, Haitong International, Credit Suisse Securities, and Emkay Global Financial Services.

To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

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Safe Harbour

This document may contain certain forward - looking statements, which are tentative, 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 30 June 2019

		Quarter Ended			(INR in Crores)
		June 30, 2019 (Unaudited)	March 31, 2019 (Audited) (Refer Note 8)	June 30, 2018 (Unaudited)	Year Ended March 31, 2019 (Audited)
1	Revenue from operations				
	(a) Interest income	1,567.12	1,477.71	1,619.64	6,623.27
	(b) Dividend income	3.06	209.15	4.98	227.07
	(c) Fee and commission income	463.81	478.83	520.67	2,133.36
	(d) Net gain on fair value changes	270.67	357.44	139.73	812.46
	(e) Premium from insurance business	172.57	391.48	118.37	884.04
	(f) Other operating income	35.46	21.87	32.08	113.64
	Total revenue from operations	2,512.69	2,936.48	2,435.47	10,793.84
2	Other income	33.24	5.58	40.67	83.71
3	Total Income (1+2)	2,545.93	2,942.06	2,476.14	10,877.55
4	Expenses				
	(a) Finance costs	1,188.09	1,221.04	1,109.84	4,718.39
	(b) Impairment on financial instruments	283.58	102.61	120.34	484.89
	(c) Employee benefits expense	376.15	435.94	386.51	1,649.99
	(d) Depreciation and amortisation expense	47.32	40.60	26.88	131.63
	(e) Change in insurance policy liability – actuarial	163.45	316.54	91.93	716.23
	(f) Policy benefits paid	22.49	27.67	13.23	74.16
	(g) Other expenses	261.72	392.03	309.75	1,362.75
	Total expenses	2,342.80	2,536.43	2,058.48	9,138.04
5	Profit before share in profit of associates and tax (3-4)	203.13	405.63	417.66	1,739.51
6	Share in profit of associates	-	-	4.50	4.20
7	Profit before tax (5+6) (Refer Note 6)	203.13	405.63	422.16	1,743.71
8	Tax expense				
	Current tax	128.17	(19.18)	228.51	654.87
	Deferred tax and MAT	(59.53)	178.49	(69.67)	44.47
9	Net Profit for the period (7-8)	134.49	246.32	263.32	1,044.37
10	Other Comprehensive Income / (Loss)	53.50	7.25	(31.84)	57.33
11	Total Comprehensive Income (9+10)	187.99	253.57	231.48	1,101.70
12	Net Profit / (Loss) for the period attributable to:				
	Owners of the company	132.02	232.39	264.40	995.17
	Non controlling interests	2.47	13.93	(1.08)	49.20
13	Other Comprehensive Income / (Loss) for the period attributable to:				
	Owners of the company	26.54	1.57	(14.60)	38.41
	Non controlling interests	26.96	5.68	(17.24)	18.92
14	Total Comprehensive Income / (Loss) for the period attributable to:				
	Owners of the company	158.56	233.96	249.80	1,033.58
	Non controlling interests	29.43	19.61	(18.32)	68.12
15	Earnings Per Share (INR) (Face Value of INR 1/- each)				
	- Basic (Refer Note 9)	1.49	2.62	3.03	11.28
	- Diluted (Refer Note 9)	1.47	2.58	2.94	11.09

Notes:

1. The consolidated financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter ended 30 June 2019 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at their respective meetings held on 14 August 2019.
2. The consolidated financial results of EFSL for the quarter ended 30 June 2019 have been subjected to a "Limited Review" by the Statutory Auditors of the Company and the auditors have issued an unqualified review report.
3. During the quarter the Company has implemented Ind AS 116 "Leases". This does not have any significant impact on the profit and loss for the period.
4. Pursuant to management's plan to sell certain loans in near future, during the quarter, the Company has classified these loans amounting to INR 1,644.65 crores from amortised costs to fair value through profit and loss account ('FVTPL').
5. The Company has opted to publish Extracts of the Unaudited Consolidated Financial Results, pursuant to option made available as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Standalone financial results are available on the Company's website viz. www.edelweissfin.com and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). Key standalone financial information is given below:

Particulars	(INR in Crores)			
	Quarter Ended			Year Ended
	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	June 30, 2018 (Unaudited)	March 31, 2019 (Audited)
Profit before Tax	115.88	25.18	41.04	105.92
Net Profit after Tax	96.13	22.32	32.78	102.87
Other Comprehensive Income / (Loss) after tax	0.02	(0.22)	0.10	0.08
Total Comprehensive Income after tax	96.15	22.10	32.88	102.95

6. The attribution of profit before tax between owners of the company and non-controlling interests is as per below table:

Particulars	(INR in Crores)			
	Quarter Ended			Year Ended
	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	June 30, 2018 (Unaudited)	March 31, 2019 (Audited)
Profit / (Loss) before tax attributable to:				
Owners of the company	177.51	365.52	405.26	1,598.02
Non controlling interests	25.62	40.11	16.90	145.69
Profit / (Loss) before tax	203.13	405.63	422.16	1,743.71

7. During the quarter ended 30 June 2019, the Company has issued 396,475 equity shares of face value of INR 1 each to the employees of the company and its subsidiaries on exercise of employee stock options.
8. The figures for quarter ended 31 March 2019 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the nine months ended 31 December 2018. The figures up to the end of the nine months period ended 31 December 2018 were subjected to a limited review by the Statutory Auditors of the Company.
9. Earnings per share for the quarters ended 30 June 2019, 31 March 2019 and 30 June 2018 are not annualized
10. Consolidated Segment Results for the quarter ended 30 June 2019.

Particulars	Quarter Ended			Year Ended
	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	June 30, 2018 (Unaudited)	March 31, 2019 (Audited)
(INR in Crores)				
1. Segment revenue [Total income]				
Agency	295.10	304.74	355.55	1,367.46
Capital Based	1,954.78	2,161.55	1,968.37	8,381.64
Insurance business	285.60	467.97	154.44	1,109.54
Unallocated	10.45	7.80	2.28	23.11
Total income	2,545.93	2,942.06	2,480.64	10,881.75
2. Segment results [Profit / (Loss) before tax]				
Agency	94.46	95.59	116.03	447.93
Capital Based	205.66	420.45	386.98	1,652.47
Insurance business	(86.17)	(88.43)	(79.80)	(330.01)
Unallocated	-	-	-	-
Profit / (Loss) before tax	213.95	427.61	423.21	1,770.39
Less:				
(a) Interest	-	-	-	-
(b) Unallocated net expenditure	(10.82)	(21.98)	(1.05)	(26.68)
Total Profit before tax	203.13	405.63	422.16	1,743.71
3. Segment Assets				
Agency	4,589.02	4,392.73	5,358.95	4,392.73
Capital Based	54,681.28	55,203.87	62,024.15	55,203.87
Insurance business	3,918.35	3,885.55	3,137.59	3,885.55
Unallocated	789.15	1,061.39	825.98	1,061.39
Total assets	63,977.80	64,543.54	71,346.67	64,543.54
4. Segment Liabilities				
Agency	4,132.59	3,961.87	4,682.26	3,961.87
Capital Based	47,917.30	48,392.86	56,243.93	48,392.86
Insurance business	2,907.66	2,837.09	1,949.11	2,837.09
Unallocated	216.11	636.73	244.94	636.73
Total liabilities	55,173.66	55,828.55	63,120.24	55,828.55
5. Capital employed [Segment assets - Segment liabilities]				
Agency	456.43	430.86	676.69	430.86
Capital Based	6,763.98	6,811.01	5,780.22	6,811.01
Insurance business	1,010.69	1,048.46	1,188.48	1,048.46
Unallocated	573.04	424.66	581.04	424.66
Total capital employed	8,804.14	8,714.99	8,226.43	8,714.99

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 Based includes income from treasury operations, investment income, asset reconstruction business and financing; Insurance business represents life insurance business and general insurance business.

11. The previous period/year figures have been regrouped/reclassified wherever necessary to conform to current period's/year's presentation.
12. The consolidated financial results will be available on the Company's website - www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah

Chairman

Mumbai, 14 August 2019