



The Great Indian Opportunity

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Performance at a Glance

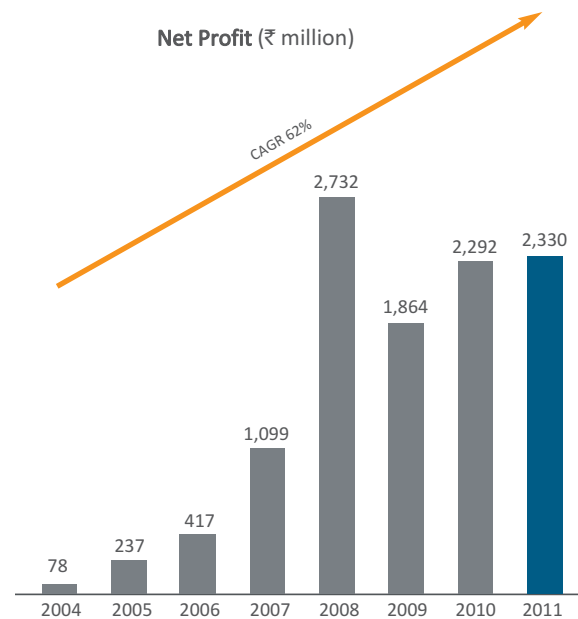
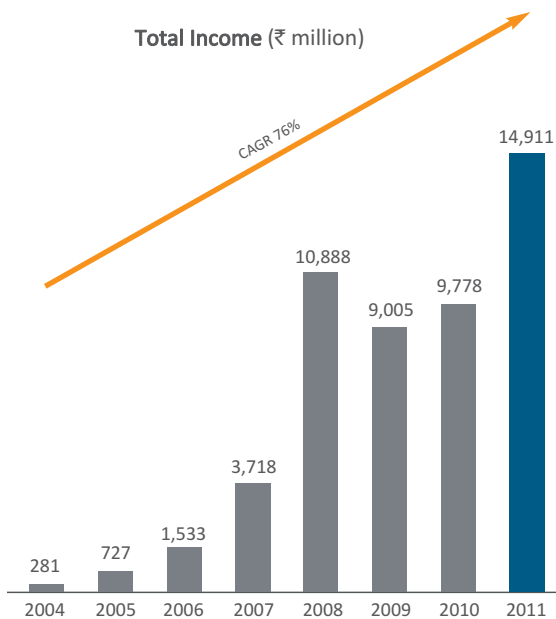
Consolidated Financial Performance of Edelweiss Capital Limited and its subsidiaries (in ₹)

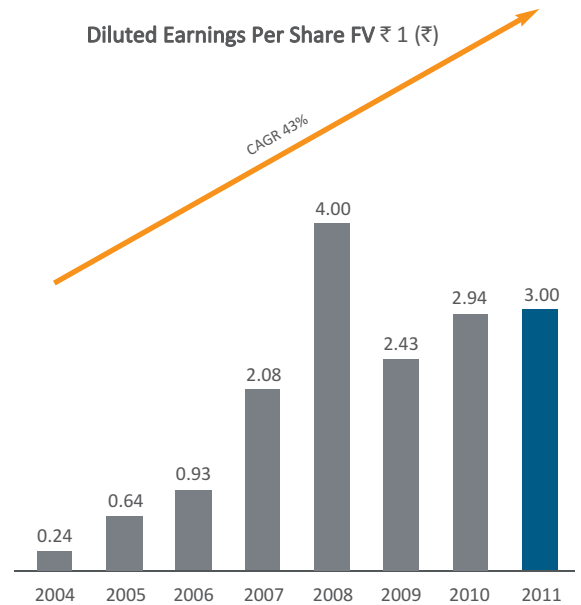
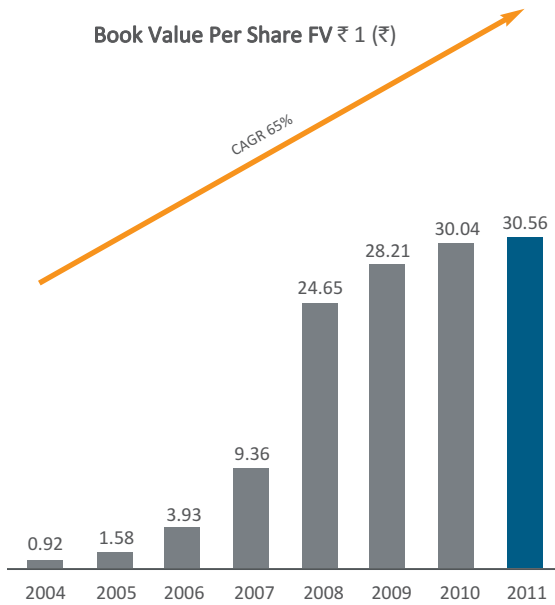
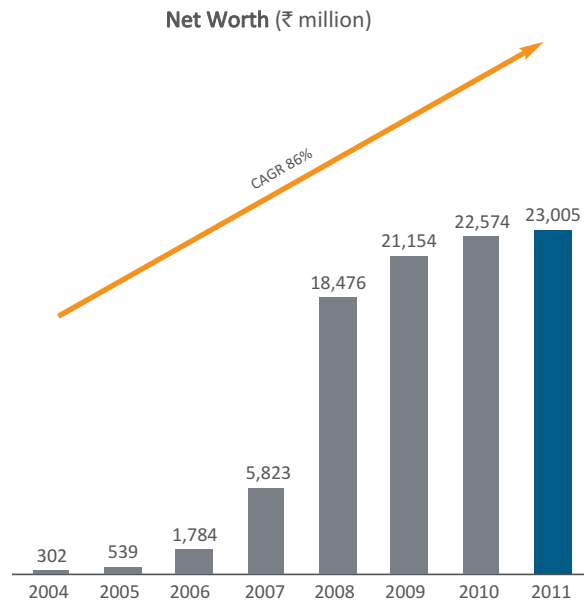
(in ₹ million except per share data)

Year Ended March 31,	2011	2010	2009	2008	2007	2006	2005	2004
Total Income	14,911	9,778	9,005	10,888	3,718	1,533	727	281
Total Expenditure	11,411	6,450	5,715	6,421	1,971	898	383	175
Profit Before Tax	3,500	3,328	3,290	4,467	1,747	636	345	106
Tax Expenses	1,031	879	1,199	1,540	646	218	107	28
Net Profit (after Tax and Minority Interest)	2,330	2,292	1,864	2,732	1,099	417	237	78
Paid Up Equity Share Capital	752	375	375	375	45	38	29	28
Net worth (*)	23,005	22,574	21,154	18,476	5,823	1,784	539	302
Diluted Earning Per Share (FV ₹1) (in ₹) (#)	3.00	2.94	2.43	4.00	2.08	0.93	0.64	0.24
Book Value Per Share (FV ₹1) (in ₹) (#)	30.56	30.04	28.21	24.65	9.36	3.93	1.58	0.92

(*) Excluding Minority Interest.

(#) Adjusted for corporate actions.







The Great Indian Opportunity.

India is a land of contradictions.

On the one hand, India has one of the largest populations in the world.

On the other, it has one of the most heterogenous preference groups.

India has one of the youngest working age populations in the world.

It has one of the most demanding consumer segments in the world.

India's growth in per capita income is among the fastest in the world.

It has among one of the most price-sensitive consumers.

India is among the largest savers in the world.

It has one of the lowest financial services penetration rates.

It would be easy to be intimidated by these contrasting realities.

At Edelweiss, we are excited instead by the Great Indian Opportunity.

To Edelweiss, the Great Indian Opportunity means two things: protecting interests in the present; preparing prudently for the future.

This is something that the Company has consistently practiced, resulting in a 76% CAGR in revenue and 62% CAGR in profit over seven years.

In 2010-11, Edelweiss showcased the effectiveness of its investment discipline during a challenging year: even as the year was one of contradictions – an optimistic start followed by headwinds – Edelweiss posted a 53% growth in Revenues and 2% increase in Profit after Tax.

Seldom was the Company's commitment as tested as during 2010-11: even as India's financial services industry slowed down, Edelweiss continued to invest in people, processes and most importantly, in emerging business spaces while reinforcing its business model around five business groups - Credit, Capital Markets, Asset Management, Housing Finance and Insurance.

The complement of these imperatives will enable the Company to capitalise more effectively on the Great Indian Opportunity.

A vibrant marketplace provides the convenience of wider choice and quicker product access. All in one place.

As India retains its position as one of the fastest-growing economies, corporate India will increasingly seek quality capital to fund this robust growth.

Edelweiss recognises that medium and small enterprises are likely to account for 22% of India's GDP by 2012. The timely availability of credit to these businesses will represent an integral driver of their respective growth. Edelweiss provides growth capital to companies and their promoters to help them tide over temporary liquidity requirements or to expand their businesses through Promoter Funding, Loans Against Shares, Infrastructure Finance and Trade Finance. Edelweiss also provides IPO Funding and Loans against ESOPs to individual clients.

Edelweiss' Credit business accounted for more than a third of Group revenues in 2010-11; loans as at 31st March 2011 were ₹26.4 billion.

The size of the Company's balance sheet at the end of 2010-11 was over ₹100 billion, more than a 100% jump over 2009-10.

With IPO sentiment improving, the Company financed a number of IPOs in addition to disbursing related short-term loans in 2010-11.

ECL Finance Limited (NBFC subsidiary) enjoyed a Capital Adequacy Ratio of 35% as at 31st March 2011 and a net worth of ₹12.2 billion in line with its conviction that a well-capitalised NBFC represents the foundation of long-term growth.





● India is expected to emerge among the world's top two economies by 2040 (Source: PWC report) ● From current credit to GDP ratio of 50%, by 2020 it is expected to increase to 103% (Source: Edelweiss India 2020 Report) ● A preliminary assessment suggests that investment in infrastructure during the Twelfth Five Year Plan (2012-17) would need to be of the order of about US\$ 1,025 billion to achieve a share of 9.95% as a proportion of GDP (Source: Planning Commission)

A good bazaar is all about inclusion and reach...something for everyone, everywhere.

The penetration of financial services in India is one of the lowest in the world. However, household savings is one of the highest. An attractive opportunity.

Edelweiss is proactively prepared to address India's significant capital market growth through end-to-end capital market solutions spanning Investment Banking, Broking (institutional and retail) and Wealth Management Advisory Services.

Edelweiss emerged as the largest Indian institutional brokerage house with over 300 foreign and domestic institutional investors as its large broking clients.

The Company was ranked second in Equity Capital Markets (IPO, FPO, Rights and QIPs) in 2010-11 based on the number of deals below ₹4 billion.

The Company was the second-largest IPO mobiliser as a broker in 2010-11 (non-ASBA). It was ranked first in the individual HNI category (16% market share) and third in the individual retail category (8% market share).

The Company successfully handled about ₹50 billion in private equity placements and strategic exits since May 2009. A private equity placement of ₹9.6 billion for Coffee Day Resorts advised by the Company was adjudged the Best Deal of the Year by Asian Venture Capital Journal for 2010.

The Company acquired and merged Anagram Capital (re-branded as Edelweiss Financial Advisors), adding an immediate presence in 120 additional Indian cities and towns and 225,000 clients across India.

The retail broking portal – www.edelweiss.in – offers a unique, intuitive, information-rich and hassle-free online investment and trading experience to over 100,000 users.





● India's gross domestic savings is around 35% of its GDP, one of the highest household savings rates in the world ● India's market capitalisation as a proportion of the world market capitalisation touched a record 3.34 % (September 2010) with a corresponding market capitalisation of US\$ 1.55 trillion ● Retail participation in India's capital markets is expected to double from a meagre 8% over the next few years (Source: India Brand Equity Foundation).

Enduring markets always adapt the global with the national with the regional with the local and with – the most demanding of all – the individual.

Even as average Indian incomes are rising, the average Indian's expenditure is shifting from essential consumption items to discretionary products and economic enablers. A compelling scenario.

Edelweiss has always adapted to changing needs; its domestic and alternative asset advisory services are indicative of its responsiveness.

The Company's Domestic Asset Management business managed four equities and five debt schemes at the close of 2010-11.

The Edelweiss ELSS Fund performed creditably and distributed three dividends to investors in three months in 2010-11.

Edelweiss pioneered quant-based asset management in India; its successful Absolute Return Fund is built around this platform.

The Company's Alternate Asset Management business, with more than US\$ 360 million equivalent in assets under management or advice, caters largely to offshore institutional investors and comprises a Special Opportunities Fund – Offshore Fund, Real Estate Fund and Asset Reconstruction Fund.





• India's household investment in shares and debentures (inclusive of mutual funds) was a mere 0.4% of GDP in 2009; the amount invested in financial instruments was less than a fifth of the quantum invested in banks/cash/post office deposits (Source: PWC report) • India's Mutual Fund AUM-to-GDP ratio is likely to grow from 13% to about 20% by 2020, in line with peer economies • Average AUM of the Indian mutual fund industry was ₹7,036.7 billion (US\$ 158.26 billion) during January-March 2011 (Source: India Brand Equity Foundation).

A credible market always provides products of value that can be trusted.

The appetite for total retail loans in India is expected to increase from an estimated ₹10 trillion in 2010 to ₹60 trillion by 2020. Propelled by the young demographic that India enjoys.

Edelweiss' entry into the home finance space will enable it to engage the young Indian into a multi-year relationship on the one hand, and introduce the customer to a diverse set of financial products on the other.

Edelweiss Housing Finance is a housing finance company incorporated under the regulations of the National Housing Bank (NHB). It was launched in October 2010 in Mumbai and expanded operations to the National Capital Region.

The Company's principal offerings comprise home loans, loans against property, re-financing and balance transfer.

The Company's housing finance business expects to capture a reasonable market share in three years. In just five months of 2010-11, the Company sourced about ₹4.4 billion worth of business and disbursed ₹1.2 billion.





● India's total housing shortage at the end of the Tenth Five Year Plan was 24.17 million dwelling units ● Approximately 0.35% of India's rural population (around 4 million) migrates to urban India every year. This is expected to create an estimated annual housing requirement of 1.94 million urban *pucca* houses by 2020 ● The market for urban affordable housing is projected to increase from ₹432 billion in 2008-09 to ₹1.7 trillion in 2019-20 (Source: Edelweiss India 2020 report).

Identifying needs and customising products around them is the hallmark of a perceptive market.

India ranks second in global population but a low 136 in Life Insurance penetration.

Edelweiss Tokio Life Insurance possesses a deep understanding of the Indian consumer derived from a captive reach across more than 300,000 clients in 374 offices pan-India. This knowledge provides the required impetus to its life insurance business.

Tokio Marine is one of the fastest-growing new entrants in the life insurance segment in Japan. Its unique need-based marketing approach has helped it carve out an admired position in all the markets of its presence. It expects to bring a differentiated insight into life insurance products in India.

Edelweiss Tokio Life Insurance received the final R3 approval from the IRDA and expects to commence full-fledged insurance operations in H1 2011-12.





- India ranks 136 in global life insurance penetration {behind China (106), Russia (86), Brazil (85), Japan (61) and the US (9)} but is estimated to emerge as one of the top three life insurance markets by 2020
 - The number of life insurance policies in force increased nearly 12-fold over the past decade
 - The total annual premium is likely to increase from about ₹1.2 trillion in 2010-11 to about ₹10.7 trillion in 2019-20
 - Total AUM of the life insurance sector is likely to increase from about ₹7.3 trillion in 2009-10 to about ₹75 trillion by 2019-20
- (Source: IRDA).

The magic of India lies in being able to converge diverse attractions... into a compelling whole.

THE GREAT INDIAN OPPORTUNITY IS BEING CATALYSED BY IRREVERSIBLE DYNAMICS: STRONG DEMOGRAPHIC DIVIDEND, ROBUST DOMESTIC CONSUMPTION, ONE OF THE WORLD'S HIGHEST SAVINGS RATES AND GROWING INFRASTRUCTURE INVESTMENTS.

When combined, these factors are likely to create a tectonic economic shift where Indian consumers will not merely need piecemeal financial products but will need organisations who provide a holistic financial solution.

Edelweiss is future-ready. The Company has already made pro-active business investments to service emerging customer needs on one hand, and enhance stakeholder value on the other.

- **Diversification:** Over the years, Edelweiss progressively widened its services basket by moving into adjacent business spaces. Edelweiss was a purely capital market-focused player a few years ago; this business accounts for only about a third of its revenues today. As Edelweiss continues to broaden revenues, a rising proportion of growth will be derived from its Credit, Asset Management, Retail Finance and Insurance businesses.
- **Strong and liquid balance sheet:** Edelweiss possessed a balance sheet size at the end of 2010-11 of over ₹100 billion with a net worth of over ₹24 billion. Edelweiss focused on low gearing that provided the organisation with sufficient headroom to fund growth without compromising its balance sheet integrity.
- **Risk Management:** Edelweiss' risk mitigation practices were strengthened through timely

investments in people, processes and technology on one hand, and credible governance practices stewarded by an industry-renowned Board on the other.

- **People:** Edelweiss cultivates a culture of entrepreneurship and ownership among its people. It has one of the most motivating ESOP programmes in India covering a large part of its organisation; the highest employee ownership ratios in the financial services industry. It is a learning organisation that fosters leadership through a four-tiered system of identifying, nurturing and mentoring emerging leaders. Fountainhead, its state-of-the-art leadership centre in Alibaug, is among few such centres in the Indian financial services industry.
 - **Execution expertise:** Edelweiss' ability in competent execution represents the core of its success. It possesses strong project teams that focus on processes, reviews and deliverables. Whenever necessary, it re-engineers processes and innovates state-of-the-art technology solutions that enhance efficiency.
 - **Brand:** Edelweiss is a much respected brand enjoying widespread recognition due to consistent investment in a diverse set of brand building efforts spanning both conventional and unconventional channels. The 'Ideas Create, Values Protect' tagline underlines all branding efforts. A testament to the quality of the reputation being enjoyed by Edelweiss is the fact that Superbrands India has recognised Edelweiss as a Business Superbrand for the year 2010.
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Edelweiss Business Principles

The core belief of Edelweiss is 'Ideas Create, Values Protect'. The Company runs its business along the following guiding principles:

- **We will be a Thinking Organisation.** We will constantly bring 'thought' to everything we do. Our clients' and our own success depends on our ability to use greater ideation and more imagination in our approach.
 - **We will be Fair to our clients, our employees and all stake holders.** We want our clients and our employees to be 'richer' for their relationship with us.
 - **We will take care of our People seriously.** Our policies – in spirit and in letter – will ensure transparency and equal opportunity for all. We will go beyond the normal goals of attracting, recruiting, retaining and rewarding fine talent: we will ensure that every individual in Edelweiss has an opportunity to achieve their fullest potential.
 - **We will operate as a Partnership, internally and externally.** Though individuals are very often brilliant, we believe teamwork and collaboration will always ensure a better and more balanced organisation. We will also treat our clients as partners and show them the same respect and consideration that we would our internal team members.
 - **We will focus on the Long Term.** Though the world will change a lot in the coming years and our assumptions for the future may not hold up, we will reflect on the long-term implications of our actions. Even when making short-term decisions we will be aware of the long-term implications.
 - **We will focus on Growth** for our clients, employees and shareholders.
 - **Our Reputation and Image is more important than any financial reward.** Reputation is hard to build and even harder to rebuild. Reputation will be impacted by our ability to think for our clients, maintain confidentiality and by our adherence to our value system.
 - **We will Obey and Comply with the rules of the land.** We will maintain the highest standard of integrity and honesty. When we are unclear we will seek clarifications.
 - **We will respect Risk.** Our business is going to be a constant challenge of balancing risk and reward. Our ability to constantly keep one eye on risk will guide us through this fine balance.
 - **Our Financial Capital is a critical resource for growth.** We will endeavour to grow, protect and use our financial capital wisely.
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Letter from the Chairman

Dear Shareholders,

AS WE COME TO THE END OF A ROLLER-COASTER YEAR FOR THE FINANCIAL MARKETS, WE ARE HAPPY TO REPORT THAT YOUR COMPANY HAS KEPT ITS FOCUS ON THE LONG-TERM STRATEGY, WHILE GROWING THE TOPLINE AND PRESERVING THE BOTTOMLINE.

Our total consolidated revenues for FY11 were ₹14.91 billion, a growth of almost 53% over FY10. However, profits after tax have been flat, growing only 2% in FY11 to ₹2.33 billion from ₹2.29 billion in FY10.

The reasons for the relatively flat profit growth are macro-economic as well as certain conscious investment decisions taken by your Company. Let me first turn to the macro-economic factors.

The cautious optimism triggered by the economic recovery in FY10 saw a high degree of economic activity being carried over to the first half of FY11. Corporate investments, which had re-started in FY10 after the global financial crisis, continued into the first half of FY11. This was accompanied by strong and sustained domestic consumption.

This robust activity had its reflection in the secondary markets, which rallied almost 20% in the first half of FY11. Driven by some quality offerings at reasonable prices,

the primary market activity was also healthy.

There were some danger signals, however. Driven by rising commodity and food prices, inflation raised its stubborn head. Sustained inflation forced the Reserve Bank of India to raise interest rates and adopt a tight monetary policy. This adversely affected business sentiment in the second half of FY11 and resulted in capital market activity going down significantly, impacting the entire capital market sector, to which your Company was no exception.

The second impact of the macro-economic forces and particularly of rising interest rates was felt in the credit side of your Company's business. As RBI raised interest rates, the short-term liquidity as well as cost of capital in the short-term went up. This led to a compression of spreads and margins. The management believes that for the NBFC industry as a whole, including us, rising interest rates have impacted margins and spreads to the tune of 100-150 basis points. This is because there is always a time lag between the increase in the cost of capital and a consequent increase in yields on credit-related and earning assets.

The second factor that impacted growth in profits was that your Company incubated

several new businesses as a part of its long-term growth strategy. These are in an early stage of evolution and will add to the bottom-line in the coming years.

Edelweiss operates in five major businesses – Credit, Capital Markets, Asset Management, Housing Finance and Insurance. Of these, Credit and Capital Markets are relatively mature businesses while we continue to invest in our Asset Management, Housing Finance and Insurance businesses.

As I had mentioned last year, your Company entered into a joint venture in the life insurance space with Tokio Marine Holdings, Inc. – Edelweiss Tokio Life Insurance (ETLI). We were investing in this business, all of last year, hiring people and setting up infrastructure while we awaited the necessary regulatory approvals. The final R3 approval came in recently and ETLI should be in a position to start selling policies in the first half of FY12. Similarly, we continued to invest in our retail businesses – Retail Broking, Asset Management and Housing Finance.

The other major investment was in the area of infrastructure. We invested substantial amounts in purchasing an office building at Kalina, Mumbai, as well as in

setting up the Fountainhead Leadership Centre at Alibaug.

These are investments for the future, but the costs have to be borne today. According to the management's estimate, the cumulative impact on the profit after tax of these investments was in the region of ₹600 million. I expect the investment phase to continue during this year and in the short-term these investments will have an impact on the rate of growth of our profits. However, the management believes that all these investments are necessary for the future growth of the Company and will yield profits in the long term.

Renaming of the Company

In the last few years, we expanded our portfolio of businesses significantly and as mentioned earlier we have five main lines of business, making Edelweiss one of the most diversified financial services companies in the country. However our name – Edelweiss Capital Limited – still tends to reflect our capital markets origin. To accurately reflect the diversified nature of our businesses, the Board of Directors of your Company has recommended that the name of the Company be changed to 'Edelweiss Financial Services Limited.'

In the last few years, we expanded our portfolio of businesses significantly and as mentioned earlier we have five main lines of business, making Edelweiss one of the most diversified financial services companies in the country.

Change in Business Mix

To grow in a hyper-competitive environment like India, companies need to maintain a continuity of strategy while continuing to become more efficient. At Edelweiss, we have constantly endeavoured to do this. Our long-term strategy remains constant – de-risk by moving into adjacent spaces, invest during hard times to build scale while continuing to focus on client needs. This ensures that when the cycle turns, we are ideally positioned to benefit from it. In FY11 we carried on in a similar vein.

Today, the businesses of your Company consist of:

- **Credit** – Sponsor Funding, Corporate Loans, ESOP Financing, IPO Financing, Loan against Shares and Infrastructure Funding
- **Capital Markets** – Investment Banking - Equity Capital Markets, Advisory and Debt Capital Markets, Institutional Equities, Prime Brokerage Services, HNI and Retail Broking, Wealth Advisory and Distribution
- **Asset Management** – Alternatives and Retail Asset Management
- **Housing Finance** – Launched during FY11, this is the newest business for your Company

- **Life Insurance** - Your company's 74:26 Life Insurance Joint Venture with Tokio Marine of Japan recently received the final approval and will commence business operations shortly.

I am happy to report that this strategy of de-risking by moving into adjacent spaces and building scale has paid off handsomely. Our revenue mix, on a sustainably enhanced base, is now materially different than what it was a few years ago. In FY11, interest income was at ₹7.54 billion, about 50% of the FY11 top line of ₹14.91 billion. Our fee and commission revenues from the Capital Markets and Asset Management business were ₹5 billion – about 33% of the total. As the Housing Finance and Life Insurance businesses mature, we expect that the revenue pie will increase further. On this enhanced revenue pie, I expect these five businesses to contribute, on a consolidated basis, nearly equally i.e., about 20% each. This will ensure that your Company will have a broad-based business model, immune from cyclical downturns in any one business.

Organisational Metamorphosis

If you look at our five lines of businesses enumerated above, it becomes evident that they are addressing significantly different customer segments – Wholesale



and Retail. The expectations from these client segments are materially different as are the business drivers and systems and processes required to service them.

To better address client needs and improve the execution efficiency, we are re-organising Edelweiss under two broad clusters of Wholesale and Retail businesses. The Wholesale businesses will include wholesale capital markets, wholesale credit, wholesale asset management and treasury. The retail businesses will include retail capital markets, retail credit, housing finance, retail asset management and the soon-to-be-launched life insurance business. In addition to all these client facing businesses, we would have the Enterprise SBU driving all the businesses.

The idea behind the new structure is that we harness synergies among similar businesses to better exploit emerging opportunities while at the same time improving efficiency. While we are doing this re-organisation, what remains constant, at an overall Edelweiss level, is that there will be oneness in key areas such as value systems, culture, long-term strategy, approach towards risk, corporate governance and allocation of resources.

Achievements

In a year that saw a lot of volatility in business sentiment as well as economic and market activity, I am happy to report that your Company has had several achievements to its credit. Following are a few of them:

- By the end of FY11, our balance sheet size has crossed ₹100 billion compared about ₹52 billion at the end of FY10.

- Your Company continues to enjoy the highest Short-Term Credit Ratings (P1+ & A1+). Our Long-Term Ratings are AA-/LAA-.
- Inclusive of minority interest, our net worth now is over ₹24 billion. This gives us significant headroom to continue to invest in expanding our businesses.
- In the last 12 years, Edelweiss has reported consistent growth with a CAGR of 78% for revenue and 67% for PAT.

Outlook

As always, the outlook for the future is going to be governed by macro-economic factors and the decisions that we, as a company, take.

On the macro-economic front, we believe that the inflationary pressures are a result of a mix of supply and demand side factors. While high commodity prices, especially high crude prices, will govern the supply side, the demand side pressure is caused by fiscal spending that is part of the government's financial inclusion agenda. Given these factors, we see concerns persisting in the early part of FY12. In fact, there is an even chance that things may get worse in the short-term, before they get better.

At a company level, the overall theme will revolve around our long-term strategy to invest in emerging businesses and opportunities. We will expand our Housing Finance business, both in terms of geographies and client segments, to address a wider audience.

The other big business investment this year is going to be in our life insurance joint venture with Tokio Marine Holdings Inc.

Despite its relative under-penetration, life insurance in India is an extremely competitive business. To build scale, we will have to invest significant amounts into this business. The impact on our consolidated PAT from our investments in the Life Insurance business could be ₹450-500 million in FY12.

On the other hand, a lot of the other investments we made in FY11, especially in areas like infrastructure, will start becoming productive as the new office building gets fully occupied towards the second half of the year.

Similarly, I believe that we could start scaling back on our investments in the retail businesses sometime during FY12. As these businesses start assuming scale and start becoming productive, they would not require any more burn. All these developments would, hopefully, have a positive impact on our bottomline.

At Edelweiss, we have always believed in focusing on long-term growth over short-term profitability. It is not an easy process. At times, it tends to give an impression of a perpetual work-in-progress. But I believe that in a country like India, which probably defines hyper-competitiveness, this is the only way to build scale and succeed.

Regards,



Rashesh Shah
Chairman

Place: Mumbai

Date: May 16, 2011

Company Details

Board of Directors

Rashesh Shah

Venkat Ramaswamy

Kunnasagaran Chinniah

Narendra Jhaveri

P. N. Venkatachalam

Berjis Desai

Sanjiv Misra (appointed w.e.f. May 16, 2011)

Navtej S. Nandra

(resigned w.e.f. July 6, 2010)

SVP & Company Secretary

B. Renganathan

Statutory Auditors

BSR and Associates

Internal Auditors

Haribhakti & Co.

Bankers

Axis Bank Ltd

Bank of India

Canara Bank

Citibank N.A.

City Union Bank Ltd

Corporation Bank

DBS Bank Ltd

Dena Bank

Federal Bank Ltd

HDFC Bank Ltd

ICICI Bank Ltd

IDBI Bank Ltd

Indusind Bank Ltd

Indian Bank

Karur Vysya Bank Ltd

Laxmi Vilas Bank Ltd

State Bank of India

State Bank of Travancore

Standard Chartered Bank

Syndicate Bank

UCO Bank

Union Bank of India

YES Bank Ltd

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup,

Mumbai – 400 078.

Tel: 022-2594 6970

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Registered Office (w.e.f. April 15, 2011)

Edelweiss House, Off. C.S.T Road,
Kalina, Mumbai - 400 098.

Edelweiss presence

- Over 374 offices
- Across 170 cities
- Covering 325,000 clients

Major cities:

Domestic

- Agartala • Ahmedabad • Bengaluru
- Baroda • Bhavnagar • Bhopal
- Bhubaneswar • Chandigarh
- Chennai • Goa (Panaji) • Hyderabad
- Indore • Jabalpur • Jaipur • Jalandhar
- Jamnagar • Jamshedpur • Kochi
- Kolkata • Lucknow • Ludhiana
- Madurai • Mangalore • Mumbai
- NCR • Rajkot • Ranchi • Surat
- Thiruvanthapuram • Udaipur
- Varanasi • Vijayawada
- Vishakapattanam

International

- Dubai • Mauritius
- Singapore



EdelGive - A Movement to Empower

EdelGive Foundation

Started in 2008, EdelGive Foundation provides strategic direction to the philanthropic activities of Edelweiss and its employees. EdelGive's key focus areas are education, livelihoods and women empowerment. EdelGive's mission is to leverage the resources and skills of the for-profit world to empower social entrepreneurs and organisations with a view to achieving systemic change.

The EdelGive philosophy

EdelGive seeks to enrich and broaden the impact of entrepreneurial activities of non-profits in India by combining grant-making with hands-on, capacity-building support. EdelGive helps non-profit organisations build their capacity through:

- Strategy and leadership building
- Systems, processes and technology solutions
- Financial planning and sustainability strategies
- Human resource planning

As a value-added intermediary

- We plan, review and manage our portfolio of non-profits and social entrepreneurs
- We equip philanthropists with investment advice customised for the non-profit sector



- We analyse outcomes of philanthropic investments
- We keep track of individual programme milestones and their broader impact

Making it count

- Invested in over 30 non-profit organisations since 2008
- In FY11, financial commitment to investees is ₹61.4 million
- In FY11, non-financial support provided by Edelweiss employees is 1,600 person hours
- Since 2008, over 50,000 lives have been impacted

Employee Engagement Model

Edelweiss' employee engagement model leverages the expertise and talents of its employees and encourages them to volunteer and utilise their skills to support non-profits and social entrepreneurs.

Examples of Employee Volunteering

Four Edelweiss employees undertook financial literacy sessions for underprivileged youth studying in the Banking & Financial Training Centre of Pratham, an NGO working to provide quality education and employability opportunities to underprivileged children in rural and urban India.

The most exciting experience for Edelweiss employees comprised visits conducted to the field centres of our investees. One such visit was conducted to the Light of Life Trust's centre at Karjat where volunteers interacted with the children through a team building workshop.

EdelGive Social Innovation Honours 2011

The annual awards organised by EdelGive identify and recognise non-profit organisations that innovate to empower women in India.

The winners this year are: Jan Chetna Manch (Jharkhand) for health and well being, Educate Girls (Rajasthan) for education, Prajwala (Andhra Pradesh) for economic security and livelihoods, The Hunger Project (New Delhi) for Governance and STEPS (Tamil Nadu) for socio-cultural rights.

The winners were selected from a pool of 235 applications across India followed by short listing by an internal jury, visits by field assessors and final selection by an external jury of eminent members from the corporate, media and social sectors. The evaluation process is supported by Ernst & Young, our process advisors and Tata Institute of Social Sciences (TISS), our field partner.

Directors' Report

To the Members of Edelweiss Capital Limited,

The Directors hereby present their Sixteenth Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended March 31, 2011:

Financial Highlights

I. Consolidated Financial Information of Edelweiss Capital Limited and its subsidiaries:

(Rs. in million)

	2010-11	2009-10
Total Income	14,911.39	9,777.81
Total Expenditure	11,411.27	6,449.77
Profit Before Tax	3,500.12	3,328.04
Provision for Tax	1,030.97	879.22
Profit After Tax	2,469.15	2,448.82
Less: Share of Minority Interest	138.99	157.22
Profit for the year After Minority interest	2,330.16	2,291.60
Add: Surplus brought forward from previous year	6,407.19	5,284.41
Profit available for Appropriation:	8,737.35	7,576.01
Less: Appropriations		
Interim Dividend	187.98	150.09
Proposed Dividend	263.24	600.73
Transfer to Reserves	493.69	292.63
Dividend Distribution Tax	75.58	125.37
Surplus carried to the Balance Sheet	7,716.86	6,407.19
Earnings Per Equity Share (Face Value - Re.1 each)		
Basic (Rs.)	3.10	3.06
Diluted (Rs.)	3.00	2.94

II. Standalone Financial Information of Edelweiss Capital Limited:

(Rs. in million)

	2010-11	2009-10
Total Income	4,487.42	2,455.26
Total Expenditure	3,863.71	2,031.81
Profit Before Tax	623.71	423.45
Provision for Tax	36.46	81.41
Profit After Tax	587.25	342.04
Add: Surplus brought forward from previous year	42.76	550.90
Profit available for Appropriation	630.01	892.94
Less: Appropriations		
Interim Dividend	187.98	150.09
Proposed Dividend	263.24	600.73
Dividend Distribution Tax	13.83	65.16
Transfer to General Reserve	58.73	34.20
Surplus carried to Balance Sheet	106.23	42.76
Earnings Per Equity Share (Face Value - Re.1 each)		
Basic (Rs.)	0.78	0.46
Diluted (Rs.)	0.76	0.44

Dividend

Your Directors have recommended a final dividend of Re. 0.35 per share (on the face value of Re. 1 each) for the financial year 2010-11.

The payment of the aforesaid dividend is subject to the approval of the members to be obtained at the ensuing Annual General Meeting and shall be paid to those members whose names appear in the register of members of the Company as on the book closure date.

During the year, your Directors had declared and paid an interim dividend of Re. 0.25 per share.

The register of members and the share transfer books will remain closed from July 11, 2011 to July 25, 2011, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on July 25, 2011.

Share Capital

Subsequent to the approval of the members of the Company at the 15th Annual General Meeting held on July 30, 2010:

- Equity shares of the face value of Rs. 5 each were sub-divided into equity shares of the face value of Re. 1 each.

- 37,54,95,590 equity shares of the face value of Re. 1 each were allotted as bonus shares by capitalising the reserves and securities premium of the Company.

During the year under review, the Company had allotted 13,07,350 equity shares consequent to the exercise of options granted to the employees under the various ESOP Schemes framed by the Company.

Disclosures required as per SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are given as an annexure to this Report.

Information on the status of affairs of the Company

Information on the operational and financial performance, among others, is given in the Management Discussion and Analysis Report which is annexed to this Report and has been prepared in accordance with Clause 49 of the Listing Agreement.

Finance

Your Company had raised money through issue of Commercial Papers from time to time.

Your Company had obtained credit rating of P1+ from CRISIL for an amount of Rs. 42.5 billion with respect to short-term borrowing and LAA- from ICRA for an amount of Rs. 5.55 billion, with respect to a long-term debt programme.

Public Deposits

Your Company did not accept public deposits during the year under review.

Subsidiaries

During the year under review, Anagram Capital Limited (presently known as Edelweiss Financial Advisors Limited {EFAL}) became the subsidiary of Edelweiss Capital Limited. Consequently, the following companies, being the subsidiaries of EFAL, also became the subsidiaries of your Company:

- Edelweiss Stock Broking Limited.
- Edelweiss Comtrade Limited.
- Edel Finance Company Limited.

During the year under review, the following companies also became the subsidiaries of your Company:-

- Edelweiss Capital Markets Limited.
- Comfort Projects Limited.
- Edelweiss Advisors Limited.
- Edelweiss Investment Advisors Private Limited.
- EW Crossover Advisors LLC.

During the year under review, Arum Investments Private Limited ceased to be a subsidiary of the Company.

In terms of the General Circular No. 2/2011 dated February 8, 2011 (the Circular) issued by the Central Government under Section 212 of the Companies Act, 1956, the Board of Directors of the Company had accorded their consent for not attaching the balance sheet of the subsidiaries with the accounts of the Company.

Pursuant to the aforesaid Circular, the financial data of the subsidiaries have been furnished under 'Summary of Financial information of Subsidiary Companies' and forms part of this Annual Report.

The consolidated financial statements prepared in accordance with the Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006, forms part of this Annual Report and are reflected in the consolidated accounts of the Company.

The Annual Accounts of the subsidiaries and the related detailed information shall

be available to the members of the Company and its subsidiaries on request and also for inspection at the Registered Office of the Company.

A statement pursuant to Section 212 of the Companies Act, 1956, is set out as an annexure to this Report.

EdelGive Foundation

EdelGive Foundation is the strategic philanthropic arm (subsidiary) of the Company. EdelGive Foundation offers both financial and capacity building support to Non-Profit Organisations (NPOs). It works closely with the NPOs to help them overcome organisational development challenges, create stronger and more sustainable organisations in the social sector.

Directors

In accordance with the requirements of the Companies Act, 1956, Mr. Narendra Jhaveri and Mr. P. N. Venkatachalam, Directors of the Company retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment.

Mr. Navtej S. Nandra resigned from the Board of the Company w. e. f. July 6, 2010. The Board wishes to place on record its appreciation for the valuable contribution made by Mr. Nandra during his tenure as a member of the Board.

Mr. Sanjiv Misra was appointed as an Additional Director of the Company w.e.f. May 16, 2011. He holds office upto

the ensuing Annual General Meeting. The approval of the members for appointing Mr. Misra as Director of the Company is sought at the ensuing Annual General Meeting.

Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time, forms part of this Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the members of the Company excluding the aforesaid information.

Any member interested in obtaining a copy of this information under section 217(2A) of the Companies Act, 1956, may write to the Company Secretary, at the Registered Office of the Company.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption is not applicable to the Company.

Foreign exchange earnings and outgo (including dividend) during the year under review were Rs. 114.40 million (Previous

year Rs. 103.62 million) and Rs. 46.79 million (Previous year Rs. 288.70 million) respectively.

Auditors

BSR & Associates, Chartered Accountants, the auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their re-appointment for the current financial year 2011-12 and authorise the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224 (1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance together with the Auditor's Certificate on compliance in this regard forms part of this Annual Report.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) we have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of

the Company at the end of the financial year and of the profit of the Company for that period and changes in the accounting policies are stated in the notes to accounts;

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis.

Acknowledgment

The Board of Directors wishes to place on record appreciation for the continued support and co-operation extended by Banks, Securities and Exchange Board of India, the Reserve Bank of India, the Stock Exchanges, other government authorities and other stakeholders. Your Directors would also like to take this opportunity to express their appreciation for the dedicated efforts of the employees of the Company.

For and on behalf of the Board of Directors
Edelweiss Capital Limited

Rashesh Shah
Chairman and Managing Director

May 16, 2011

Annexure to the Directors' Report

(i) Disclosures as required under SEBI (Employee Stock Purchase Scheme) Guidelines, 1999 :

The Company has seven employee stock option plans, the details of which and the details of options granted upto March 31, 2011 are as under:

Particulars	ESOP 2002		ESOP 2004		ESOP 2006		ESOP 2007				ESOP 2008				ESOP 2009		ESOP 2010		
	Scheme D	Scheme E	Scheme F		Scheme G		I	II	III	I	II	III	IV	I	II	III	IV		
Approval	Approved by a special resolution passed by the Company at its EGM dated January 31, 2002 for the grant of 9.018 million options under ESOP 2002 under "Scheme D" and "Scheme E".	Approved by a special resolution passed by the Company at its EGM dated September 17, 2004 for the grant of 2.4 million options under ESOP 2004 under "Scheme F".	Approved by a special resolution passed by the Company at its EGM dated January 9, 2006 for the grant of 4.8 million options under ESOP 2006 under "Scheme G".	Approved by a special resolution passed by the Company at its EGM dated July 20, 2007 for the grant of 8.1 million options under ESOP 2007 under Scheme I, II & III.	Approved by a special resolution passed by the Company at its AGM dated July 11, 2008 for the grant of 1.2 million options under ESOP 2008 under Scheme I, II, III & IV.	Approved by a special resolution passed by the Company by a postal ballot dated June 30, 2009 for the grant of 5 million options under "ESOP Scheme 2009".	Approved by a special resolution passed by the Company by a postal ballot dated June 30, 2010 for the grant of 3 million options under "ESOP Scheme 2010".												
Options granted*	53,718,000	30,858,000	27,771,000	18,882,000	6,537,500	11,645,000	21,749,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	26,375,000	22,810,000				
Note 2																			
The pricing formula																			
Options vested	33,826,560	22,462,560	17,115,000	15,540,000	6,537,500	11,645,000	21,749,000	5,452,000	5,452,000	5,452,000	5,452,000	5,452,000	5,452,000	8,465,500	3,021,000				
Options exercised	33,826,560	22,462,560	11,843,560	375,000	756,000	56,000	122,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Total number of shares arising out of exercise of options	33,826,560	22,462,560	@11,843,560	375,000	@720,000	56,000	122,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Options forfeited/lapsed/cancelled	19,891,440	8,395,440	9,693,120	942,000	3,381,000	5,849,000	7,275,000	2,644,000	2,644,000	2,644,000	2,644,000	2,644,000	2,644,000	8,465,500	3,021,000				
Variation of terms of options	During fiscal 2006, the Board approved extension of exercise period of vested options by two years. During fiscal 2007, the Board approved the acceleration of the vesting period for options vesting until March 31, 2009, to vest on March 21, 2007.	During fiscal 2006, the Board approved extension of exercise period of vested options by two years. During fiscal 2007, the Board approved the acceleration of the vesting period for options vesting until March 31, 2009, to vest on March 21, 2007.	Nil	Nil	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.	During fiscal 2011, the members of the Company approved extension of exercise period of vested options by three years.
Money realised by exercise of options (Rs.)	3,295,130	23,398,500	36,320,955	2,968,893	18,402,066	5,774,932	10,182,920	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Total number of options in force	Nil	Nil	6,234,320	17,565,000	2,400,500	5,740,000	14,352,000	2,808,000	2,808,000	2,808,000	2,808,000	2,808,000	2,808,000	17,909,500	19,789,000				

* includes re-issue of forfeited / lapsed / cancelled options. @ 4,500 ESOP were exercised before April 1, 2010 but are allotted subsequently in F.Y. 2010-11. @ 36,000 ESOP are exercised as on March 31, 2011 but are allotted subsequently.

Notes:-**1. Details of the options granted during the fiscal 2011 to:**

Particulars	Details of ESOP Scheme 2010
(a) Directors and key managerial personnel	
Mr. Narendra Jhaveri	50,000
Mr. Berjis Desai	50,000
Mr. P. N. Venkatachalam	50,000
Mr. Navtej S. Nandra	50,000
Mr. Naresh Kothari	300,000
Mr. Rujan Panjwani	300,000
Mr. Deepak Mittal	150,000
Mr. Himanshu Kaji	250,000
Mr. Sarju Simaria	100,000
Mr. B. Renganathan	30,000
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	None
(c) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None

2. Pricing Formula :

a) ESOP 2002 (Scheme D) Exercise price of options	Re. 1.00 to 7.92
b) ESOP 2002 (Scheme E) Exercise price of options	Rs. 1.04
c) ESOP 2004 Exercise price of options	Rs. 1.04 to 16.67
d) ESOP 2006	Rs. 7.92 to 16.67

Exercise price of options

e) ESOP 2007 (I)

Period during which vested options are exercised	From the date of vesting to September 30, 2008	From October 1, 2008 to September 30, 2009	From October 1, 2009 to September 30, 2010	From October 1, 2010 to September 30, 2014
Exercise price payable for such vested options	In case shares are listed, 10% discount to Market Price or Rs. 116.70 whichever is higher; Otherwise Rs. 116.70	In case shares are listed, 25% discount to Market Price or Rs. 83.30 whichever is higher; Otherwise Rs. 83.30	Rs. 58.30	Rs. 21.70

ESOP 2007 (II)

Period during which vested options are exercised	From the date of vesting to June 30, 2008	From July 1, 2008 to June 30, 2009	From July 1, 2009 to June 30, 2010	From July 1, 2010 to June 30, 2011	From July 1, 2011 to June 30, 2015
Exercise price payable for such vested options	In case shares are listed, 10% discount to Market Price or Rs. 116.70 whichever is higher; Otherwise Rs. 116.70	In case shares are listed, 25% discount to Market Price or Rs. 83.30 whichever is higher; Otherwise Rs. 83.30	In case shares are listed, 50% discount to Market Price or Rs. 66.70 whichever is higher; Otherwise Rs. 66.70	Rs. 50.00	Rs. 33.30

ESOP 2007 (III)

Period during which vested options are exercised	From the date of vesting to December 31, 2007	From January 1, 2008 to December 31, 2008	From January 1, 2009 to December 31, 2009	From January 1, 2010 to December 31, 2013
Exercise price payable for such vested options	Rs. 116.70	In case shares are listed, 25% discount to Market Price or Rs. 83.30 whichever is higher; Otherwise Rs. 83.30	In case shares are listed, 50% discount to Market Price or Rs. 66.70 whichever is higher; Otherwise Rs. 66.70	Rs. 51.70

f) ESOP 2008 (I)

Period during which vested options are exercised	From the vesting date to December 31, 2010	From January 1, 2011 to December 31, 2011
Exercise price payable for such vested options	Higher of price after 10% discount to Market Price as on the exercise date or Rs. 120.00	Price after 10% discount to the Reference price

ESOP 2008 (II)

Period during which vested options are exercised	From the vesting date to December 31, 2011	From January 1, 2012 to December 31, 2012
Exercise price payable for such vested options	Higher of price after 10% discount to Market Price as on the exercise date or Rs. 120.00	Price after 10% discount to the Reference price

ESOP 2008 (III)

Period during which vested options are exercised	From the vesting date to December 31, 2012	From January 1, 2013 to December 31, 2013
Exercise price payable for such vested options	Higher of price after 10% discount to Market Price as on the exercise date or Rs. 120.00	Price after 10% discount to the Reference price

ESOP 2008 (IV)

Period during which vested options are exercised	From the vesting date to December 31, 2013	From January 1, 2014 to December 31, 2014
Exercise price payable for such vested options	Higher of price after 10% discount to Market Price as on the exercise date or Rs. 120.00	Price after 10% discount to the Reference price

g) ESOP 2009

The Exercise price of the Vested Option will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

h) ESOP 2010

The Exercise price of the Vested Option will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

3. The following information has been computed after taking into account the effect in aggregate of the options granted under all the Plans described above:

Diluted EPS for Fiscal 2011	Rs.0.76 per Equity Share
Impact on profits and EPS of the last five years	
Fiscal 2007	Profit would be lower by Rs. 11.17 million
Fiscal 2008	Profit would be lower by Rs. 16.00 million
Fiscal 2009	Profit would be lower by Rs. 38.31 million
Fiscal 2010	Profit would be lower by Rs.116.10 million
Fiscal 2011	Profit would be lower by Rs.166.25 million

EPS has been calculated using restated net profit for the year ended March 31, 2006 divided by the total number of Equity Shares outstanding as of March 31, 2006 and options outstanding as of March 31, 2007.

4. Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)
5. Impact on the profits and EPS if the Company had followed the accounting policies specified in Clause 13 of the SEBI ESOP Guidelines.

Period	Impact on Profit (Rs. in million)
2007	25.50
2008	16.00
2009	38.31
2010	116.10
2011	166.25

Period	Impact on Profit (Rs. in million)	Impact on Basic EPS (Rs.)	Impact on diluted EPS (Rs.)
2007	25.50	0.06	0.06
2008	16.00	0.03	0.02
2009	38.31	0.05	0.05
2010	116.10	0.16	0.15
2011	166.25	0.22	0.22

6. Significant assumptions made during the year to estimate the fair values of options:

i. Risk-free interest rate	6.50% - 8.00%
ii. Expected life	3.19 – 9 years
iii. Expected volatility	16.29% - 46.69%
iv. Expected dividend yield	0.40% - 1.54%

The following statement summarises the information about stock options outstanding as at March 31, 2011:

Plan	ESOP 2002 Scheme D	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010
- Range of exercise price	Re. 1.00 to Rs. 7.92	Rs. 1.04 to Rs.16.67	Rs. 7.92 to Rs.16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Rs. 39.44 to Rs. 50.26	Rs. 41.40 to Rs. 61.00
- Number of shares arising out of options	-	6,234,320	17,565,000	2,400,500	5,740,000	14,352,000	2,808,000	2,808,000	17,909,500	19,789,000
- Weighted average life of outstanding options (in years)	-	2.88	3.77	3.50	4.25	2.75	0.75	2.75	5.19	5.37
Weighted average exercise prices of stock options										
- outstanding at the beginning of the year	4.21	9.15	9.11	21.70	33.30	51.70	46.30	34.82	40.14	N.A.
- granted during the year	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	48.84
- forfeited/cancelled during the year	N.A.	4.27	7.92	21.70	33.30	51.70	46.30	34.82	39.79	48.56
- exercised during the year	4.21	5.76	7.92	21.70	50.00	51.70	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year	N.A.	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88
- exercisable at the end of the year	N.A.	9.47	8.61	21.70	33.30	51.70	46.30	34.82	N.A.	N.A.

The weighted average market share price for stock options exercised during the year is Rs.47.81 (Previous year: Rs. 43.33).

Note: Exercise price of grants and No. of Options have been computed after making adjustments for splits, bonuses and consolidation since institution of the employee stock option plans.

For and on behalf of the Board of Directors
Edelweiss Capital Limited

Rashesh Shah
Chairman and Managing Director

May 16, 2011

Management's Discussion and Analysis Report

MACRO-ECONOMIC ENVIRONMENT

Economy: Review and outlook

The current macro-economic scenario in India is characterised by an emerging dichotomy of a sustained momentum in domestic consumption and weakening pace of investment activity. In the early phase of economic recovery in FY10, investments grew sharply, largely reflecting the inventory re-stocking cycle. However, the momentum seems to be tapering as is reflected in the more recent quarterly GDP and monthly IIP data. The trends in the order books of large capital goods companies also appear sluggish. Sharp rise in cost of capital due to persistent liquidity shortage observed since July 2010, heavy government borrowing, upward pressure on wages and raw material prices and marked slowdown in reform and approval process from the government side seem to have weighed on business sentiments during the latter half of FY11. However, private consumption activity has been growing above-trend, partly supported by government social sector spending that has kept up the wage growth in the rural sector.

The re-balancing of current economic expansion in favour of investment requires tackling inflation, reigning in fiscal spending and accelerating the reform/approval process for projects. While there are early signs of the government accelerating the approval process for major projects, the issues of inflation and fiscal spending are more difficult and interconnected.

In our assessment, inflationary pressures seem to be arising from a mix of supply and demand-side factors with high fiscal spending contributing considerably to demand-side pressures. A monetary tightening in order to reign in demand side pressures needs to be complemented by fiscal measures to address the issue of rising inflation. The government and the central bank are taking various measures which appear to be moderating the inflation fears. The liquidity issues, which were there earlier in the year, have started to go away. The initial forecast of an average monsoon is also a comfort.

On the external front, India's merchandise exports have shown phenomenal growth averaging around 35% in recent months compared with a historical average of 25%. Renewed vigour in western economies in the last few quarters and sustained growth in Asian economies have helped buoy Indian exports. Accordingly, recent BoP data release showed trade deficit narrowing to less than 7%. Also, the overall current account deficit (CAD) narrowed sharply to around 2.1% of GDP compared with an upwardly revised number of 4.3% earlier. Shrinking of CAD after a sharp rise in H1FY11 definitely brings respite to investors and policymakers.

Considering all these factors, we feel that even as the India investment story has slowed marginally in the short-term, the long-term India consumption story is still strong.

Capital Markets

The Indian capital markets witnessed robust activity in the earlier part of FY11. The markets were also positively influenced by some reasonably priced large public sector issues like Coal India and MOIL. However, subsequently negative sentiments took the wind out of the markets. The markets, therefore, went through some testing times during the final quarter.

The equity markets continued to be affected by a lack of interest by retail investors, volatile FII flows and concerns on corporate earnings. High interest rates also affected capital raising activity through bonds. The commodity markets were also volatile in view of pressure on global commodity prices. We see the concerns persisting in the early part of the year ahead of us. However, with an expected boost in the infrastructure expenditure and with the industries already facing capacity crunch, we expect investment activity to revive in the latter half of the coming year.

Debt Markets

It is an undisputed fact that deep and liquid debt markets are as important to the long-term growth of an economy as equity markets. In India unfortunately, for a variety of reasons, there has been a lag in the development of debt markets when compared to equity markets. What is heartening is that in recent times, the RBI and SEBI have taken a number of steps to develop the corporate bond market. Limits on foreign investment in local currency

bonds have been progressively liberalised. It is expected that further reforms in insurance and pension segments of the financial sector along with fiscal consolidation will spur demand for corporate bonds. Moreover, the advent of Treasury Bill interest rates futures, introduction of corporate bonds re-possibility and credit default swaps coupled with other reforms is expected to galvanise the debt markets. This would help in making bonds a cheaper and more efficient alternative for corporates for raising resources.

As India has a huge need for infrastructure development, the expansion of corporate bond market becomes imperative and is expected to become a major source of capital in future when structural reforms are in place.

EDELWEISS OVERVIEW

A diversified financial services company

Edelweiss Capital Limited, incorporated in 1995, has emerged as one of India's leading diversified financial services companies. The Edelweiss Group, consisting of 43 subsidiaries and five associate companies, conducted its operations across 374 offices in over 170 cities as on 31st March 2011. In contrast, we had only 83 offices across 35 cities as on 31st March 2010. The quantum jump in the number of our outlets was due to the acquisition of Anagram Capital Limited (currently known as Edelweiss Financial Advisors Limited) in July 2010, which added 139 of our own offices, as well as

our own thrust into retail broking business.

The current businesses of Edelweiss are organised around five broad lines – **Credit, Capital Markets, Asset Management, Housing Finance and Life Insurance**. The Credit Businesses include collateralised loans to Promoters and Corporates, Loan against Shares, ESOP financing and IPO financing. Capital Markets businesses include investment banking, brokerage services – institutional, HNI and retail and financial products distribution. The Asset Management businesses include offshore and domestic asset management. Housing Finance business is our newest business and Life Insurance business is poised for a launch shortly.

Since inception, Edelweiss has successfully followed a strategy of diversifying into adjacent markets, newer asset classes, newer client segments and adjacent products. This strategy has supported the operations of Edelweiss across cycles by bringing stability to its performance. This strategy is complemented by the following Edelweiss strengths:

- Growth with a long-term track record of profitability
- Diversified revenue streams with a balanced mix of revenue from various businesses
- Strong and liquid balance sheet
- Cost flexibility
- Risk Management
- People and culture

As a result, Edelweiss has emerged as a truly diversified leading financial services organisation with a large range of products

and services covering multiple asset classes and consumer segments.

To aptly reflect this diversified nature of the businesses of Edelweiss and the transition to a financial services organisation from a capital market-led firm, the Board of Directors recommended a change in the name from Edelweiss Capital Limited to **Edelweiss Financial Services Limited**.

Financial Performance Highlights

After an improved performance in the year FY10, wherein the revenue and Profit after Tax recorded a growth of 9% and 23% respectively over the previous year, the year FY11 was one of challenges. Market activity in various businesses was volatile and sentiments were time and again affected by the external environment. In addition, we at Edelweiss continued our pursuit of diversification and investing in our new businesses with an eye on future growth. We continued to invest in upgrading our infrastructure. In view of this, while we recorded a significant YoY growth of 53% in our total revenue this year, the growth in Profit after Tax and Minority Interest was affected and stood at 2% over FY10. However, over the last 12 years, our total revenue has grown at a CAGR of 78%, while our Net Profit increased at a CAGR of 67% as at the end of FY11. This demonstrates our ability to perform across cycles in a consistent manner and yet be able to convert growth opportunities into business whenever they re-emerge.

The net worth of Edelweiss was ₹23.00 billion excluding minority interest and ₹24.16 billion including the minority interest as on 31st March 2011. The Balance Sheet size was ₹106 billion as on 31st March 2011, showing a significant growth of 105% over the level of a year ago.

Consolidated Financial Highlights for FY11

- Total Revenue of ₹14,911 million (₹9,778 million for FY10)
- Profit after Tax of ₹2,330 million (₹2,292 million for FY10)
- Diluted EPS of ₹3.00 (₹2.94 in FY10; (FV ₹1 each; adjusted for corporate actions)

Our Profit before Tax margin for the year was 23% and Profit after Tax margin 16%.

The Board of Directors recommended a final dividend of ₹0.35 per equity share (on a face value of ₹1) for FY11, subject to the approval of the members of the Company at the ensuing Annual General Meeting.

During the year, the Company had declared and paid interim dividend of ₹0.25 per equity share (on a face value of ₹1).

The Company also issued Bonus Shares in the ratio of 1:1 and subdivided the equity shares of face value of ₹5 each to face value of ₹1.

The consolidated financials of our group include the financial results of Edelweiss Financial Advisors Limited (formerly Anagram Capital Limited) with effect from 16th July 2010.

Business Income Highlights

Agency Businesses

With strong activity in capital markets in the first half of FY11, our Agency businesses were quick to scale up and

earned a Fee and Commission revenue of ₹5,001 million for the year, a significant 43% growth over FY10 revenue of ₹3,504 million. This includes Broking revenue of ₹2,936 million (₹2,079 million for FY10), Investment Banking Fees of ₹1,117 million (₹685 million for FY10), and Advisory and Other Fees of ₹948 million (₹740 million for FY10). Agency revenue accounted for 33% of our total revenue for the year under review.

Capital Businesses

Following the growth in our credit book during the year, our capital-based businesses also recorded a significant growth in interest revenue which was ₹7,543 million for FY11 (₹3,389 million for FY10). Revenue from Treasury & Investments was ₹2,175 million (₹2,797 million for FY10).

With a higher level of the credit book this year, together with some excellent IPO financing opportunities in the third quarter, interest on loans now emerged as a major revenue stream for us. With the growth in our capital-based businesses, revenue from these businesses is becoming more and more relevant for us. Some 67% of our total revenue now accrues from capital-based businesses. However, at the same time, with a larger share of revenue coming from the capital-based businesses, the profit margins are now getting aligned with those of the banking and large NBFC industry.

Our Interest income, Agency fee and commission income as well as income from Treasury and Investments now contribute 51%, 33% and 16% respectively of the total revenue. The strategy of de-risking our businesses and diversifying our revenue streams continues to bear fruit.

With growth in income from our capital-based businesses, the concept of Net Revenue (net of interest cost) is gradually becoming more appropriate to us. This is because interest cost, as with all banks and large NBFCs, should reflect above the expenses line. Analysing our revenue figures on a net revenue basis, our Agency fee and commission revenue for the year was ₹5,001 million while the capital-based net revenue – net of interest cost, all the interest cost being for capital revenue – ₹4,588 million. Thus, at the net revenue level, the Agency revenue and Capital-based net revenue contributed in a balanced mix. The total net revenue at ₹9,589 million for FY11 recorded a growth of 22% over FY10 net revenue of ₹7,835 million.

Expenses

Our total costs in FY11 were ₹11,411 million compared with ₹6,450 million in FY10, an increase of 77%. Within the total cost, our operating expenses went up by 28% over the FY10 level and about half of these were incremental expenses on account of normal operating costs of Anagram Capital. We increased our brand promotion expenses coinciding with the launch of a number of our retail initiatives. During the year, we purchased an office building in Kalina (Mumbai) for over ₹4 billion to consolidate all our businesses under one roof. The carrying cost of the new office building and higher depreciation on other fixed assets increased our expense. We have started occupying the new building and expect to complete the move gradually. However, in the interim period, we will continue to bear the lease rental cost of all our offices in Mumbai till we surrender all our existing leases. We continued to invest in building

our new and growth businesses and stepped up hiring for some of the new businesses like life insurance, wealth management and home finance. We also continued to invest in upgrading infrastructure to sustain a higher growth. Investment in all these initiatives, by way of build out cost, was passed through our Profit & Loss Account. All these additional costs, therefore, affected our bottomline and margins for the year. As we will continue to be in an investment phase for some more time, our margins are likely to be affected similarly in FY12.

Business Performance Highlights

Credit

Our credit business offers loan products like Sponsor Funding, Loan against Shares, Loan against ESOPs and IPO Financing against liquid collateral. The sponsors of mid-to-large corporates constitute key clientele besides HNI and retail clients. Edelweiss took a major step during the year under report towards diversifying its asset class in the credit book by launching its housing finance business in the third quarter of FY11. The housing finance subsidiary initially launched its business in Mumbai and later expanded it to include the National Capital Region in the last quarter.

With stability returning to the markets, the focus during early FY11 was on expanding the credit book. Outstanding loans reached a level of ₹26.4 billion as on 31st March 2011 compared with ₹18.4 billion as on 31st March 2010. The book comprised wholesale loans of ₹21 billion and retail loans of ₹5.4 billion. The retail book included housing finance loans which crossed ₹1 billion by the year end. Thus

retail loans now constitute about 20% of the credit book. Most of the growth in this business was achieved in the first three quarters of FY11. Thereafter, as the volatility in the markets increased from November 2010 onwards elevating the risk concerns, we consciously brought down the outstanding, especially in the retail book.

With sentiments in the IPO markets improving during the third quarter of FY11, Edelweiss was quick to convert opportunities into business. During the year, we financed a number of IPOs apart from being active in giving short-term loans.

Following the scale-up of the credit book, our interest income from loans emerged as a significant revenue stream. However, a liquidity crunch in the system and higher interest rates for most of FY11 impacted the growth of Net Interest Income as borrowing costs rose more sharply.

The average collateral cover in our credit book, collateralised with liquid securities, was 2.8 times as at 31st March 2011; the same average cover was 3.0 times in our wholesale book and 2.6 times in our retail book. We continue to enforce prudent risk management policies to ensure that our capital is always preserved. As a part of this policy, we also avoid undue sector/industry concentration in our credit book.

The credit quality of our credit book continues to remain satisfactory. The level of gross non-performing loans was ₹116 million at the end of FY11 compared with ₹225 million at the end of FY10. This implied a Gross NPA ratio of 0.44% as on March 2011. Our NPA Provision Cover stood at 83% as on March 2011. We now

provide general loan loss reserve on standard assets as per the recent RBI guidelines. Including this prudential provision, the total provision cover on our Gross NPLs stands at 144%.

ECL Finance Limited, our NBFC subsidiary where the Edelweiss Group holds 92% equity, enjoyed a Capital Adequacy Ratio of 35% as on 31st March 2011 with a net worth of ₹12.2 billion. A well capitalised NBFC is integral to our long-term strategy of scaling our capital businesses. Going forward, this business will retain the growth focus and remain poised to participate in wider financing opportunities.

Capital Markets

Investment Banking

Our Investment Banking business includes our Equity Capital Markets (ECM) business and Advisory Services. While ECM provides a broad range of services, namely, IPO transaction execution, FPOs, QIPs and Rights Issues, Advisory services offer Mergers and Acquisitions advisory, Capital Raising Advisory, Real Estate and Infrastructure Advisory and transaction execution relating to Structured Finance.

Institutional Clients Group (ICG)

Our Institutional Clients Group (ICG) continues to strengthen relationships with financial sponsors, corporates and business groups. Some of the large-value equity capital market deals that we handled during the year such as MOIL are a demonstration of the effectiveness of this group. ICG is a significant part of our broader strategy to reach a wider range of clients with products and services across asset classes.

Equity Capital Markets

The resurgence in India's Equity Capital Markets that we had witnessed during the previous year continued into the first three quarters of FY11, marked by a number of large IPOs/FPOs hitting the market. The level of activity in capital raising from public markets was also enhanced by large Government disinvestments in companies like Coal India and MOIL. The interest evaporated in the final quarter due to various developments in the country and the national economy. However, overall Primary Equity Capital Market activity was still stronger during FY11 than the previous year; the amount mobilised in IPOs and FPOs during the year was ₹557 billion across 67 deals compared with ₹469 billion across 44 deals in FY10 and ₹20 billion from 21 deals in FY09. In addition, Rights Issues mobilised ₹96 billion in 24 deals compared with ₹83 billion in 29 issues in FY10.

Advisory Services

Mergers & Acquisitions Advisory

Our Mergers and Acquisitions (M&A) team provides strategic and financial advice to our clients. This helps our clients achieve their business objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin-offs, restructuring, joint ventures, strategic alliances and de-mergers. Our services encompass strategy formulation, identification of buyers or targets, valuation, negotiations and bidding, capital structuring, transaction structuring and execution.

Capital Raising Advisory

Our structured finance team provides a range of innovative structured solutions, including acquisition financing and sponsor financing. Our private equity advisory group arranges capital from private equity

funds for companies across sectors. After subdued activity in private equity placements in FY10, investors displayed a renewed interest, which was reflected in our own performance as well. We were able to close a transaction for ₹13.50 billion in Moser Baer Projects from Blackstone Group. We also arranged private equity of ₹5.80 billion in Moser Baer Projects by SBI Macquarie Infrastructure Fund during the year. A private equity placement of ₹9.6 billion for Coffee Day Resorts advised by us in FY10 was adjudged the Best Deal of the Year by Asian Venture Capital Journal for 2010. We successfully handled private equity placements or strategic exits of about ₹50 billion since May 2009, a testimony to our expertise in this area.

Corporate Debt Syndication

The corporate bonds and NCD placement volumes declined in FY10 compared with FY09. The rising rates of interest in the economy during FY11, after successive hikes in rates by RBI, further affected our debt capital raising activity. In FY11, only about 1,490 Bonds/NCD placements were concluded, mobilising about ₹2,110 billion compared with about 2,560 Bonds/NCD deals, which mobilised ₹2,912 billion in FY10. However, given the higher rates of interest for most part of FY11, seekers of debt capital focused more on short-term borrowing by way of Commercial Papers (CP) resulting in about 2,766 CP placements for ₹1,760 billion compared with 1,355 deals for ₹929 billion in FY10. An increase in FII investment limits in corporate bonds and government securities announced during the year will progressively deepen the market. We are hopeful that regulators will continue with structural reforms in this segment to make bonds an efficient capital mobilisation avenue.

Our Corporate Debt Syndication Desk emerged among the top 10 debt arrangers in the country for FY11. We arranged to raise about 11% of the total market volumes from 306 deals in FY11. We are ranked third in short-term debt placement (below one year) and are ranked fourth in CP issuances in FY11 (*Source: Prime Database*). During this year, we handled large value Bonds issues of giant public sector companies like Rural Electrification Corp., Power Finance Corp. and Steel Authority of India as well as public sector banks like Bank of India, Canara Bank and State Bank of Hyderabad, among others. We also raised debt capital for private sector companies like Tata Capital and Sundaram Finance, among others. We continued to provide value-added services like extensive research on the debt markets to support our primary offering of origination and broking.

A higher level of activity in these markets is amply reflected in the improved performance of our Investment Banking business in FY11. Its income for FY11 went up to ₹1,117 million compared with ₹685 million in FY10. We closed a record 47 transactions in ECM, Advisory and Debt Markets during the year, compared with 33 deals in FY10 and 9 deals in FY09. Some of our marquee transactions of FY11 included:

- IPO of Hindustan Media Ventures, Electrosteel and MOIL – Mini Ratna Category I PSU
- Private Equity placement in Moser Baer Projects and Thriveni Earthmovers
- Rights issue of Gulf Oil Corporation,
- QIP in Alok Industries, Marg Limited, S. Kumar Nationwide and Usher Agro
- Stake sale in SpiceJet and preferential

allotment in Maytas Infra to Saudi Binladin Group

- Structured finance transaction for Coastal Projects and fund raising for UFO Moviez, and
- On the Debt Syndication side we were Joint Arranger for Bond issues of Steel Authority of India Limited (SAIL), Rural Electrification Corporation (REC), Power Finance Corporation (PFC), Indian Railway Finance Corporation (IRFC), IFCI Ltd, Bank of India, Canara Bank, SBI Group entities, Tata Capital and Sundaram Finance, among others.

Edelweiss is ranked second in ECM (IPO/FPOs, Rights Issues and QIPs) by number of deals below ₹4 billion and overall eighth for ECM by number of deals in FY11 (Source: Prime Database).

Our client segments range from the private to the public sector and from mid-caps to large caps across industries; we offer them a broad spectrum of products from ECM to Advisory to DCM.

Brokerage Services

Our Brokerage Services include equity and debt market broking for institutional and individual clients supported by a strong research and technology platform.

The broking industry had witnessed a structural shift in the composition of the market transactions in FY10 with Options volumes increasing much faster over Cash and Futures. This trend was accentuated in FY11, which resulted in an apparent paradox wherein market volumes grew significantly without any increase in broking commission. The average daily Cash volumes on the BSE and NSE were in fact lower at ₹184 billion in FY11 compared with ₹225 billion in FY10 resulting in

substantially lower brokerage earnings for the industry. The Futures average daily volumes (ADV) were only marginally up at ₹388 billion in FY11 compared with ₹373 billion in FY10. However, the Options ADV for FY11 increased from ₹350 billion in FY10 to ₹765 billion in FY11. Thus, while the Options ADV grew by ₹415 billion, the overall ADV grew by only ₹389 billion in FY11 over the previous year. Options transactions accounted for about 57% of the total transactions for FY11. These low yielding transactions were more proprietary in nature and tended to put pressure on the broking income and yield. The growth in options volumes was also a result of increased volumes emanating from automated platforms. Thus, while the ADV appeared to have grown about 40% over FY10 (from ₹950 billion to ₹1340 billion), the same did not result in a corresponding increase in industry broking income driving yields down. At the same time, competitive intensity in the industry continued to remain high with the entry of some large players.

Institutional Equities

Our Institutional Equities business is a mature and established business comprising institutional equity sales and research. We provide equity and equity-derivatives sales and trading services to a large and diversified base of FIIs and domestic institutional investors. We continued to add some of the large FIIs as our active clients. In spite of the segment being dominated by foreign banks and broking houses owing to their inherent advantage of a large global clientele, we scaled up volumes from our existing clients over the years. We believe, we continued to be the largest Indian Institutional Broking House in the country with a market

share of about 4.5%. Our client base includes large Pension Funds, Long Only Funds, ETFs and Hedge Funds from all major geographies across the world. Our Institutional Equities business was supported by a strong equity sales team, relevant and timely research, significant corporate access and cutting-edge technology.

Equity Sales

Our institutional sales group provides equity and equity-derivatives sales services to institutional investors besides supporting our equity capital markets business. We facilitate block trades for institutional clients spread across diverse investor types and geographies. We also continue to invest in upgrading our robust technology platform to offer our clients a flexible execution platform that can manage complex requirements and is robust enough to handle large volumes. This is well supported by innovative products and high quality research from our research department.

During the year we strengthened our bouquet of products by putting in place a robust platform for algorithmic trading. A number of our algorithms were approved by the NSE and subsequently deployed. These algorithms are customised to handle peculiarities of Indian markets and also provide analytics of Indian stocks.

Equities Research

Since the inception of our Institutional Equities business, we, at Edelweiss, have always believed that a well developed research capability distinguishes one broking house from another. Given that the challenges of technology and infrastructure can be easily overcome by competitors, research provides a sustainable competitive edge. In line with

this, we constantly invested in building human capital in this business segment. The quality and depth of our research has helped our institutional equities business emerge stronger.

We continue to focus on pathbreaking Perspective Research which identifies future trends before they became popular. Following our landmark 'India 2020 Report' (published in March 2010) we launched another thematic report on the opportunities Rural India offers. We expanded the coverage in our Prescriptive Research to nearly 190 companies across 21 sectors covering over 70% of the market capitalisation of all companies listed on the BSE. The Prescriptive Research believes in never missing a beat with multi-dimensional company research covering important company events like quarterly results, bottom-up equity research and special reports like Annual Report analysis and Analysis Beyond Consensus. We remained a thought leader in Quantitative and Alternative Research with over 15 regular products providing incisive insights to our clients.

Our online research portal www.edelresearch.com is extremely popular among users. It provides immediate access to our research, easy analysis, quick sorting of information and convenient archiving.

Corporate Access

We believe that the key to grow our Institutional Equities business is through a large corporate access to clients. Our clients attach a vast emphasis on access to the management of companies in which they are interested. We fulfill this important need through roadshows to

showcase Indian companies to clients in addition to organising investor trips to meet company managements.

This effort is augmented through our hosting of annual Indian and International conferences (New York, London and APAC regions of Singapore and Hong Kong). This year we hosted the prestigious 7th India Investment Forum in New York in association with Institutional Investor, which attracted a large number of investors, corporates and government representatives including the Honourable Finance Minister Mr. Pranab Mukherjee. Our flagship event 'India Investor Conference 2011' in Mumbai in March 2011 showcased Africa as the next big investment destination for the world and the Indian companies. The event attracted participation of dignitaries from the corporate, political, administrative, intellectual and investing communities of India and Africa. The event facilitated over 1800 interactions among 130 investors and 70 corporates. In addition to this, during the year our annual conferences in New York, London, Singapore and Hong Kong and an EdelPulse conference in Mumbai facilitated over 2000 meetings between investors and corporates.

Retail Broking

Our retail broking initiative, launched less than two years ago through our online portal www.edelweiss.in and a call-and-trade facility, gained momentum in client acquisition during the year under report. Our high quality execution platform is differentiated from competition through a strong and innovative product offering that delivers services based on client profile. It also offers one of

the widest research recommendations for individual clients. By the end of FY11, we had over 100,000 clients compared with about 48,000 clients by March 2010 in this centralised broking model. The online portal emerged as a popular site among investors with 2.6 million unique visitors viewing over 41 million pages during 11 million visits since launch.

Acquisition of Anagram Capital Limited

As we mentioned last year, in addition to organically building our retail broking business, we had decided to acquire Anagram Capital to add the offline broking model to our group. The acquisition was completed on 16th July 2010 and the rest of the year was devoted to integrating its operations with ours. The integration has now been completed with the rebranding of this company as Edelweiss Financial Advisors Limited. This acquisition provides us with one of the widest geographical reaches among retail broking firms: a nation-wide network of 141 own offices, 31 franchise-led offices, over 1,300 sub-brokers relationships and nearly 225,000 clients at the end of FY11. This acquisition is in sync with Edelweiss' objective to expand the retail broking business as it would bring to our folds the branch and franchise model of retail broking without any overlap with our existing online retail broking format.

Taking our online and offline retail broking businesses together, we ended the year with a total client base of 325,000 as on 31st March 2011 compared with less than 50,000 a year ago. We service our retail clients through 337 offices (out of a total

of 374 offices as on 31st March 2011) in all major cities of the country.

We will continue to invest in building this business with the aspiration to emerge as a leading retail broking house.

Broking Volumes

Our total clients' broking average daily volumes (ADV) for FY11 (including institutional equities, retail, HNI and Anagram volumes) was ₹25.7 billion. The clients' ADV was about half of our total ADV of ₹52.2 billion, which included our treasury operations.

Wealth Advisory and Investment Services (WAIS)

India offers a large and growing opportunity in the HNI segment. Our HNI business named as WAIS, which is in the investment phase, offers wealth advisory and investment services to HNI clients. We provide advisory-based services with an emphasis on research and offer individual clients customised value-added services and asset allocation strategies. We present a truly multi-asset class offering with innovative and structured solutions. The product portfolio was strengthened during the year to include currency, real estate advisory and various trading products. We emerged among the largest domestic issuers of structured products. Our sales are gaining momentum in this business and we crossed assets under management/ advice of ₹30 billion by 31st March 2011. Our DP assets also crossed ₹16 billion by this date.

Financial Products Distribution

Our Retail Third Party Financial Products Distribution business, though

comparatively young, emerged as the second-largest broker in IPO Syndication in FY11. We mobilised IPO subscriptions of over ₹300 billion and are ranked second in Qualified Institutional Bidders (QIB), Non-Institutional Bidders (NIB) and Retail categories taken together, excluding ASBA subscriptions, in FY11 (*Source: Prime Database*). Under individual categories, we are ranked first in NIB category (HNIs) with a 16% market share and third in Retail category with 8% market share by amount procured in IPOs in FY11 (*Source: Prime Database*). We have put in place a wide network of over 7000 distributors in 320 cities across the country to help us in this initiative. We continue to build this business to enlarge our retail footprint and portfolio with products like mutual funds, bonds and insurance.

Thus, in a short period, Edelweiss carved out a significant market share in the ECM businesses, emerging as a leader in mid-market ECM deals and IPO syndication for FY11.

Asset Management

Our Asset Management business includes Domestic Asset Management (AMC) and Alternative Asset Management business.

The Indian mutual fund industry continues to struggle in the wake of regulatory activism in the interest of investor protection by way of abolition of entry loads in mutual fund schemes. Volatile equity markets and stagnant retail participation also added to the woes of the industry. Its average AUMs, after rising to an all time high of ₹7,880 billion as of 31st December 2009, declined or remained flat in the next five quarters to end FY11 at just

over ₹7,000 billion. The entire industry has yet to work out a strategy that would help it to grow its AUMs and is still in a relatively nascent stage in terms of its product offerings. The skewed distribution of AUMs in favour of debt funds continues, with equity schemes accounting for just about 30% or so of the total AUMs. The industry has significantly high ownership from institutional clients with retail participation yet to pick up. However, given the low Indian percentage of MF AUMs-to-GDP of just around 15%, we are of the considered opinion that the mutual fund industry has the potential for sustainable long-term growth.

Domestic Asset Management

Edelweiss launched its initial offering of Liquid Schemes in September 2008, which was immediately followed by the global financial crisis. Thereafter, we launched a few more schemes and at the end of FY11 we had four equity and five debt/liquid schemes in the market with AUMs of ₹1.55 billion as on 31st March 2011. Our focus continues to be on building a bouquet of products and creating a track record of investment capabilities. The Edelweiss ELSS Fund performed well and distributed three dividends to investors in a period of three months in FY11. All our open-ended schemes were enabled for trading on the stock exchange platform (MFSS). We will continue to nurture our Domestic Asset Management business, an integral part of our overall retail strategy, with an eye on future growth.

Alternative Asset Management

Our Alternative Asset Management business focuses largely on offshore institutional investors. Our current product

portfolio comprises EW Special Opportunities Fund with commitments of US\$ 230 million, a Real Estate Domestic Fund and an Asset Reconstruction Fund. The AUMs/AUAs of this business stood at about US\$ 360 million equivalent as on 31st March 2011. We are in the process of launching a few more products in the coming year. The Alternative Asset Management business represents a growth opportunity for Edelweiss and we continue to invest in building this business.

Housing Finance

Edelweiss has taken a major step in diversifying its asset class in the credit book through the launch of its housing finance business in the third quarter of FY11. The housing finance subsidiary initially launched its business in Mumbai and later expanded it to include the National Capital Region. By the end of the year, it had built a book of over ₹1 billion. We now propose to extend its operations to other major metros in the country in the coming year and will continue to invest in scaling up this business in the next two or three years. Considering that it is the aspiration of all Indians to own a home, this business represents an exciting opportunity reinforcing our intent to cover a larger retail footprint. This business also presents significant opportunities for cross selling our other products to its clients.

Life Insurance

As we mentioned last year, we had entered into a Joint Venture Agreement with Tokio Marine Holdings, Inc. for setting up the Life Insurance business subject to regulatory approvals. We recently received the final R3 approval from IRDA. We plan to launch this business shortly. Life Insurance has

played a pivotal role in channelising household savings into long-term investments and has immense growth potential in India given the current low penetration. Life Insurance segment, thus, presents to us an exciting prospect for long-term growth and is a part of our overall strategy to enlarge our retail footprint.

Treasury Operations

For a large institutional broking house required to employ large working capital in the broking business, day-to-day surplus management becomes a critical function. Our Treasury operations, therefore, manage our group's short-term surplus liquidity in a way similar to a commercial bank. Our treasury assets, which account for over half our total assets, are structured to maintain sufficient portfolio liquidity to address the capital needs of our other businesses at short notices. As a result, we ensure that a large part of our book can be liquidated within a short period with minimal impact costs. Our treasury operations encompass equities, equity derivatives, fixed income, commodities and currencies and have emerged among the few truly multi-asset class operations in India.

During the year under review, our income from treasury and investments was ₹2,175 million compared with ₹2,797 million in FY10. Lack of opportunities and higher cost of capital resulted in the yield and spread in treasury operations coming under pressure.

Balance Sheet

We consider a strong and liquid balance sheet an invaluable asset in the evolution

of a financial services group like ours into a full-fledged financial services organisation. A strong balance sheet facilitates in taking a considered view on the launch of new businesses which could demand significant capital.

With the global financial crisis tapering, the Indian markets presented growth opportunities in the earlier part of FY11. We at Edelweiss were, therefore, quick to convert opportunities into business and accordingly scaled our balance sheet to ₹106.2 billion by 31st March 2011 compared with ₹51.8 billion as on 31st March 2010, a growth of 105%. Our net worth, excluding the minority interest as at the end of FY11, stood at ₹23.0 billion compared with ₹22.6 billion as at the end of the previous year, signifying the strength of our balance sheet. The growth in net worth was lower because Capital Reserve arising on consolidation was adjusted with goodwill on consolidation of ₹1.39 billion during the year. The amount of debt on the Balance Sheet as on 31st March 2011 was ₹82.1 billion compared with ₹27.1 billion as on 31st March 2010. With this, our leverage also went up to 3.4 times as at March 2011 including the Minority Interest.

We continue to maintain a reverse asset liability mismatch with our liabilities having a longer average duration than our assets, providing us the much needed liquidity in the balance sheet. The return on our average assets was 2.95% and our reported return on average net worth was 10.22% for the year. Continued investment in incubating new businesses like Insurance and Retail Businesses, carrying cost of office building and the funds lent to our Employee Trust affected our return on net

worth. Adjusting for the impact of these, our adjusted return on net worth would have been higher by about 3 to 4%.

Growth Initiatives

During FY11, we continued to build on the following growth initiatives with the objective of diversifying our client segments and our product classes in our quest to emerge as a fully diversified financial services organisation:

- We invested in the Life Insurance business by hiring senior management and setting up the infrastructure while we awaited the regulatory approvals for this business. We plan to launch this business shortly.
- We completed the acquisition of Anagram Capital during the year and also rebranded the Company as Edelweiss Financial Advisors Limited. With the integration issues behind us now, this acquisition will help us in expanding our Retail Broking and Distribution businesses. In addition to this offline model of retail broking, we also invested in building our online retail broking format with the aspiration to become a significant player in this industry.
- Our Housing Finance subsidiary commenced business in the latter half of FY11. We plan to scale up this business going forward.
- Our Alternative Asset Management business closed its EW Special Opportunities Fund in FY11 and its deployment is under way. We consider this business as a growth opportunity within our wholesale businesses and have plans to launch a few more funds in the coming year.

Outlook

While the long-term India growth story is intact, there are short-term headwinds in the form of high inflation, fuel prices and interest rates. Upside risks to fiscal deficit target also remain. The recent Monetary Policy pronouncements from RBI for FY12 also highlight some of these factors which have the potential to derail our growth. The outlook for the GDP growth in fourth quarter of FY11 is also subdued. Although investment activity was tepid, the government thrust on approval process for investment projects augurs well for investment activity in the country.

The financial services sector has shown rapid growth over the medium to long-term in the past. The debt market in India continues to develop slowly with intermittent signs of recovery. The government and regulators continue to implement various structural reforms, though gradually. However, with emerging markets outperforming the developed economies in the recent past, we should start seeing encouraging results in the short-to-medium term.

Human Resources

The financial services industry is an ever evolving industry with its dynamism and volatility. In such an environment, Edelweiss recognises the significance of change management and therefore attaches an emphasis to build its talent to manage change effectively.

The group strength was 2,647 employees at the end of the FY11 compared with 1,220 (excluding Anagram) as on March 2010. Building momentum and motivation were the key focus areas during the year,

supported by relevant initiatives. 'Fountainhead', our Leadership Centre at Alibaug, was launched in May 2010 and was used extensively during the year to build employee connect and team work by various business groups. Overall, 2,250 person hours' training was conducted during the year.

We began the year with an employee engagement survey by Hewitt Consulting to establish the baseline engagement score and build an engagement strategy for the next two years. To enhance employee well-being, we launched initiatives like library services and eye check-up camps. Employee engagement initiatives in the field of sports, games and quiz were expanded to build morale.

In addition, we invested in the leadership development of our senior team through executive coaching to build our leadership pipeline. We organised the Annual Leadership Summit for our Leadership Group and built it further by hosting dinners for the members of the senior leadership group during the year.

We upgraded the HR MIS systems and automated HR processes such as Compensation Management System and ESOP Administration, among others. during the year. Our HR processes continue to be ISO 27001 compliant. We are committed to further improvise and automate our processes wherever required and devise appropriate strategies to graduate Edelweiss to the next level.

Risk Management

Financial markets, as is known, are the pulse of a nation's economic and financial health. Man-made boundaries no longer

seem to exist in financial markets, and events across the globe affect financial markets in no time. Recent years have, therefore, seen heightened concern and focus on risk management, and it has become increasingly clear that a need exists for a robust framework to effectively identify, assess and manage risk.

Among the most critical challenges for managements, is the determination of how much risk the entity is prepared to and does accept as it strives to create value. The core of our Risk Management framework, therefore, comprises identification, measurement, approval, mitigation and management of risk. In addition, when it comes to risk management, enough is never enough and it therefore has to be a continuous process.

Edelweiss accordingly has an integrated Risk Management system which is flexible, dynamic, up-to-date, focused and principle-based. It manages all elements of credit, market and operations risk, including liquidity risk. An Operational Risk framework, as followed by most global organisations, was formally instituted.

The real foundation of an efficient risk management system is high quality and timely information. Since no two financial crises are identical, we invested in the advancement of a technology platform and resources to ensure quality analysis and decision-making in stressed business situations. Policy frameworks and communication protocols were significantly upgraded to address growing business complexities and risk has a direct

oversight at various levels. These include oversight at the business group level, at the global risk group level and from the Risk Management Committee, represented by the CEO, COO and Head of Risk. Over and above, our Board continues to play a critical role in guiding our Risk Management policies. We continue to have a comprehensive Business Continuity Plan which is periodically tested.

Credit Ratings

Edelweiss Capital Limited and its three subsidiaries, namely Edelweiss Securities Limited, ECL Finance Limited and Edelweiss Trading & Holdings Limited (formerly Edelweiss Commodities Limited) enjoy the highest short-term credit rating of P1+ from Crisil, reaffirmed in March 2011. ECL Finance Limited has a long-term debt rating of AA- from Crisil (reaffirmed in March 2011). ECL and ECL Finance Limited also enjoy a long-term debt rating of LAA- from ICRA, reaffirmed in January 2011. All long-term debt ratings from Crisil and ICRA have a Stable outlook.

Investor Relations

At Edelweiss, Investor Relations continues to be an important facet of our Company and we firmly believe in building a transparent and open channel of communication with our stakeholders. While we did gradually enhance our disclosures in the earlier years, FY11 saw a quantum shift in this regard. We have now been focusing on a deeper discussion of our businesses, which are growing and are more relevant in the current context to Edelweiss. The informal feedback from

investors and analysts in this regard was encouraging. We hope this will also enable them to understand and appreciate our diverse businesses and long-term strategies in the true perspective.

We continue to interact with institutional investors and analysts through one-on-one meetings and attendance at investor conferences in India and overseas. We engaged in nearly 230 interactions during the year with them and other stakeholders. We continue to hold our quarterly investor calls for them with participation from our top management. We regularly distribute and upload quarterly investor presentations and other IR material on our website immediately following the declaration of our quarterly results. We have been updating our website with all new relevant information useful to our investors as soon as it becomes available. We are committed to adopt best-in-class IR practices to enhance communication with the investing community so that we are perceived as responsive and transparent.

Regulatory Structure

Edelweiss Capital Limited commenced operations in 1996 as a SEBI-registered Category I Merchant Banker, governed by SEBI (Merchant Banking) Regulations, 1992. Over the next 15 years, the Company diversified into a number of financial service businesses regulated by different agencies. It has achieved this diversification by setting up a structure of subsidiaries and a joint venture, which are individually governed by specific regulators.

Edelweiss conducts its business of stock broking through its subsidiaries Edelweiss Securities Limited (ESL), Edelweiss Broking Limited (EBL), Edelweiss Stock Broking Limited (ESBL, formerly Anagram Stock Broking Limited) and Edelweiss Financial Advisors Limited (EFAL, formerly Anagram Capital Limited), governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. While ESL is a SEBI-registered Depository Participant with CDSL, EBL and ESBL are SEBI-registered participants with NSDL.

The business of commodities broking and trading is carried out through its subsidiaries – Edelweiss Trading & Holdings Limited (formerly Edelweiss Commodities Limited), EC Commodity Limited, Edel Commodities Limited and Edelweiss Comtrade Limited (formerly Anagram Comtrade Limited), governed by Forward Contracts (Regulation) Act, 1952.

The mutual fund business is conducted through subsidiary Edelweiss Asset Management Limited, registered with SEBI.

The non-banking financing activities are conducted through subsidiaries ECL Finance Limited, Edelweiss Finance & Investments Limited, Allium Finance Private Limited and Edel Finance Company Limited (formerly Dropadi Finance Limited). These entities are registered with the Reserve Bank of India as Non-Banking Financial Companies not accepting public deposits. The business of housing finance is conducted through subsidiary Edelweiss Housing Finance Limited, registered with

National Housing Bank as a non-deposit accepting housing finance company.

The business of insurance advisory is conducted through subsidiary Edelweiss Insurance Brokers Limited, regulated by IRDA. Edelweiss Tokio Life Insurance Company Limited, a Joint Venture with Tokio Marine Holdings, Inc., received a R3 approval from IRDA and will launch its operations shortly.

Internal Control Systems

Edelweiss has an adequate Internal Audit and Control system across all businesses. This important aspect is accomplished through a team of experienced internal auditors supported by qualified external auditors. All operational activities are also subject to concurrent internal audits at frequent intervals. The existing audit and inspection procedures are reviewed periodically to enhance effectiveness, usefulness and timeliness.

Edelweiss has a centralised Compliance Department which ensures compliance with all applicable laws. In addition, it provides advice on general regulatory matters including, formulating policies on the Prevention of Insider Trading, among others.

Edelweiss believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. Towards this end, the Company adopted the Whistle Blower Policy, which provides our employees an

avenue to raise concerns in good faith in line with the Edelweiss Code of Conduct. To make the whole process transparent and anonymous, we tied up with an independent online portal during the year, through which our employees can send confidential information while protecting their identity. A necessary structure was put in place to process any information received through the portal.

EdelGive Foundation

EdelGive Foundation, the not-for-profit philanthropic arm of Edelweiss, seeks to create educational and livelihood opportunities for underprivileged youth by bringing an investment banking and venture capital approach to the social sector. This initiative receives strong support of volunteering efforts by Edelweiss employees, with over 100 employees volunteering during the year. Its current core portfolio consists of 14 investees.

EdelGive launched its Social Innovation Honours in 2009 to recognise, promote and support non-profit organisations that innovate to empower Indian women. During FY11, EdelGive announced this year's award winners which honoured five NGOs for their innovative work in the area of women empowerment, from among an overwhelming number of participants. Through these awards, EdelGive enhanced the awareness of issues relating to women and the girl child, supporting organisations with path-breaking approaches to tackle urgent issues.

REGULATORY CHANGES POSING CHALLENGES AND OPPORTUNITIES

We are constantly aware of regulatory changes and related challenges and opportunities that impact our business environment. We are also proactive in aligning ourselves in terms of adherence to compliance requirements and to opportunities arising there from.

Some of the key regulatory changes introduced during FY11 are narrated below:

Regulation/Act	Changes	Implication
Amendments in Equity Listing Agreement	<p>(i) Companies shall have a pre-announced fixed pay date for the payment of dividends and for the credit of bonus shares.</p> <p>(ii) Companies to maintain a functional website that contains certain basic information about the Company; the website should be duly updated with all statutory filings, including agreements entered into with media companies, if any.</p>	These steps are directed to enhance uniformity, transparency and governance of listed entities, a welcome step.
Ministry of Corporate Affairs	<p>(i) Companies will have to file balance sheets and profit and loss account for the year 2010-11 onwards by using XBRL taxonomy.</p> <p>(ii) Companies will have to follow newly introduced Schedule VI format for presentation of Balance Sheet and Profit and Loss Account with Notes forming part of Accounts which is applicable for financials prepared after April 1, 2011.</p> <p>(iii) Companies (both listed and unlisted) need not seek prior approval of central government u/s 212 for not attaching financials of its subsidiaries companies with the balance sheet of the Holding Company. Approval of the Board of Directors of the Holding Company and fulfilment of other prescribed conditions would be sufficient for the same.</p>	The steps are aimed at improving the disclosure requirements and at the same time giving greater flexibility to enterprises.
Reserve Bank of India	<p>(i) All systemically important non-deposit taking NBFCs (NBFCs-ND-SI) are required to maintain minimum Capital to Risk Assets Ratio (CRAR) of 15% by March 31, 2011.</p> <p>(ii) The Reserve Bank of India introduced the Issuance of Non-Convertible Debentures Directions, 2010 (Directions), with effect from August 2, 2010. In accordance with the Directions "Non-Convertible Debenture" (NCD) means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement. The Directions lay down minimum norms for enterprises wanting to raise money via issue NCDs like rating requirement, minimum lock in/maturity period, appointment of various intermediaries etc.</p>	The RBI endeavours to monitor and control funds utilisation by NBFCs to keep a tab on its credit inflows and outflows that may pose systemic risk.

Regulation / Act	Changes	Implication
The Union Budget 2011-12 : Direct Tax	<p>Key changes in direct tax rates in taxation legislations are:</p> <p>(i) The basic annual exemption limit for income from tax for Individuals/HUFs is raised to ₹180,000 (earlier ₹160,000)</p> <p>(ii) Surcharge on domestic companies reduced to 5% (earlier 7.5%), consequently the effective tax rate is now 32.445% and the rate of dividend distribution tax is 16.22% (earlier 16.61%).</p> <p>(iii) Minimum Alternate Tax rate on book profits applicable to Companies increased 18.5% (earlier 18%) and with surcharge and cess it stands at 20.00775% (earlier 19.9305%).</p> <p>(iv) Dividend distribution tax on income distributed by Mutual funds to Companies has been increased to 30% (earlier 25%/20%).</p>	The rationalisation of tax rates will result in higher tax collection and at the same time greater spending by the government.
SEBI/NSE/BSE	<p>Pre-open session: SEBI introduced the call auction mechanism in Pre-open session on the Exchanges. The Exchanges, BSE and NSE, started the Pre-open session effective from October 18, 2010. Pre-open session starts at 9.00 AM and normal session starts at 9.15 AM.</p>	This is seen as one method of arriving at an appropriate price of the stock for trading to begin and controlling any manipulative activity that may influence the price during the opening session, a welcome move.
SEBI/NSE/BSE/MCX-SX	<p>Securities Trading using Wireless Technology: SEBI allowed securities trading using wireless technology which includes devices like mobile phones, laptops with data card, etc., that use the Internet Protocol (IP).</p>	Clients now can trade through various new technologies such as mobiles, laptops with data cards etc., making access to the market a lot easier on the move as well offered through us.
SEBI	<p>Enhancement in retail investors limit to ₹ 2 lacs in IPO/FPO: SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2010 – increase in limit for retail category in IPO/FPO from ₹ 1 lacs to ₹ 2 lacs.</p>	This will incentivise enhanced participation by retail investors in IPO/FPOs, a welcome move.

Cautionary Statement

Statements made in this Management Discussion and Analysis Report contain certain forward-looking statements based on various assumptions on the Edelweiss Group's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the Company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and Edelweiss does not undertake any obligation to update these statements. Edelweiss has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.

Board of Directors

Mr. Rashesh Shah, Chairman & Managing Director

Mr. Shah, co-founder of the Company has over 20 years of diverse experience in the financial services industry in India and has been instrumental in building Edelweiss into one of India's leading diversified financial services companies. Prior to founding Edelweiss, he worked with ICICI Limited.

He serves on the Boards of various companies and has also served on the Executive Committee of the National Stock Exchange, India's premiere securities exchange and is serving his third term as the Chairman of the Capital Market Committee of FICCI. Recently he was appointed as Chairman, ASSOCHAM National Council on Capital Markets. His academic qualifications include an MBA from IIM, Ahmedabad and a Diploma in International Trade from the Indian Institute of Foreign Trade, New Delhi.

Mr. Venkat Ramaswamy, Whole-time Director

Mr. Ramaswamy, co-founder of the Company spearheads some of the Company's most strategic businesses including Investment Banking and Alternative Assets Advisory. He brings significant experience and expertise on client relationships to Edelweiss. Prior to Edelweiss he worked with Spartek Emerging Opportunities Fund and ICICI Limited

His academic qualifications include an MBA from the University of Pittsburgh, United States of America and a Bachelor's Degree in Electronics Engineering.

Mr. Narendra Jhaveri, Independent Director

Mr. Jhaveri specialised in public finance and has over 40 years of experience in the financial services sector.

He has occupied important positions in various prestigious institutions including National Council of Applied Economic Research (NCAER), Reserve Bank of India and ICICI Ltd. Mr. Jhaveri rose to become Joint Managing Director and then the Executive Chairman of ICICI Securities Ltd. His academic qualifications include a Masters in Economics from Gujarat University and an M.Sc in Economics from the London School of Economics.

Mr. Kunnasagan Chinniah, Non-Executive Director

Mr. Chinniah is Managing Director/Global Head of Portfolio, Strategy & Risk Group with GIC Special Investments ("GIC SI"), the Private Equity arm of the Government of Singapore Investment Corporation ("GIC"). He joined GIC in 1989 and has held various positions with the Special Investments Department of GIC in their North American, European and Asian regions. Mr. Chinniah is a Chartered Financial Analyst and his other academic qualifications include a Bachelor's Degree in Electrical Engineering from the National University of Singapore and an MBA from the University of California (Berkeley).

Mr. P N Venkatachalam, Independent Director

Mr. Venkatachalam has over 35 years of experience in the banking sector in India and abroad and 5 years of experience in the software industry in Banking & Finance

verticals. He joined State Bank of India in 1967 and retired in 2004 as its Managing Director. He was a member of the Interim Pension Fund Regulatory Authority of India and a Director on the Board of Small Industries & Development Bank of India (SIDBI). He holds a Master's Degree in Economics and is a Certified Associate from the Indian Institute of Bankers.

Mr. Berjis Desai, Independent Director

Mr. Desai is the Managing Partner, J. Sagar & Associates, one of India's leading law firms. He has been practicing for more than 30 years and has a rich and varied experience in the legal field, with specialisation in corporate law, Mergers & Acquisitions, derivatives, securities & financial laws, International Business laws and International Commercial Arbitration. He holds a Masters degree in Law from the University of Cambridge.

Mr. Sanjiv Misra, Independent Director

Mr. Misra has a rich and varied experience of over 25 years in the financial services industry, having worked with various organizations including Goldman Sachs, Citigroup etc. Mr. Misra is the President of Phoenix Advisers Pte. Ltd, a boutique advisory and principal investing firm and Senior Advisor with Apollo Management. Mr. Misra holds a Bachelor of Arts degree in Economics from St Stephen's College, Delhi University, an MBA from IIM, Ahmedabad and a Master of Management from the J. L. Kellogg Graduate School of Management.

Corporate Governance Report

Company's philosophy on Corporate Governance

Corporate Governance is about promoting corporate fairness, transparency, accountability and integrity of the management. It also aims to align as nearly as possible the interests of individuals, corporates and society and enhance the stakeholders' value. Best results are achieved when the companies begin to treat the Corporate Governance system not as a mere structure but as a way of corporate life. Good corporate governance practices have always been an integral part of your Company's philosophy and is committed to achieving and maintaining the highest standards of corporate governance.

Board of Directors

The Board of Directors provide strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

Composition

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2010-11 and at the last Annual General Meeting (AGM), as also the number of directorships and committee positions held by them in other Public Limited Companies as on March 31, 2011 are as under :

Name	Category	Relationship with other directors	No. of Board Meetings		Attendance at the last AGM held on July 30, 2010	No. of directorships*	Committee Position**	
			Held	Attended			Member	Chairman
Mr. Rashesh Shah [Chairman, Managing Director & CEO]	Executive (Promoter)	None	6	5	Yes	4	1	-
Mr. Venkat Ramaswamy [Whole-time Director]	Executive (Promoter)	None	6	6	Yes	4	-	-
Mr. Narendra Jhaveri	Non Executive - Independent	None	6	4	Yes	7	2	1
Mr. P. N. Venkatachalam	Non Executive - Independent	None	6	5	Yes	4	2	-
Mr. Kunnasagaran Chinniah	Non Executive - Non Independent	None	6	3	No	2	-	1
Mr. Berjis Desai	Non Executive - Independent	None	6	4	Yes	8	6	2
Mr. Navtej S. Nandra#	Non Executive - Independent	None	1	1	-	-	-	-
Mr. Sunil Wadhvani \$	Non Executive - Independent	None	-	-	-	-	-	-
Mr. Ramanan Raghavendran \$	Non Executive - Independent	None	-	-	-	-	-	-

* Excludes Directorship in Private Limited Companies, Foreign Companies and Government Bodies.

** Only Audit Committee and Shareholders'/Investors' Grievance Committee in Public Limited Companies, have been considered for the Committee positions.

Resigned with effect from July 6, 2010.

\$ Resigned with effect from April 19, 2010.

Mr. Sanjiv Misra was appointed as an Additional Director by the Board at its meeting held on May 16, 2011.

The Board met six times on the following dates during the financial year 2010-11:

May 21, 2010; June 24, 2010; July 30, 2010; August 13, 2010; October 23, 2010 and January 21, 2011

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the Public Limited Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other Public Limited Companies.

Board Procedure

The annual calendar of Board Meetings is agreed upon at the beginning of the year. The agenda is circulated in advance to the Board Members. The items in the agenda are backed by comprehensive background information to enable the Board to take appropriate decisions.

Code of Conduct for Directors and Senior Management

The Company has a Code of Conduct ('Code') for Directors and Senior Management Personnel including all Functional Heads, which is in compliance with the requirements of Clause 49 of the Listing Agreement. The Code has been posted on the Company's website.

Further, all the Board members and Senior Management Personnel have affirmed compliance with the Code. A declaration to this effect signed by the Chairman and CEO forms part of this report.

Audit Committee

Composition as at March 31, 2011:-

Mr. Narendra Jhaveri	Chairman
Mr. P. N. Venkatachalam	Member
Mr. Berjis Desai	Member

All the members of the Committee are Independent Directors and have financial management expertise. The constitution and terms of reference of the Committee are in compliance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49(II)(A) of the Listing Agreement.

Brief Description of the Terms of Reference

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing with the management, the annual and the quarterly financial statements before submission to the Board for approval.
3. Discussion with internal auditors any significant findings and follow up there on.
4. Review of the items listed in Clause 49(II)(D) and (E) of the Listing Agreement.

Meetings held

During the financial year 2010-11, four meetings were held on May 20, 2010; July 30, 2010; October 22, 2010 and January 21, 2011.

Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Narendra Jhaveri	4	4
Mr. P. N. Venkatachalam	4	4
Mr. Berjis Desai #	3	2
Mr. Navtej S. Nandra*	1	1
Mr. Ramanan Raghavendran §	-	-

The Statutory Auditors, Internal Auditors, Chief Financial Officer and the Senior Vice-President (Finance & Accounts) are invited to attend the meetings of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

Mr. Narendra Jhaveri was present at the last Annual General Meeting (AGM) held on July 30, 2010.

appointed as a member of the Committee w.e.f. July 15, 2010.

* Mr. Navtej S. Nandra resigned as a Director of the Company w.e.f. July 6, 2010 and consequently ceased to be a member of the Committee.

§ Mr. Ramanan Raghavendran resigned as a Director of the Company w.e.f. April 19, 2010 and consequently ceased to be a member of the Committee.

Mr. Sanjiv Misra was inducted as a member of the Committee w.e.f. May 16, 2011.

Remuneration Committee

Composition as at March 31, 2011:-

Mr. Kunnasagar Chinniah

Mr. Berjis Desai

Meetings held

During the financial year 2010-11, the Remuneration Committee met once on May 21, 2010.

Attendance :

Name of Member	No. of meetings attended
Mr. Kunnasagaran Chinniah	1
Mr. Berjis Desai#	1
Mr. Navtej S. Nandra*	1
Mr. Ramanan Raghavendran §	-

appointed as a member of the Committee w.e.f. May 21, 2010.

* Mr. Navtej S. Nandra resigned as a Director of the Company w.e.f. July 6, 2010 and consequently ceased to be a member of the Committee.

§ Mr. Ramanan Raghavendran resigned as a Director of the Company w.e.f. April 19, 2010 and consequently ceased to be a member of the Committee.

Mr. Sanjiv Misra was inducted as a member of the Committee w.e.f. May 16, 2011.

The terms of reference of the Remuneration Committee include formulating policies for payment of remuneration to the Executive Directors and such other functions as may be delegated to it by the Board of Directors.

Remuneration to Directors**Non-Executive Directors**

The Company pays sitting fee of Rs. 20,000/- to the Independent Directors for attending the meetings of the Board and Committees thereof. During the year, commission was paid (for the financial year 2009-10) and Employee Stock Options (ESOPs) were also granted to the Independent Directors.

The sitting fees and commission paid together with the ESOPs granted to the Independent Directors during the year ended March 31, 2011 are as under:

Name of the Director	Sitting fees amount (Rs.)	Commission (Rs.) (for the financial year 2009-10)	No. of Options granted under ESOP 2010*
Mr. Narendra Jhaveri	2,80,000	10,00,000	50,000
Mr. P. N. Venkatachalam	2,20,000	10,00,000	50,000
Mr. Berjis Desai	2,20,000	5,00,000	50,000
Mr. Navtej S. Nandra	60,000	10,00,000	50,000

* No. of Options are adjusted for Bonus and sub-division.

Executive Directors

The details of the remuneration paid to the Executive Directors during the year ended March 31, 2011 is as under:

	Mr. Rashesh Shah, Chairman, MD & CEO*	Mr. Venkat Ramaswamy Whole-time Director*
	Rs.	Rs.
Basic Salary	72,17,008	73,59,396
Perquisites	39,600	-
Bonus (09-10)	1,50,00,000	1,20,00,000
Total	2,22,56,608	1,93,59,396
Service Contract	From April 1, 2008 to March 31, 2011	From April 1, 2008 to March 31, 2011
Notice period	N.A.	N.A.
Severance fee	N.A.	N.A.

* Mr. Rashesh Shah and Mr. Venkat Ramaswamy are re-appointed for a further period of 3 years w.e.f. April 1, 2011.

The shareholding of the Directors as at March 31, 2011 is as under:

Director	No. of shares	% of the paid up share capital
Mr. Rashesh Shah	13,74,76,730	18.28
Mr. Venkat Ramaswamy	5,30,26,560	7.05
Mr. Narendra Jhaveri	78,000	0.01
Mr. Berjis Desai	-	-
Mr. P. N. Venkatachalam	20,000	0.00
Mr. Kunnasagaran Chinniah	-	-

Shareholders'/Investors' Grievance Committee

Composition as at March 31, 2011:-

Mr. Berjis Desai

Mr. Kunnasagaran Chinniah

Mr. Venkat Ramaswamy

Meetings held

During the financial year 2010-11, two meetings of the Committee were held on May 20, 2010 and January 21, 2011.

Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Berjis Desai	2	1
Mr. Kunnasagaran Chinniah	2	2
Mr. Venkat Ramaswamy	2	2

Mr. B. Renganathan, SVP & Company Secretary acts as the Compliance Officer.

Based on the report received from Link Intime India Private Limited, the Registrar & Share Transfer Agent, the Company had received 64 requests/complaints during the year ended March 31, 2011 which were satisfactorily resolved/replied to. As on March 31, 2011 there were no pending requests/complaints from any shareholder.

General Body Meetings

The date, time and venue of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2009-2010	July 30, 2010	3.00 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai - 400 020	3
2008-2009	July 31, 2009	2.30 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai - 400 021	-
2007-2008	July 11, 2008	2.30 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai - 400 021	3

Postal Ballot

A. Resolutions passed through Postal Ballot on June 30, 2010

Two special resolutions were passed on June 30, 2010 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, in respect of the following items:

1. Issue of shares pursuant to Section 81(1A) of the Companies Act, 1956 under Edelweiss Employee Stock Incentive Plan, 2010; and
2. Issue of shares to the employees & directors of the subsidiaries of the Company under Edelweiss Employee Stock Incentive Plan, 2010.

Mr. Prakash K. Pandya, a Practising Company Secretary was appointed as the Scrutinizer to conduct the postal ballot process.

The Notice dated May 21, 2010 was sent to the members and the last date for receipt of postal ballot forms was June 28, 2010. The Company had received, 1,858 Postal Ballot Forms. Based on the Scrutinizer's report, the resolutions were passed with the requisite majority. The result of the postal ballot was declared on June 30, 2010 and published on July 1, 2010 in one English daily, and one Marathi daily for the information of the members.

B. Resolutions passed through Postal Ballot on April 26, 2011

Four special resolutions and an ordinary resolution were passed on April 26, 2011 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, in respect of the following items:

- (i) Special Resolution for issue of shares to the Eligible Employees of the Company under Section 81(1A) of the Companies Act, 1956 under the Edelweiss Employees Stock Incentive Plan, 2011;
- (ii) Special Resolution for issue of shares to the Eligible Employees of the subsidiaries of the Company under the Edelweiss Employees Stock Incentive Plan, 2011;
- (iii) Special Resolution for amendment to the Edelweiss Employees Stock Option Scheme – 2004;
- (iv) Special Resolution for amendment to the Edelweiss Employees Stock Option Scheme – 2006; and
- (v) Ordinary Resolution for transfer of business of Portfolio Management Services to the existing/future subsidiary.

Mr. Prakash K. Pandya, a Practising Company Secretary was appointed as the Scrutinizer to conduct the postal ballot process.

The Notice dated March 9, 2011 was sent to the members and the last date for receipt of postal ballot forms was April 21, 2011. The Company had received 2,820 Postal Ballot Forms. Based on the Scrutinizer's report, the resolutions were passed with the requisite majority. The result of the postal ballot was declared on April 26, 2011 and published on April 27, 2011 in one English daily, and one Marathi daily for the information of the members.

Resolution, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when necessary.

Disclosures

- i. The Company did not have any material significant related party transaction having a potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in the Notes to the accounts.
- ii. The financial statements have been prepared in accordance with the accounting standards and policies generally accepted in India.
- iii. There were no instances of non-compliance by the Company on any matter related to the capital markets, resulting in disciplinary action against the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority, during the last three years, except that SEBI has settled and passed the Consent Order on May 11, 2011, disposing off the proceedings against the Company, with respect to its Merchant Banking operations.
- iv. The Company has implemented the mandatory requirements of Corporate Governance as set out in the Listing Agreement. In respect of compliance with the non-mandatory requirements, the Company has constituted a Remuneration Committee, the details whereof are given under the heading "Remuneration Committee".
- v. The Company has a Whistle Blower Policy for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy.
- vi. The Company has a Risk Management Policy for risk identification, assessment and control to effectively manage risks associated with the business of the Company.
- vii. **CEO / CFO Certification**
The CEO and the CFO have certified to the Board, the requirements of Clause 49(V) of the Listing Agreement.
- viii. **Compliance Certificate**
As required by Clause 49 of the Listing Agreement, a certificate from a Practising Company Secretary, certifying the compliance by the Company with the provisions of Corporate Governance of the Listing Agreement is given as an Annexure to this Report.

Means of Communication

- i. The quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in one English daily, and one Marathi daily. The quarterly/annual results, press releases and the presentation made to the institutional investors/analysts are also uploaded on the website of the Company www.edelcap.com.
- ii. The Management Discussion and Analysis Report, in compliance with the requirements of Clause 49 of the Listing Agreement is annexed to the Directors' Report which forms part of this Annual Report.
- iii. The consolidated financial statements of the Company and its subsidiaries form part of this Annual Report.

General Shareholder Information

- i. **AGM: Date, time and venue:** Monday, July 25, 2011 at 3.00 p.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021
- ii. **Financial Year:** April 1 to March 31.
- iii. **Date of Book Closure:** July 11, 2011 to July 25, 2011
- iv. **Dividend payment date:** August 3, 2011
- v. **Listing of equity shares on Stock Exchanges:**
The equity shares of the Company are listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The Company has paid the listing fees, to the respective Stock Exchanges for the financial year 2011-2012.

vi. Stock Codes:

Trading Symbol

Bombay Stock Exchange Limited	532922
National Stock Exchange of India Limited	EDELWEISS

ISIN with NSDL and CDSL

Equity shares	INE532F01054
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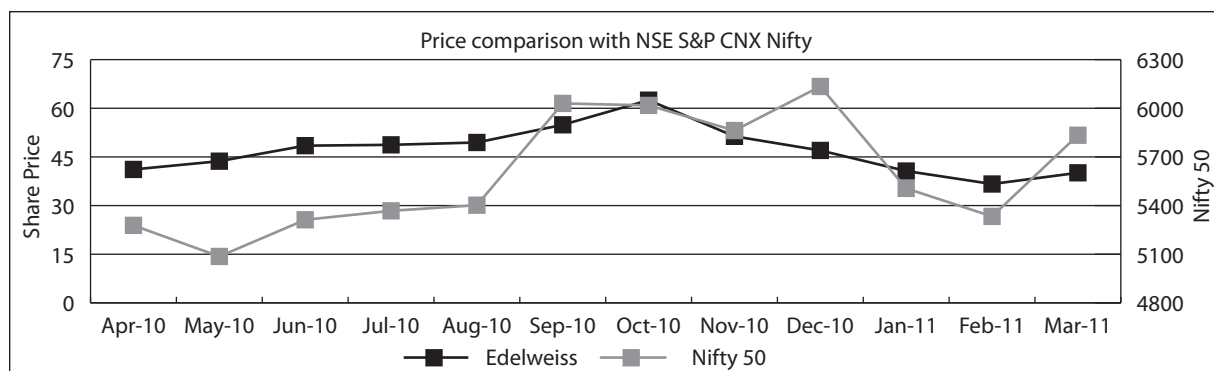
- vii. **Market Price Data:** Stock Market price data for the financial year 2010-2011 High/Low of daily closing market price of the Company's shares traded at NSE and BSE during each month in the financial year ended March 31, 2011 are as under:

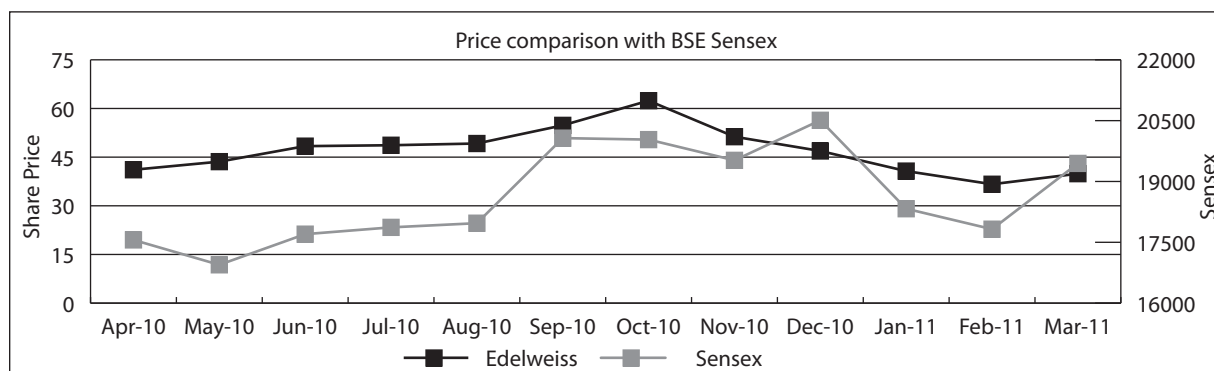
Share Price & Volume

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity
Apr-10	43.97	40.34	67,37,830	44.23	40.22	43,21,350
May-10	43.69	40.01	23,93,280	43.61	40.00	7,07,910
Jun-10	52.50	40.80	6,08,48,280	52.52	40.93	2,72,67,960
Jul-10	52.11	47.65	1,23,41,110	52.05	47.74	68,85,670
Aug-10	61.05	49.05	4,49,68,511	60.95	48.97	2,39,65,604
Sep-10	58.50	50.10	1,53,20,343	57.95	50.15	1,07,03,955
Oct-10	67.05	58.30	5,58,45,655	67.15	58.00	4,62,20,587
Nov-10	64.55	48.40	2,96,75,151	64.50	48.20	1,62,83,534
Dec-10	53.95	42.70	1,41,27,754	53.85	42.50	81,85,768
Jan-11	48.10	39.25	1,07,33,627	47.90	39.10	61,51,376
Feb-11	39.25	35.15	57,58,784	39.20	35.25	26,64,072
Mar-11	40.25	35.85	86,28,089	40.05	35.90	46,17,044

Share price is adjusted for Bonus issue and sub-division.

- viii. Performance of share price in comparison with the broad – based indices viz., NSE Nifty & BSE Sensex:





- ix. **Registrar & Share Transfer Agent:** Link Intime India Private Limited is the Registrar & Share Transfer Agent of the Company. The Registrar & Share Transfer Agent acknowledges and executes transfers of shares and arranges for issue of dividend warrants and also undertakes the dematerialisation of equity shares. The Registrar & Share Transfer Agent also accepts, deals with and resolves complaints of shareholders.
- x. **Share Transfer System:** The Company's shares are traded on the Stock Exchanges in compulsory demat mode. The transfer of physical shares are processed and returned to the shareholders within a period of 30 days. With a view to expedite the process of share transfers, transmission etc., the Managing Director, the Whole-time Director and the Company Secretary, have been severally empowered to approve the same.
- xi. **Distribution of shareholding as on March 31, 2011:**

No. of Equity Shares	No. of Shareholders	% of Share holder	Total no. of shares held	% of Holding
1 - 5000	1,57,029	99.40	2,72,26,586	3.62
5001 - 10000	426	0.27	31,21,068	0.42
10001 - 20000	192	0.12	26,83,697	0.35
20001 - 30000	59	0.04	14,78,767	0.20
30001 - 40000	43	0.03	15,21,540	0.20
40001 - 50000	29	0.02	13,55,508	0.18
50001 - 100000	55	0.03	39,91,629	0.53
100001 and above	136	0.09	71,06,47,485	94.50
Total	1,57,969	100.00	75,20,26,280	100.00

SHAREHOLDING PATTERN AS ON MARCH 31, 2011:

Sr. No.	Category	No. of Shares	% of Holding
1.	Promoters & Persons acting in Concert	28,57,15,690	37.99
2.	Mutual funds / FIs / Banks / Insurance Companies	2,69,76,410	3.59
3.	FII's	10,09,82,402	13.43
4.	NRIs / Foreign Nationals / Foreign Bodies Corporate	15,74,65,556	20.94
5.	Public and Others	18,08,86,222	24.05
	Total	75,20,26,280	100.00

- xii. **Dematerialisation of shares:** As on March 31, 2011, 99.47% of the Company's total shares, i.e. 74,80,28,945 shares were held in dematerialised form and 0.53% comprising 39,97,335 shares were held in physical form. At the end of each quarter of the financial year reconciliation of share capital audit is conducted by a Practising Company Secretary to reconcile the total issued capital, listed capital and capital held by depositories in dematerialised form.

xiii. **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

The Company has not issued GDRs/ADRs/Warrants or any other instrument convertible into equity.

xiv. **Details of shares lying in the suspense account (pursuant to Clause 5A of the Listing Agreement):**

Sr. No.	Particulars	Details	
		No. of Shareholders	No. of Shares [§]
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	119	9,530
2	Number of shareholders who approached the Company for transfer of shares from the suspense account during the year	4	320
3	Number of shareholders to whom shares were transferred from the suspense account during the year	4	320
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	115	9,210

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

[§]Adjusted for Bonus issue and sub-division.

xv. **Plant locations** – Not Applicable

xvi. **Address for correspondence:** For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialisation of shares, change of address, non receipt of annual report, interest/dividend warrant and any other query relating to the shares and debentures of the Company, the investors may please write to the following address:

Link Intime India Private Limited
 Unit: Edelweiss Capital Limited
 C-13, Pannalal Silk Mills Compound,
 LBS Marg, Bhandup (West),
 Mumbai – 400 078, India.
 Tel: +91 22 2594 6970
 Fax: +91 22 2594 6969
 e-mail: edelweiss@linkintime.co.in
 Website: www.linkintime.co.in

The Company Secretary
 Edelweiss Capital Limited
 Edelweiss House, Off C.S.T. Road,
 Kalina, Mumbai – 400 098, India.
 Tel: +91 22 4009 4400
 Fax: +91 22 4079 5065
 e-mail: investors@edelcap.com

xvii. **For queries relating to the financial statements and investor information, other than those relating to shares/dividend, please write to:**

Shailendra Maru,
 Vice President – Investor Relations
 Edelweiss Capital Limited,
 Edelweiss House, Off C.S.T. Road,
 Kalina, Mumbai – 400 098, India.
 Tel: +91 22 4063 5418
 e-mail: ir@edelcap.com

Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the Edelweiss Code of Conduct

In accordance with Clause 49(I)(D) of the Listing Agreement, I hereby declare that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Edelweiss Code of Conduct applicable to all the Directors and Senior Management, for the year ended March 31, 2011.

**For Edelweiss Capital Limited
Rashesh Shah
Chairman & CEO**

Mumbai

Date: May 16, 2011

Certificate on compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement

To the members of Edelweiss Capital Limited,

We have examined the compliance of conditions of corporate governance by Edelweiss Capital Limited ("the Company") for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For P. K. Pandya & Co.
Practising Company Secretary
Prakash K. Pandya
Proprietor
Membership No. FCS 3901**

Mumbai, May 16, 2011.

Edelweiss Capital Limited

Consolidated Financial Statements
for the year ended 31 March 2011

Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of Edelweiss Capital Limited

We have audited the attached consolidated balance sheet of Edelweiss Capital Limited ('the Company') and its subsidiaries and associates (collectively referred to as 'the Group') as at 31 March 2011 and the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements and other financial information of certain subsidiaries and associates whose financial statements reflect total assets of Rs. 49,215 million as at 31 March 2011, total revenues of Rs. 4,291 million and net cash inflows of Rs. 3,648 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, are based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements and Accounting Standard ('AS') 23, Accounting for Investments in Associates in Consolidated Financial Statements as prescribed under the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2011;
- (ii) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended 31 March 2011; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No: 116231W

Mumbai
16 May 2011

Akeel Master
Partner
Membership No: 046768

Consolidated Balance Sheet as at 31 March 2011

(Currency: Indian rupees in millions)	Schedule	31 March 2011	31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	752.03	375.36
Stock options outstanding account		20.63	18.91
Share application money		0.78	0.04
Reserves and surplus	3	22,231.53	22,179.38
		23,004.97	22,573.69
Loan funds			
Secured loans	4	26,390.47	7,259.54
Unsecured loans	5	55,675.21	19,878.65
		82,065.68	27,138.19
Minority interest			
	6	1,154.95	2,132.02
TOTAL		106,225.60	51,843.90
APPLICATION OF FUNDS			
Fixed assets			
	7		
Gross block		1,701.11	737.25
Less: Accumulated depreciation		822.36	382.96
Net block		878.75	354.29
Capital work-in-progress		3,901.77	234.51
		4,780.52	588.80
Investments			
	8	3,887.20	1,560.25
Deferred tax asset (net)			
	23.4	527.53	602.83
Current assets, loans and advances			
Stock-in-trade	9	14,171.72	11,505.83
Sundry debtors	10	35,869.52	848.31
Cash and bank balances	11	36,624.90	16,998.88
Other current assets	12	3,477.18	483.36
Loans and advances	13	50,611.79	26,369.38
		140,755.11	56,205.76
Less: Current liabilities and provisions			
Current liabilities	14	42,900.47	5,718.38
Provisions	15	824.29	1,395.36
		43,724.76	7,113.74
Net current assets			
		97,030.35	49,092.02
TOTAL		106,225.60	51,843.90
Significant accounting policies	1		
Notes to the accounts	23		

The schedules referred to above form an integral part of the balance sheet.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768
Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Consolidated Profit and Loss Account for the year ended 31 March 2011

(Currency: Indian rupees in millions)	Schedule	31 March 2011	31 March 2010
INCOME			
Fee and commission income	16	5,001.20	3,504.04
Income from treasury operations and investments	17	2,175.24	2,797.17
Interest income	18	7,543.30	3,389.10
Other income	19	191.65	87.50
		14,911.39	9,777.81
EXPENDITURE			
Employee costs	20	2,354.24	1,621.68
Operating and other expenses	21	3,531.15	2,762.84
Financial expenses	22	5,321.84	1,942.78
Depreciation		204.04	122.47
		11,411.27	6,449.77
PROFIT BEFORE TAXATION AND BEFORE MINORITY INTEREST		3,500.12	3,328.04
Tax expenses			
- Income tax (includes excess provision for earlier years of Rs. 163.82 million; Previous year: short provision of Rs. 2.37 million)		1,007.51	949.27
- Minimum alternate tax credit entitlement		(83.22)	(6.70)
- Deferred tax charge / (benefit)		106.68	(63.35)
PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST		2,469.15	2,448.82
Share of minority interest in profit for the year		138.99	157.22
PROFIT FOR THE YEAR AFTER MINORITY INTEREST		2,330.16	2,291.60
Profit and loss account balance brought forward		6,407.19	5,284.41
PROFIT AVAILABLE FOR APPROPRIATION		8,737.35	7,576.01
APPROPRIATIONS			
Transfer to Statutory Reserve u/s 45-IC of The Reserve Bank of India Act, 1934		226.92	213.76
Transfer to Statutory Reserve u/s 29C of The National Housing Bank Act, 1987		-	0.14
Proposed dividend		263.24	600.73
Interim dividend		187.98	150.09
Dividend distribution tax		75.58	125.37
Transfer to general reserve		107.82	73.73
Transfer to capital redemption reserve		158.95	5.00
Profit and loss account balance carried forward to balance sheet		7,716.86	6,407.19
		8,737.35	7,576.01
Basic earnings per share (Rs.) (Face value Re. 1 each)	23.3	3.10	3.06
Diluted earnings per share (Rs.) (Face value Re. 1 each)	23.3	3.00	2.94
Significant accounting policies	1		
Notes to the accounts	23		

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768
Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March 2011

(Currency: Indian rupees in millions)	31 March 2011	31 March 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,500.12	3,328.04
Adjustments for		
Depreciation / Amortisation	204.04	122.47
Stock options outstanding	1.72	6.12
Provision for doubtful debts and advances	87.53	(6.92)
Provision for non-performing assets	73.51	8.43
Provision for standard assets	(27.31)	34.96
Loss / (Profit) on sale of fixed assets (net)	1.86	(13.70)
Goodwill on consolidation written off	-	0.76
Profit on sale of investment (net)	(79.49)	(225.52)
Provision for diminution in value of long term investments	(0.53)	18.30
Dividend on current investments	(8.38)	(59.38)
Dividend on long term investments	-	(0.45)
Interest income	(1,164.18)	(1,438.21)
Interest expense	5,321.84	1,942.78
Operating cash flow before working capital changes	7,910.73	3,717.68
Adjustments for		
Increase in sundry debtors	(34,251.35)	(406.15)
Increase in stock in trade	(2,665.42)	(6,864.07)
Increase in loans and advances	(23,782.89)	(14,794.04)
Increase in current liabilities and provisions	33,016.34	931.45
Cash used in operations	(19,772.59)	(17,415.13)
Income taxes paid	1,804.63	1,302.40
Net cash used in operating activities - A	(21,577.22)	(18,717.53)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(870.53)	(184.69)
Sale of fixed assets	1.92	14.59
Investment in subsidiaries (net of cash acquired)	(1,434.92)	-
(Purchase) / Sale of investments (net) (Refer Note 2)	(2,241.93)	(277.75)
Dividend on investments	8.38	83.63
Interest received	34.28	1,644.39
Net cash (used in) / generated from investing activities - B	(4,502.80)	1,280.17

Consolidated Cash Flow Statement for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)	31 March 2011	31 March 2010
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital including premium	22.51	8.04
Share application money received	0.75	0.04
Bonus offering expense	(2.15)	-
Debenture redemption expense	(17.72)	-
Change in Minority interest	(1,087.03)	(138.88)
Proceeds from secured loans (net) (Refer Note 2)	18,100.60	4,820.21
Dividend and Dividend distribution tax paid	(920.37)	(412.66)
Proceeds from unsecured loans (net) (Refer Note 2)	35,104.14	14,694.23
Interest paid on loans	(5,483.14)	(1,434.71)
Net cash generated from financing activities - C	45,717.59	17,536.27
Change in foreign exchange translation reserve - D	(11.55)	(45.44)
Net increase in cash and cash equivalents (A+B+C+D)	19,626.02	53.47
Cash and cash equivalents as at the beginning of the year	16,998.88	16,945.41
Cash and cash equivalents as at the end of the year (Refer Note 1)	36,624.90	16,998.88

- Notes:**
- 1 Cash and cash equivalents represent cash, balances with banks in current account and fixed deposits placed with banks (Refer schedule 11 to the financial statements).
 - 2 Net figures have been reported on account of volume of transactions.

As per our report attached.
For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768
Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Schedules to the consolidated financial statements for the year ended 31 March 2011

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 and the circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time. The financial statements are presented in Indian rupees in millions.

1.2 Principles of consolidation

(a) The consolidated financial statements relate to Edelweiss Capital Limited ('the Company') and its subsidiaries and associates (together 'the Group'). The consolidated financial statements have been prepared on the following basis:

- In respect of subsidiary enterprises, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after as far as possible eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 - Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.
- In case of Associate Enterprises, the financial statements have been consolidated as per Accounting Standard 23 - Accounting for Investment in Associates prescribed by Companies (Accounting Standards) Rules, 2006.
- Investments in subsidiaries where control is intended to be temporary or where the objective of control over the subsidiary is not to obtain economic benefits therefrom, have not been consolidated.
- Assets and liabilities of the foreign subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as foreign exchange translation reserve in Reserves and Surplus.
- The excess of cost over the Company's investments in the subsidiary company is recognised in the consolidated financial statements as Goodwill. The excess of Company's share in equity and reserves of the subsidiary company over the cost of acquisition is treated as Capital Reserve. Capital reserve arising on consolidation is adjusted with goodwill arising on consolidation.
- The share of minority interest in the net profit of subsidiaries for the year is identified and adjusted against the income of the Group to arrive at the net income attributable to the Group.
- The share of minority interest in net assets of subsidiaries is identified and presented in the consolidated financial statements separate from liabilities and the equity of the Group.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

(b) Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 - Accounting for Investments prescribed by the Companies (Accounting Standard) Rules, 2006.

(c) The subsidiaries and associates considered in the consolidated financial statements :

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2011
1	Edelweiss Securities Limited	India	100.00%
2	Edelweiss Finance & Investments Limited	India	100.00%
3	Edelweiss Trading & Holdings Limited (<i>formerly Edelweiss Commodities Limited</i>)	India	100.00%
4	ECL Finance Limited	India	92.20%
5	Edelweiss Financial Products & Solutions Limited	India	100.00%
6	EC Global Limited ¹	Mauritius	100.00%
7	Edelweiss Insurance Brokers Limited	India	71.91%
8	Edelweiss Trustee Services Limited	India	100.00%
9	Edelweiss Web Services Limited ¹ (<i>formerly Edelweiss Capital Services Limited</i>)	India	100.00%
10	Edelcap Securities Limited	India	100.00%
11	Edelweiss Asset Management Limited	India	100.00%
12	ECap Equities Limited	India	100.00%
13	Edelweiss Broking Limited	India	100.00%
14	Edelweiss Trusteeship Company Limited	India	100.00%
15	Edelweiss Alternative Asset Advisors Limited	India	100.00%

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Principles of consolidation (Continued)

(c) The subsidiaries and associates considered in the consolidated financial statements (Continued)

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2011
16	Edelweiss Housing Finance Limited ⁵	India	100.00%
17	Edelweiss Investment Advisors Limited (<i>formerly Edelweiss Property Advisors Limited</i>)	India	100.00%
18	EC Commodity Limited	India	100.00%
19	Edel Commodities Limited	India	100.00%
20	Edel Land Limited	India	100.00%
21	Edelweiss Custodial Services Limited	India	100.00%
22	EC International Limited	Mauritius	100.00%
23	Edelweiss Capital (Singapore) Pte. Limited	Singapore	100.00%
24	Edelweiss Alternative Asset Advisors Pte. Limited ²	Singapore	100.00%
25	Edelweiss International (Singapore) Pte. Limited ²	Singapore	100.00%
26	Aster Commodities DMCC ³	Dubai	100.00%
27	ECap International Limited ³	Mauritius	100.00%
28	EAAA LLC ⁴	Mauritius	100.00%
29	Allium Finance Private Limited ⁵	India	100.00%
30	EW Special Opportunities Advisors LLC ⁷	Mauritius	67.00%
31	EW India Special Assets Advisors LLC ⁷	Mauritius	100.00%
32	Edel Investments Limited	India	100.00%
33	Edelweiss Tokio Life Insurance Company Limited	India	74.00%
34	Edelweiss Investment Advisors Private Limited ²	Singapore	100.00%
35	Edelweiss Advisors Limited ⁸	India	100.00%
36	Comfort Projects Limited ⁵ (<i>formerly Comfort Projects Private Limited</i>)	India	100.00%
37	Edelweiss Financial Advisors Limited ⁹ (<i>formerly Anagram Capital Limited</i>)	India	100.00%
38	Edelweiss Stock Broking Limited ¹⁰ (<i>formerly Anagram Stock Broking Limited</i>)	India	100.00%
39	Edelweiss Comtrade Limited ¹⁰ (<i>formerly Anagram Comtrade Limited</i>)	India	100.00%
40	Edel Finance Company Limited ¹⁰ (<i>formerly Dropadi Finance Limited</i>)	India	100.00%
41	Edelweiss Capital Markets Limited ⁵	India	100.00%
42	EW Crossover Advisors LLC ⁷	Mauritius	100.00%
43	Edelweiss Asset Reconstruction Company Limited ⁸	India	49.00%
44	Edelweiss Fund Advisors Private Limited (<i>formerly Edelweiss Real Estate Advisors Private Limited</i>)	India	40.00%
45	Dahlia Financial Services Private Limited ⁶	India	50.00%
46	Magnolia Financial Services Private Limited ⁶	India	50.00%
47	Arum Investments Private Limited ⁶	India	39.39%

¹ held through Edelweiss Finance & Investments Limited

² held through Edelweiss Capital (Singapore) Pte. Limited

³ held through EC International Limited

⁴ held through ECap International Limited

⁵ held through Edelweiss Trading & Holdings Limited

⁶ held through Edelweiss Securities Limited

⁷ held through EAAA LLC

⁸ held through Edelweiss Alternative Asset Advisors Limited

⁹ held through Edelweiss Securities Limited and Edelweiss Finance & Investments Limited

¹⁰ held through Edelweiss Financial Advisors Limited

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Principles of consolidation (Continued)

- (d) During the year ended 31 March 2011, the Company has raised its interest in ECL Finance Limited from 84.44% to 92.20%.
- (e) Edelgive Foundation, a 100% subsidiary and a company registered under section 25 of the Companies Act, 1956, with the sole objective of philanthropy, where no economic benefit shall be derived by the Group, has not been consolidated.
- (f) With effect from 16 July 2010, Edelweiss Financial Advisors Limited and its subsidiaries became the subsidiaries of the Company and have been consolidated from the said date.
- (g) During the year ended 31 March 2011, the Company has diluted its interest in EW Special Opportunities Advisors LLC from 100% to 67%.
- (h) During the year ended 31 March 2011, the Company has diluted its interest in Arum Investments Private Limited ('Arum') from 100% to 54.39% on 7 January 2011 and to 39.39% on 28 March 2011. Until 28 March 2011, the interest in Arum has been consolidated as a subsidiary and subsequent to 28 March 2011, the investment in Arum has been accounted in accordance with Accounting Standard 23 – Accounting for Investment in Associates.
- (i) With effect from 30 April 2010, Comfort Projects Limited became the subsidiary of the Company and has been consolidated from the said date.
- (j) EW Crossover Advisors LLC was incorporated on 14 March 2011. The first financial year of EW Crossover Advisors LLC is from 14 March 2011 to 31 March 2012.

1.3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.4 Revenue recognition

- (a) Fee income including advisory fees, syndication fees, processing fees (other than on housing loans) and other fees is accounted for on an accrual basis in accordance with the terms and contracts entered into between the Group and the counterparty.
- (b) Brokerage income on securities and commodities broking business is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date and is inclusive of service tax. Brokerage income on insurance broking business is recognised on accrual basis at the inception of the insurance policy once the policy is issued by the insurance company based on the terms agreed with the insurance companies and is exclusive of service tax.
- (c) Investment management fees are recognised net of service tax on an accrual basis in accordance with the Investment Management Agreement with Edelweiss Mutual Fund ('the mutual fund') and complies with the Securities and Exchange Board of India (Mutual Funds) Regulations based on average Assets Under Management ('AUM') confirmed by the mutual fund.
- (d) Revenue from fund management services (excluding mutual fund business) is recognised in accordance with the terms and conditions of the investment management agreement between the Group and the Fund for which the Group acts as a fund manager.
- (e) Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the Compensation Agreement between the trustee company and the fund. The amount recognised as revenue is exclusive of service tax.
- (f) In case of housing loans, processing fees is amortised over a pre-determined tenor arrived on an actuarial basis or original contractual tenor, whichever is shorter. In the event of a loan being foreclosed or written off, the unamortised portion of such processing fees is recognised as income at the time of such foreclosure or write off.
- (g) Income from treasury operations comprises of profit/loss on sale of securities and commodities and profit/loss on equity, commodity, interest rate and currency derivative instruments.
 - (i) Profit/loss on sale of securities and commodities is determined based on the weighted average cost of the securities/commodities sold.
 - (ii) Realised profit/ loss on closed positions of derivative instruments is recognised on final settlement on squaring-up of the contracts. Outstanding derivative contracts in the nature of forwards / futures / options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.
- (h) Interest income is recognised on accrual basis. Interest income in case of lending business in the non-banking financial companies is recognised on accrual basis except in case of non-performing assets, wherein it is accounted on realisation, as per RBI guidelines. In case of commercial papers, deep discount bonds and certificate of deposits, the difference between the acquisition cost and redemption value are apportioned on time basis and recognised as interest income.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Revenue recognition (Continued)

- (i) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- (j) Dividend income is recognised when the right to receive payment is established.
- (k) ECL Finance Limited, subsidiary of the Company, enters into securitisation transactions and assets are derecognised upon sale only if ECL Finance Limited surrenders control over the contractual rights that comprise in the financial assets. Gain on securitisation of assets is recognised on the difference between the book value of the securitised asset and consideration received on the assets derecognised from the books. The same is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV') in accordance with the guidelines issued by the RBI. Losses, if any, are recognised immediately.
- (l) Profit/loss on error trades in broking business is included in "Income from treasury operations and investments".
- (m) Profit/loss from share in partnership firm is accounted for once the amount of the share of profit/loss is ascertained and credited/debited to the company's account in the books of the partnership firm.

1.5 Loan origination costs

In case of housing loans, origination costs directly attributable to disbursed loans are amortised over a pre-determined tenor arrived on an actuarial basis or original contractual tenor, whichever is shorter. Where the loan is foreclosed or written off, the unamortised portion of such loan origination costs are recognised as charge to the Profit and Loss Account at the time of such foreclosure or write off.

1.6 Benchmark linked debentures

The Company has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the profit and loss account. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

1.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready to use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Flat and building	5.00%
Furniture and fixtures	18.10%
Office equipments	13.91%
Computers	40.00%
Vehicles	25.89%
Vessel	20.00%

Leasehold improvements are amortized on a straight-line basis over the estimated useful lives of the assets or the period of lease whichever is shorter.

Intangibles such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

1.8 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

1.9 Stock-in-trade

- (a) The securities acquired with the intention of trading are considered as stock-in-trade and disclosed as current assets.
- (b) The securities, including from error trades, held as stock-in-trade are valued at lower of weighted average cost or market value.
- (c) In case of units of mutual funds held as stock-in-trade, net asset value is considered as fair value.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Stock-in-trade (Continued)

- (d) Inventories in the form of commodities are valued at cost or net realisable value, whichever is lower.
- (e) Debt instruments are valued at cost or fair value whichever is lower. Fair value is taken as last traded price for the listed instruments and for others as declared by Fixed Income Money Market and Derivative Association of India ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI'). In case of debt instruments for which direct quotes are not available, they are valued at the lowest of the quotes as on valuation date as provided by market intermediaries.
- (f) Commercial papers, certificate of deposits and treasury bills are valued at carrying cost.
- (g) Inventory in the form of land is valued at cost or net realisable value, whichever is lower.
- (h) Purchase and sale of bullion is recorded at the price which is fixed between the buyer and the seller at the future date including the contracts where the price is fixed subsequent to the balance sheet date. In case of unfixed purchase/sale contracts as at the reporting date, the price is recorded at the forward rate for the residual maturity period of the contract.

1.10 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

1.11 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

1.12 Employee benefits

The accounting policy followed by the Group in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

Provident fund

The Group contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

Gratuity

The Group's gratuity scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method. The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an Insurance company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses are recognised immediately in the profit and loss account.

Compensated absences and leave encashment

The eligible employees of certain companies of the Group are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Group recognises the charge to the Profit & Loss Account and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

Certain companies of the Group provide for the encashment of leave subject to rules. The liability is provided based on the number of days of unutilised leave at each balance sheet date based on a valuation by an independent actuary.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.13 Taxation

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

Current tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred taxation

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Minimum Alternate Tax (MAT) credit

MAT credit asset is recognized where there is convincing evidence that the asset can be realised in future.

1.14 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

1.15 Earnings per share

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

1.16 Provisions and contingencies

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

1.17 Provisioning on receivables from financing business

Provision for non-performing assets is based on the management's assessment of the degree of impairment of the loan asset and the level of provisioning required as per the prudential norms prescribed by RBI.

Provision for standard assets is made on the basis of prudential norms laid down by RBI and National Housing Bank (NHB).

1.18 Mutual Fund expenses

Expenses incurred on behalf of schemes of Edelweiss Mutual Fund are recognised to the profit and loss account unless considered recoverable from schemes of the fund in accordance with provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations.

1.19 Employee stock option plans

The Group follows the intrinsic value method to account for compensation cost of the stock based employee compensation plans of the Company. The compensation cost is amortised on a straight-line basis.

1.20 Preliminary expenses

Preliminary expenses are charged off to the profit and loss account in the year in which they are incurred.

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
2 SHARE CAPITAL		
Authorised :		
1,230,000,000 (Previous year: 100,000,000) Equity shares of Re. 1 (Previous year: Rs. 5) each	1,230.00	500.00
20,000,000 (Previous year: 4,000,000) Preference shares of Re. 1 (Previous year: Rs. 5) each	20.00	20.00
	1,250.00	520.00
Issued, Subscribed and Paid up:		
752,026,280 (Previous year: 75,071,893) Equity shares of Re. 1 (Previous year: Rs. 5) each, fully paid-up	752.03	375.36
	752.03	375.36
Of the above,		
<i>Bonus:</i>		
(a) during the F.Y. 2007-08: 44,916,806 equity shares of Re. 1 each (before consolidation of face value of equity share from Re. 1 per share to Rs. 5 per share) were allotted as fully paid up bonus shares by capitalisation of Rs. 44.92 million from securities premium account.		
(b) during the F.Y. 2007-08: 35,937,448 equity shares of Rs. 5 each were allotted as fully paid up bonus shares by capitalisation of Rs. 179.69 million from securities premium account.		
(c) during the year: 375,495,590 equity shares of Re. 1 each (after split of face value of equity share from Rs. 5 to Re. 1 per share) were allotted as fully paid-up bonus shares by capitalisation of Rs. 2.60 million from capital redemption reserve and Rs. 372.90 million from securities premium account.		
<i>Consolidation:</i>		
during the F.Y. 2007-08: 89,843,620 equity shares of Re. 1 each were consolidated into fully paid up 17,968,724 equity shares of Rs. 5 each.		
<i>Split:</i>		
during the year: 75,099,118 equity shares of Rs. 5 each were split into fully paid up 375,495,590 equity shares of Re. 1 each.		

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
3 RESERVES AND SURPLUS		
General reserve		
Opening balance	237.55	163.82
Add : Additions during the year (net)	107.07	73.73
	344.62	237.55
Securities premium account		
Opening balance	13,552.51	13,545.16
Less: Movement to capital reserve	(1,204.28)	-
Add : (Utilisation)/Additions during the year (net)	(369.94)	7.35
	11,978.29	13,552.51
Capital redemption reserve		
Opening balance	7.60	2.60
Add : Additions during the year (net)	157.11	5.00
	164.71	7.60
Statutory reserve u/s 45-IC of the Reserve Bank of India Act, 1934		
Opening balance	752.68	538.28
Add : Additions during the year	226.92	214.40
	979.60	752.68
Statutory Reserve u/s 29C of The National Housing Bank Act, 1987		
Opening balance	0.14	-
Add : Additions during the year	-	0.14
	0.14	0.14
Foreign exchange translation reserve	98.32	109.87
Capital reserve		
Opening balance	1,111.84	1,076.65
Add : Movement from securities premium account	1,204.28	-
Add : Goodwill adjustment arising on account of consolidation	(1,394.67)	-
Add : Additions during the year	27.54	35.19
	948.99	1,111.84
Balance in profit and loss account	7,716.86	6,407.19
	22,231.53	22,179.38

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
4 SECURED LOANS		
Bank overdraft (Secured by way of pledge of fixed deposits and hypothecation of receivables)	19,076.82	49.91
Collateralised borrowing (Secured by dated treasury bills)	970.00	20.00
Non-convertible debentures		
(a) Secured by way of fixed charge on immovable property and floating charge on movable property in the form of sundry debtors, cash and bank balances and loans and advances	994.70	1,713.30
(b) Secured by way of second charge on immovable property and floating charge on loans to subsidiaries	-	2,930.00
(c) Secured by way of charge on immovable property and floating charge on stock-in-trade	2,842.80	39.10
(d) Secured by way of charge on immovable property and floating charge on loans and advances	2,500.00	2,500.00
	6,337.50	7,182.40
Vehicle loans (Secured by hypothecation of vehicles)	6.15	7.22
Housing loan (Secured by hypothecation of residential property)	-	0.01
	26,390.47	7,259.54
5 UNSECURED LOANS		
Fully convertible debentures	-	1,800.00
Non-convertible debentures	-	6,200.00
Inter corporate deposit	1,892.41	403.50
Deposits accepted	106.58	132.98
Letters of credit discounted	3,696.08	-
Commercial paper	50,530.00	11,550.00
Less: Unamortised discount on commercial paper	1,049.86	207.83
	49,480.14	11,342.17
Short term loan	500.00	-
	55,675.21	19,878.65
6 MINORITY INTEREST		
Opening balance	2,132.02	2,148.87
Less : Movement during the year	(977.07)	(16.85)
	1,154.95	2,132.02

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

Particulars	Gross Block			Depreciation			Net Block		
	As at 1 April 2010	Adjust- ment* during the year	Additions during the year	Deductions/ adjustments during the year	As at 31 March 2011	As at 1 April 2010	Adjust- ment* during the year	As at 31 March 2011	As at 31 March 2010
a) Tangibles									
Land	41.05	-	189.11	-	230.16	-	-	230.16	41.05
Flat and Building	2.78	-	228.46	-	231.24	0.28	10.29	220.69	2.50
Leasehold Premises	213.08	72.91	12.89	2.05	296.83	111.86	73.18	66.68	101.22
Furniture and Fixtures	29.94	18.13	32.27	0.09	80.25	12.74	17.11	39.06	17.20
Office Equipment	95.38	24.75	40.63	(25.02)	185.78	27.27	18.27	111.54	68.11
Computers	310.95	108.40	44.33	28.92	434.76	213.84	51.92	101.67	97.11
Vehicles	25.63	16.25	45.77	8.31	79.34	11.98	7.86	56.49	13.65
Vessel	6.96	-	-	-	6.96	1.71	1.05	4.20	5.25
b) Intangibles									
Software	11.05	112.30	31.82	-	155.17	3.28	79.88	47.64	7.77
ISE Membership Card	0.43	-	-	-	0.43	-	-	0.43	0.43
Trademark/Copyright	-	-	0.19	-	0.19	-	-	0.19	-
Total	737.25	352.74	625.47	14.35	1,701.11	382.96	245.93	878.75	354.29
Previous Year	657.07	-	98.74	18.56	737.25	278.16	122.47	354.29	

* on account of acquisition of Edelweiss Financial Advisors Limited and its subsidiaries with effect from 16 July, 2010.

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
8 INVESTMENTS		
Long term investments		
Quoted		
Equity shares*	0.00	0.00
Unquoted		
(a) Equity shares		
(i) In subsidiary companies	0.10	2.49
(ii) In others	839.99	323.97
	(a) 840.09	326.46
(b) Preference shares		
(i) In associate companies	458.09	-
(ii) In others	50.00	-
	(b) 508.09	-
(c) Debentures and bonds	(c) -	57.57
(d) Units of venture capital funds	(d) 259.77	311.45
(e) Others	(e) 379.73	36.60
(f) Investment in equity shares of associates		
(i) Equity shares with accrued benefits	67.88	56.24
(ii) Change in investment in associates	107.67	15.70
(iii) Share of profit as subsidiary	80.83	-
(iv) Share in loss of associates	(102.91)	(4.06)
	(f) 153.47	67.88
(g) Investment in partnership firm		
(i) Capital account	0.02	0.02
(ii) Current account	(37.90)	5.31
	(g) (37.88)	5.33
	Total (a to g) 2,103.27	805.29
Less : Diminution in value of investments	52.33	54.72
	2,050.94	750.57
Total of long term investments	2,050.94	750.57
Current investments		
Unquoted		
(a) Equity shares	292.77	233.20
(b) Debentures and bonds		
(i) Government securities	1,018.51	-
(ii) Others	245.51	-
(c) Units of mutual funds	279.47	576.48
Total of current investments	1,836.26	809.68
	Total 3,887.20	1,560.25
* Amount is less than Rs. 0.01 million		

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011			31 March 2010		
	Face value	Quantity	Amount	Face value	Quantity	Amount
9 STOCK-IN-TRADE						
A. Equity Shares (Quoted)						
ACC Limited @	10	2	0.00	-	-	-
Agre Developers Limited	10	4,615	0.17	-	-	-
Agro Tech Foods Limited	10	357	0.13	-	-	-
Alembic Limited	10	721	0.05	-	-	-
Arvind Mills Limited	-	-	-	10	210,737	7.12
Balaji Distilleries Limited	-	-	-	10	633,326	26.40
Ballarpur Industries Limited	2	420,542	15.27	-	-	-
BGR Energy Systems Limited	10	2,500	1.19	-	-	-
BOC India Limited	-	-	-	10	39,607	7.08
Ceekay Daikin Limited	-	-	-	10	51	0.01
Claris Lifesciences Limited	10	1,478,796	257.90	-	-	-
Dish TV India Limited	1	698,638	46.88	-	-	-
Eicher Motors Limited	10	73	0.10	-	-	-
Essar Oil Limited	10	1,280,000	159.23	10	1,280,000	176.90
Fame India Limited	-	-	-	10	1,000	0.09
Federal National Mortgage Association **	-	-	-	-	2,350	0.08
Freddie Mac *	-	-	-	\$0.21	3,600	0.13
GeeCee Ventures Limited	-	-	-	10	17,243	1.54
Good Year India Limited	-	-	-	10	2,259	0.65
Gujarat Pipavav Port Limited	2	780	0.05	-	-	-
Indiabulls Securities Limited @	2	25	0.00	2	25	0.01
Ipca Laboratories Limited	2	303	0.09	-	-	-
Karnataka Bank Limited	10	587,547	63.13	10	74,925	9.00
Larsen & Toubro Limited @	2	1,163	1.92	2	1	0.00
Lehman Bros. *	-	-	-	\$0.10	9,000	0.02
Mahindra & Mahindra Limited	5	5,000	3.49	-	-	-
Man Infraconstruction Limited	10	214,005	30.01	-	-	-
MIC Electronics Limited	-	-	-	2	254,746	10.54
MSK Projects (India) Limited	-	-	-	10	30,000	4.64
Mudra Lifestyle Limited	10	733,243	42.53	-	-	-
Network 18 Media and Investments Limited	-	-	-	10	246	0.02
NMDC Limited	-	-	-	1	220,760	65.00
Nufarm Limited	-	-	-	10	2,000	0.69
Pantaloon Retail (India) Limited	2	45,500	11.77	-	-	-
Patni Computer Systems Limited	2	275,451	131.40	-	-	-
Pidilite Industries Limited	1	540	0.08	-	-	-
Piramal Healthcare Limited	2	7,262	3.03	-	-	-
PNB Gilts Limited	-	-	-	10	49,090	1.18
Pratibha Industries Limited	2	141	0.01	-	-	-
Prime Focus Limited @	1	1	0.00	-	-	-
Radico Khaitan Limited	2	5,000	0.65	-	-	-
REI Agro Limited @	1	19	0.00	-	-	-
Reliance Industries Limited @	10	1	0.00	10	1	0.00
Sadbhav Engineering Limited	1	5,320	0.66	-	-	-
Selan Exploration Technology Limited	10	21	0.01	-	-	-
Siemens Limited	2	896,176	789.06	-	-	-
Sterling Holiday Resorts (I) Limited	10	708,692	49.47	-	-	-
Suashish Diamonds Limited	-	-	-	10	23,921	6.51
Usher Agro Limited	10	469,696	43.88	-	-	-
Wire And Wireless (India) Limited	-	-	-	1	10,000,000	60.00
Zee Learn Limited	1	904,036	21.02	-	-	-
Zee News Limited	-	-	-	1	37,934	2.23
			<u>1,673.18</u>			<u>379.84</u>

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011			31 March 2010		
	Face value	Quantity	Amount	Face value	Quantity	Amount
9 STOCK-IN-TRADE (CONTINUED)						
B. Equity Shares (Unquoted)						
TCS e-Serve Limited	10	1	0.01	10	1	0.01
Persistent Systems Limited	-	-	-	10	15,772	4.88
Pradip Overseas Limited	-	-	-	10	54,311	5.97
Teledata Marine Solutions Limited	2	26,500	0.88	2	26,500	0.88
			<u>0.89</u>			<u>11.74</u>
C. Preference Shares (Quoted)						
Network 18 Fincap Limited	-	-	-	5	39,150	3.10
Network 18 Media & Investments Limited	150	76,417	7.60	-	-	-
			<u>7.60</u>			<u>3.10</u>
D. Preference Shares (Unquoted)						
Ispat Industries Limited	10	482,973	4.00	10	6,000	0.13
0.001% ICICI Bank Pref Shares 20/04/2018	-	-	-	10,000,000	40	139.28
			<u>4.00</u>			<u>139.41</u>
E. Debentures/Bonds (Quoted)						
7.50% Bank of Maharashtra 2013 Bonds	-	-	-	1,000,000	1	0.97
6.70% BSES LTD 2018 NCD	100,000	20	1.54	-	-	-
12.50% Deccan Chronicle 2012 Bonds	10,000,000	10	102.00	10,000,000	10	105.50
9.15% Electrosteel 2013 Bonds	1,000,000	250	250.08	1,000,000	600	598.80
10.25% GOI 30/05/2021 Bonds	-	-	-	100	2,000	0.23
8.20% GOI 2022 Bonds	-	-	-	100	586,000	58.87
6.30% GOI 2023 Bonds	-	-	-	100	3,000	0.25
11.00% IDBI 2010 Bonds	-	-	-	100,000	40	4.02
8.95% IDBI Bank 2024 Bonds	-	-	-	1,000,000	80	80.00
8.95% INFOTEL BBD 2020 NCD	1,000,000	3,550	3,669.95	-	-	-
8.40% L&T Finance Limited 08/03/2013 NCD	-	-	-	1,000	167,046	164.30
8.50% L&T Finance Limited 08/03/2013 NCD	-	-	-	1,000	25,804	25.30
10.24% L&T Finance Limited 2019 NCD	1,000	1,386	1.43	1,000	257,222	267.51
9.50% NABARD 2012 Bonds	-	-	-	1,000,000	9	9.21
6.15% NPC 2018 NCD	10,000	550	4.61	-	-	-
5.95% NTPC 2011 Bonds	-	-	-	200,000	20	3.87
14.25% Parsvnath Developers Ltd 30/08/2013 NCD	2,500,000	778	1,945.00	-	-	-
8.75% PFC 15/06/2025 Bonds	1,000,000	2	1.94	-	-	-
8.84% PGC 2019 Bonds	1,250,000	16	20.00	-	-	-
8.90% PFC 15/03/2025 Bonds	-	-	-	1,000,000	7	6.98
8.95% PFC 30/03/2015 Bonds	-	-	-	1,000,000	50	50.00
8.95% PFC 30/03/2020 Bonds	-	-	-	1,000,000	50	50.18
8.95% PFC 30/03/2025 Bonds	-	-	-	1,000,000	275	272.63
8.75% Reliance Capital 2011 Bonds	1,000,000	2	1.98	1,000,000	202	202.84
7.90% RECL 2012 Bonds	-	-	-	1,000,000	250	250.60
8.00% RECL 2014 Bonds	-	-	-	1,000,000	200	195.90
8.65% RECL 2020 Bonds	-	-	-	1,000,000	50	49.13
0.00% RECL 03/02/2021 Bonds	30,000	26	0.34	-	-	-
9.95% SBI 2026 Bonds	10,000	18,512	193.08	-	-	-
9.05% SBI Perpetual Bonds	-	-	-	1,000,000	150	149.06
10.75% STFCL 2012 NCD	1,000	180,318	181.62	1,000	478,715	497.77
11.03% STFCL 2014 NCD	1,000	200,010	209.33	1,000	199,385	210.82
11.00% Annual STFC 2014 NCD	1,000	56,429	58.97	1,000	104,429	109.13
0% Sundaram Finance Limited 2011 NCD	-	-	-	1,000,000	250	222.21
0% Sundaram Finance Limited 2012 NCD	-	-	-	1,000,000	250	203.08
10.75% Tata Bluescope Steel Ltd 27/09/2019 NCD	1,000,000	1,520	1,580.80	-	-	-
7.40% Tata Capital Limited 2011 NCD	-	-	-	1,000,000	200	200.00

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011			31 March 2010		
	Face value	Quantity	Amount	Face value	Quantity	Amount
9 STOCK-IN-TRADE (CONTINUED)						
E. Debentures/Bonds (Quoted) (Continued)						
8.30% Tata Capital Limited 2012 NCD	-	-	-	1,000,000	250	250.00
12.00% Tata Capital 2014 NCD	1,000	34,869	36.55	-	-	-
9.95% Tata Motors Limited 2020 Bonds	-	-	-	1,000,000	197	196.95
10.90% Tata Motors Finance Limited 2020 NCD	500,000	15	7.76	500,000	269	134.63
10.75% Tata Motors Finance Limited 25/03/2020 NCD	-	-	-	500,000	800	400.00
10.40% Tata Steel Limited 2019 NCD	-	-	-	1,000,000	4	4.17
8.33% Union Bank 2016 Bond	-	-	-	1,000,000	199	197.01
			<u>8,266.98</u>			<u>5,171.92</u>
F. Debentures/Bonds (Unquoted)						
6.70% Canara Bank 2010 Bonds	-	-	-	500,000	1	0.50
14.00% Era Housing & Developers (I) Ltd 30/12/2013 NCD	10,000,000	25	250.00	-	-	-
0.00% ETHL Comm. Holdings Limited 22/1/2011 NCD	-	-	-	1,000,000	450	401.79
6.84% HDFC NCD	-	-	-	1,000,000	452	452.90
10.15% ICICI Bank 2012 NCD	100,000	6	0.60	-	-	-
15.00% Medical Technologies Ltd 2012 Bonds	1,000,000	140	140.00	-	-	-
20.00% Mighty Construction Pvt. Ltd 16/03/2013 NCD	2,500,000	188	470.00	-	-	-
9.35% Religare Finvest Limited 14/10/2011 NCD	-	-	-	1,000,000	250	254.24
Treasury Bill 23/04/2010	-	-	-	100	500,000	49.88
6.90% Union Bank 2010 Bonds	-	-	-	1,000,000	5	5.00
9.65% Yes Bank 2020 Bonds	-	-	-	1,000,000	612	608.94
			<u>860.60</u>			<u>1,773.25</u>
G. Mutual Fund (Unquoted)						
DSP BR Small and Midcap Fund	-	-	-	10	1,640,982	25.00
Edelweiss Diversified Growth Equity Fund-Plan B-Dividend Reinvestment	10	4,364,055	61.97	10	3,990,000	52.11
Edelweiss GILT Fund - Growth Plan	10	150,000	1.50	10	150,000	1.50
Edelweiss Income Advantage Fund - Dividend - Reinvestment	10	6,500,319	67.33	10	35,000,000	350.00
Edelweiss Income Advantage Fund - Growth	10	4,300,555	44.55	-	-	-
Edelweiss Absolute Return Equity Fund - Dividend Reinvestment	-	-	-	10	9,975,000	101.04
Edelweiss Absolute Return Equity Fund Growth Plan	10	9,950,062	111.44	-	-	-
Edelweiss Monthly Interval Fund - Series 1 - Institutional Growth	10	115,927	1.28	10	289,283	3.00
Edelweiss Liquid Plus CF	10	3,966,444	45.72	-	-	-
Edelweiss Nifty Enhancer Fund Plan B - Dividend Reinvestment	-	-	-	10	8,149,635	94.64
Edelweiss Quarterly Interval Fund - Series 1 - Retail Growth	-	-	-	10	28,135	0.30
Edelweiss Short Term Bond Fund-Institutional- Dividend Plan (Daily)-Reinvestment	-	-	-	10	20,026,575	200.42
Edelweiss Ultra Short Term Bond - Institutional Growth Plan	10	4,410,755	51.00	-	-	-
Reliance Long Term Equity Fund	-	-	-	10	1,822,040	25.00
Religare Ultra Short Term Fund - Regular Growth	1,000	6,000	7.50	-	-	-
			<u>392.29</u>			<u>853.01</u>

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011			31 March 2010		
	Face value	Quantity	Amount	Face value	Quantity	Amount
9 STOCK-IN-TRADE (CONTINUED)						
H. Warrants (Quoted)						
HDFC Limited		-	-	31,450		12.49
						12.49
I. Certificate of Deposits / Commercial Papers						
Axis Bank CD 10/12/2010		-	-	2,000		190.77
Federal Bank CD 10/09/2010		-	-	10,000		975.33
Tata Motors Finance Limited CP - 12/11/2010		-	-	1,500		717.69
						1,883.79
J. Commodities #						
Barley		89,980	0.95	-		-
Chana		8,152,092	176.19	228,625		5.17
Cotton Oil Seed Cake		-	-	3,602,503		37.03
Coriander		1,853,967	85.59	-		-
Gaur Seed		-	-	557,083		12.53
Goldmini		465	968.01	35		56.49
Gold		245	505.38	286		466.56
Jeera		596,902	93.87	767,040		90.08
Mentha Oil		496,115	596.99	-		-
Mentha Drum		2,210	2.65	-		-
Mustard Seed		16,532,874	385.38	-		-
Silver @		0.11	-	18,056		481.86
Steel		17	0.47	-		-
Zinc Ingots		245,635	23.14	-		-
			2,838.62			1,149.72
K. Land			127.56			127.56
			14,171.72			11,505.83
* Face value in USD						
** no par value						
# Quantity in Kgs. except for Mentha Drum						
@ Amount is less than Rs. 0.01 million						

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
10 SUNDRY DEBTORS		
(Unsecured and considered good, unless otherwise stated)		
Debtors outstanding for a period exceeding six months		
(a) Considered good	116.17	30.74
(b) Considered doubtful	117.24	84.46
	233.41	115.20
Other debts		
(a) Considered good	35,753.35	817.57
(b) Considered doubtful	59.81	5.06
	35,813.16	822.63
	36,046.57	937.83
Less : Provision for doubtful debts	177.05	89.52
	35,869.52	848.31
11 CASH AND BANK BALANCES		
Cash in hand	1.93	0.40
Cheques in hand	-	64.63
Balances with scheduled banks		
- in Current accounts	2,920.33	973.27
- in Fixed deposits (Refer schedule 23.11)	29,568.59	15,669.75
Balances with other banks		
- in Current accounts	419.38	268.26
- in Fixed deposits	3,714.67	22.57
	36,624.90	16,998.88
12 OTHER CURRENT ASSETS		
(Unsecured and considered good)		
Accrued interest on fixed deposits	1,581.26	453.70
Accrued interest on inter-corporate deposits	12.89	10.55
Accrued interest on debt instruments	162.30	15.23
Accrued interest on loans	5.44	0.59
Margin on trading of securities (net)	1,715.29	-
Margin for government securities	-	3.29
	3,477.18	483.36

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
13 LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	8,456.53	2,686.36
Receivable from financing business		
- Secured loans	25,220.04	17,300.40
- Unsecured loans	1,314.02	1,094.84
Less: Provision for non performing assets	96.04	22.53
	26,438.02	18,372.71
Loans given	12,720.76	3,335.01
Deposits placed with exchange/depositories	617.41	1,042.30
Deposits- others	262.21	236.63
Inter-corporate deposits placed	751.50	68.00
Equity Index/Stock Options Premium paid	99.56	-
Mark-to-Market Margin - Equity Index/Stock Futures	-	100.22
Less: Provision for loss on Equity Index/Stock Futures	-	100.22
	-	-
Equity Index/Stock Options Premium Account	-	817.93
Less: Provision for loss on Equity Index/Stock Options	-	571.11
	-	246.82
Mark-to-Market Margin - Commodity Futures	-	10.33
Less: Provision for loss on Commodity Futures	-	10.33
	-	-
Currency options premium paid	3.91	-
Advance tax and tax deducted at source (Net of provision for taxation Rs. 5,918.94 million; previous year Rs. 4,315.56 million)	1,171.97	374.85
Minimum alternate tax credit entitlement	89.92	6.70
	50,611.79	26,369.38
14 CURRENT LIABILITIES		
Sundry creditors	39,837.35	4,121.83
Book overdraft	1,664.60	37.58
Equity Index/Stock options premium received	492.55	-
Currency options premium received	1.14	-
Equity Index/Stock Options Premium Account	-	196.06
Add: Provision for Loss on Equity Index/Stock Options	-	241.21
	-	437.27
Mark-to-Market Margin - Commodity Futures	-	88.13
Mark-to-Market Margin - Equity Index/Stock Futures	-	15.00
Income received in advance	25.33	60.62
Interest accrued but not due on unsecured loan	491.65	652.95
Other liabilities	387.85	305.00
	42,900.47	5,718.38

Schedules to the consolidated financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
15 PROVISIONS		
Gratuity	5.11	46.04
Provision for compensated absences and leave encashment	31.99	-
Provision for deferred bonus	414.38	555.63
Proposed dividend	263.24	600.73
Dividend distribution tax	43.72	99.80
Provision for standard assets	65.85	93.16
	824.29	1,395.36

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
16 FEE AND COMMISSION INCOME		
Income from broking	2,936.02	2,079.31
Investment banking fees	1,117.15	685.04
Advisory and other fees	948.03	739.69
	5,001.20	3,504.04
17 INCOME FROM TREASURY OPERATIONS AND INVESTMENTS		
Profit on trading in securities (net)	583.14	3,130.71
Profit/(loss) on trading in derivative instruments (net)	1,116.96	(1,486.72)
Profit on trading in commodities (net)	514.99	810.62
Profit on sale of real estate	18.21	-
Profit on sale of investments (net)	79.49	225.52
Dividend on stock in trade	8.42	54.63
Dividend on investments	8.38	59.83
Share in loss of associate companies	(102.91)	(4.06)
Share in (loss)/profit of partnership firm	(51.44)	6.64
	2,175.24	2,797.17
18 INTEREST INCOME		
Interest income on		
- Loan	4,162.63	1,426.40
- Inter-corporate deposits	13.31	8.95
- Advances with suppliers	1,080.65	178.06
- Fixed deposits	1,150.87	1,251.20
- Debt instruments	1,112.43	489.47
- Margin	-	0.04
Other interest income	23.41	34.98
	7,543.30	3,389.10
19 OTHER INCOME		
Write back of doubtful advances and provisions	-	57.23
Profit on sale of fixed assets (net)	-	13.70
Profit on sale of receivables	2.67	5.62
Miscellaneous income	188.98	10.95
	191.65	87.50
20 EMPLOYEE COSTS		
Salaries and bonus	2,252.25	1,579.78
Contribution to provident fund and other funds	32.32	14.82
Gratuity	20.50	10.52
Compensated absences and leave encashment	22.92	-
Staff welfare	26.25	16.56
	2,354.24	1,621.68

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
21 OPERATING AND OTHER EXPENSES		
Advertisement and business promotion	216.37	109.08
Auditors' remuneration	15.16	10.79
Bad debts and advances written off	27.50	42.23
Commission and brokerage	373.40	96.81
Computer software and other expenses	73.82	63.41
Directors' sitting fees	2.72	2.73
Donation	42.94	31.00
Foreign exchange loss (net)	67.34	139.16
Provision for standard assets	(27.05)	34.96
Goodwill on Consolidation	-	0.76
Legal and professional fees	522.47	227.87
Loss on sale of fixed assets (net)	1.86	-
Membership and subscription	57.24	50.64
Miscellaneous expenses	99.77	97.66
Mutual fund expenses	10.60	6.45
Postage and courier	40.69	13.00
Printing and stationery	54.78	35.18
Provision for non-performing assets	73.51	8.43
Provision for diminution in value of long term investments	(0.53)	18.30
Preliminary expenses	1.26	1.24
Provision for doubtful debts	53.38	0.26
Rates and taxes	96.92	44.87
Rent	308.63	340.86
Repairs and maintenance - others	30.56	9.47
Securities transaction tax	345.48	636.02
Seminar and conference	65.54	30.58
Service tax expenses	245.48	180.05
Stock exchange expenses	255.16	252.03
Transportation Charges	14.35	-
Travelling and conveyance	154.91	95.88
Utilities	306.89	183.12
	3,531.15	2,762.84
22 FINANCIAL EXPENSES		
Interest on		
- Debentures	1,378.91	1,412.90
- Inter-corporate deposits	96.96	31.81
- Term loan	9.04	-
- Bank overdraft	81.03	3.12
- Deposits	13.06	12.35
- Margin	17.58	4.16
Other interest expense	381.48	56.72
Discount on commercial paper	3,107.18	329.10
Financial charges	77.12	21.10
Bank charges	159.48	71.52
	5,321.84	1,942.78

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23. NOTES TO THE ACCOUNTS

23.1 Segment reporting

The Group's business is organised and management reviews the performance based on the business segments as mentioned below:

Segment	Activities covered
Agency business	Broking, advisory, product distribution and other fee based services
Capital based business	Income from treasury operations, investment income and wholesale financing

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as at 31 March 2011 and segmental profit & loss account for the year ended 31 March 2011 have been prepared.

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED) 23.1 Segment reporting (Continued)

Particulars	Agency business		Capital based business		Un-allocated		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Segment revenue								
Income from customers	5,113.85	4,386.79	9,727.43	5,343.57	70.11	47.45	14,911.39	9,777.81
Total	5,113.85	4,386.79	9,727.43	5,343.57	70.11	47.45	14,911.39	9,777.81
Segment result								
Income tax	1,476.91	2,164.38	3,716.86	2,451.83	(1,693.65)	(1,288.17)	3,500.12	3,328.04
Minimum alternate tax credit entitlement					1,007.51	949.27	1,007.51	949.27
Deferred tax charge / (benefit)					(83.22)	(6.70)	(83.22)	(6.70)
Profit after tax					106.68	(63.35)	106.68	(63.35)
							2,469.15	2,448.82
Other information								
Carrying amount of segment assets	14,009.85	13,535.63	127,186.37	41,121.20	8,754.14	4,300.81	149,950.36	58,957.64
Carrying amount of segment liabilities	6,178.04	2,963.04	110,786.33	27,863.88	9,981.02	5,557.03	126,945.39	36,383.95
Capital expenditure	107.86	23.80	318.56	58.69	12.61	109.03	439.03	191.52
Depreciation	130.83	82.14	40.73	21.75	32.48	18.58	204.04	122.47
Other non cash expenditure	83.88	34.89	77.83	68.10	-	-	161.71	102.99

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.2 Related parties

(A) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise

Rashesh Shah

Venkat Ramaswamy

(B) Relatives of individuals exercising significant influence

Vidya Shah

Aparna T. C.

Neel Shah

Kaavya Venkat

Shilpa Mody

Sharmishta Chandrakant Shah

A V Ramaswamy

(C) Enterprises where significant influence is exercised, with whom transactions have taken place

Edelweiss Employee Welfare Trust

Blue River Capital Advisors (India) Private Limited

Blue River Capital Management Company 1, LLC

Edelweiss Asset Reconstruction Company Limited

Edelweiss Fund Advisors Private Limited

Dahlia Financial Services Private Limited

Magnolia Financial Services Private Limited

Arum Investments Private Limited (with effect from 29 March 2011)

(D) Subsidiary Companies

Edelgive Foundation

Edelweiss Capital USA, LLC (wound-up during F.Y. 2009-10)

(E) Enterprise which exercises significant influence over subsidiary (Edelweiss Tokio Life Insurance Company Limited), with whom transactions have taken place

Tokio Marine & Nichido Fire Insurance Co., Limited (*Subsidiary of Tokio Marine Holdings Inc.*)

(F) Enterprise which exercises significant influence over group, with whom transactions have taken place

Oak Holdings Private Limited (upto 28 March 2011)

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)**23.2 Related parties (Continued)****(G) Transactions and balances with related parties:**

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which/ where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group
Capital account transactions						
<i>Investment in Equity shares</i>						
Edelweiss Asset Reconstruction Company Limited			98.00 (13.72)			
<i>Equity share capital issued by subsidiary (including securities premium)</i>						
Tokio Marine & Nichido Fire Insurance Co., Limited					201.15 (18.65)	
<i>Disinvestment in Equity shares</i>						
Blue River Capital Advisors (India) Private Limited			0.10 (-)			
Edelweiss Capital USA, LLC				0.53 (-)		
<i>Redemption of fully convertible debentures</i>						
Dahlia Financial Services Private Limited			1,800.00 (-)			
<i>Share application money received by subsidiary</i>						
Tokio Marine & Nichido Fire Insurance Co., Limited					- (201.15)	
<i>Non-convertible debentures subscribed by</i>						
Oak Holdings Private Limited						- (20.00)
<i>Loans given to</i>						
Edelweiss Employee Welfare Trust			- (1,031.88)			
Edelweiss Fund Advisors Private Limited			1,502.65 (7.81)			
Dahlia Financial Services Private Limited			1,822.90 (-)			
Others			238.51 (21.28)			
<i>Loans repaid by</i>						
Edelweiss Employee Welfare Trust			39.40 (12.65)			
Edelweiss Fund Advisors Private Limited			1,502.65 (8.60)			
Edelweiss Asset Reconstruction Company Limited			219.90 (21.82)			
Dahlia Financial Services Private Limited			1,814.40 (-)			
<i>Reimbursement recovered</i>						
Edelweiss Fund Advisors Private Limited			13.58 (9.21)			
Oak Holdings Private Limited						55.81 (0.02)
Others			2.93 (0.18)	0.76 (0.09)		

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.2 Related parties (Continued)

(G) Transactions and balances with related parties:

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which/ where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group
<i>Dividend paid</i>						
Rashesh Shah	145.95 (65.11)					
Venkat Ramaswamy	55.68 (26.51)					
Oak Holdings Private Limited						40.69 (24.00)
Edelweiss Employee Welfare Trust			39.48 (12.42)			
Others		57.37 (27.22)				
<i>Advisory fee received</i>						
Blue River Capital Advisors (India) Private Limited			0.26 (3.00)			
<i>Interest income</i>						
Edelweiss Fund Advisors Private Limited			0.01 (0.08)			
Edelweiss Asset Reconstruction Company Limited			1.20 (0.05)			
Dahlia Financial Services Private Limited			6.26 (-)			
<i>Amount paid / debit with broker</i>						
Edelweiss Employee Welfare Trust			159.60 (1,161.91)			
Rashesh Shah	94.48 (389.43)					
Vidya Shah		164.16 (20.15)				
Oak Holdings Private Limited						54.25 (446.38)
Others	1.47 (-)	9.07 (2.44)				
<i>Amount received / credits with broker</i>						
Edelweiss Employee Welfare Trust			164.60 (1,156.92)			
Rashesh Shah	94.39 (391.93)					
Vidya Shah		164.22 (20.15)				
Oak Holdings Private Limited						54.25 (444.68)
Others	1.47 (-)	9.07 (2.44)				
<i>Purchase of commodities</i>						
Dahlia Financial Services Private Limited			16.45 (-)			

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)**23.2 Related parties (Continued)****(G) Transactions and balances with related parties:**

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which/ where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group
Magnolia Financial Services Private Limited			16.53			
			(-)			
<i>Sale of commodities</i>						
Dahlia Financial Services Private Limited			12.33			
			(16.30)			
Magnolia Financial Services Private Limited			4.91			
			(16.38)			
<i>Brokerage earned</i>						
Rashesh Shah	0.06					
	(0.23)					
Vidya Shah		0.39				
		(0.12)				
Oak Holdings Private Limited						0.06
						(0.49)
Others *	0.00	0.01	0.01			
	(-)	(0.00)	(0.04)			
<i>Remuneration</i>						
Rashesh Shah	7.26					
	(20.57)					
Venkat Ramaswamy	12.36					
	(15.97)					
<i>Interest expense on non-convertible debentures</i>						
Oak Holdings Private Limited						6.28
						(5.86)
Aparna T. C.		1.00				
		(1.26)				
Kaavya Venkat		0.80				
		(1.01)				
Venkat Ramaswamy	0.80					
	(1.01)					
<i>Interest expense on fully convertible debentures</i>						
Dahlia Financial Services Private Limited			31.51			
			(-)			
<i>Rent paid</i>						
Vidya Shah		-				
		(1.54)				
<i>Donations given</i>						
Edelgive Foundation				23.85		
				(27.30)		
<i>Cost reimbursements recovered</i>						
Edelweiss Asset Reconstruction Company Limited			2.30			
			(2.25)			
Edelweiss Fund Advisors Private Limited			12.40			
			(9.82)			

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.2 Related parties (Continued)

(G) Transactions and balances with related parties:

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which/ where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group
Others			0.60 (0.28)			
Balances with related parties						
<i>Investments</i>						
Edelweiss Asset Reconstruction Company Limited			122.50 (24.50)			
Arum Investments Private Limited			69.19 (-)			
Others			2.50 (2.78)	0.10 (2.49)		
<i>Advances</i>						
Edelweiss Employee Welfare Trust			1,404.65 (1,444.05)			
Others			53.12 (13.90)			
<i>Sundry debtors</i>						
Dahlia Financial Services Private Limited			- (16.46)			
Magnolia Financial Services Private Limited			- (16.54)			
<i>Non-convertible debentures outstanding</i>						
Oak Holdings Private Limited						- (22.50)
Aparna T. C.		5.00 (5.00)				
Kaavya Venkat		4.00 (4.00)				
Venkat Ramaswamy	4.00 (4.00)					
<i>Interest payable on non-convertible debentures</i>						
Oak Holdings Private Limited						- (6.06)
Aparna T. C.		2.27 (1.26)				
Kaavya Venkat		1.82 (1.01)				
Venkat Ramaswamy	1.82 (1.01)					
<i>Bonus payable</i>						
Rashesh Shah		- (15.00)				
Venkat Ramaswamy	5.00 (12.00)					
<i>Sundry creditors</i>						
Edelweiss Asset Reconstruction Company Limited			0.02 (-)			

Amounts in brackets represent previous year numbers

* Amount is less than Rs. 0.01 million

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.3 Earnings per share

In accordance with Accounting Standard 20 - Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2011	2010
(a) Shareholders earnings (as per profit and loss account)	2,330.16	2,291.60
(b) Calculation of weighted average number of equity shares of Re. 1 each:		
- Number of shares at the beginning of the year	75,071,893	74,933,155
- Number of shares issued during the year*	676,954,387	138,738
Total number of equity shares outstanding at the end of the year#	752,026,280	75,071,893
Total number of equity shares outstanding at the end of the year (restated for corporate action of FY 2010-11)	-	750,718,930
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	751,274,833	74,999,515
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares) (restated for corporate action of FY 2010-11)	-	749,995,150
(c) Number of dilutive potential equity shares	25,169,538	30,165,620
(d) Basic earnings per share (in rupees) { a / b }	3.10	3.06
(e) Diluted earnings per share (in rupees) { a / (b+c) }	3.00	2.94

* includes issuance of bonus equity shares and split of equity shares.

During the year, the Company has split the face value of its equity shares from Rs. 5 per share to Rs. 1 per share with effect from 11th August 2010. Further, the Company has issued bonus shares during the year. Consequent to the aforementioned changes in the share capital, the calculation of basic and diluted earnings per share of the previous year has been restated pursuant to the para 44 of the Accounting Standard 20 – Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006.

Movement in issued, subscribed and paid up equity share capital:

Particulars	Number	Face Value	Amount (in Rs.)
Opening as at 1 April 2010	75,071,893	5	375,359,465
Issued during the year for cash	27,225	5	136,125
<i>Prior to Split</i>	75,099,118	5	375,495,590
Split of equity shares from face value of Rs. 5 each to Re. 1 each	375,495,590	1	375,495,590
Issued as bonus shares	375,495,590	1	375,495,590
Issued during the year for cash	1,035,100	1	1,035,100
As at 31 March 2011	752,026,280		752,026,280

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.4 Deferred taxes

The primary components relating to deferred tax assets are as follows:

	2011	2010
Deferred tax liability		
<i>Tax effect of the timing differences on account of:</i>		
Unrealised gain on outstanding futures and options	(0.85)	-
Deferred tax asset		
<i>Tax effect of the timing differences on account of:</i>		
Provision for standard assets	22.76	30.94
Provision for advances	14.02	8.89
Provision for mark to market loss on outstanding future and option contracts	188.52	272.55
Difference between book and tax written down value of fixed asset	59.01	27.18
Disallowance under section 43B of the Income Tax Act, 1961 *	167.32	238.37
Provision for doubtful debts	42.29	15.12
Preliminary expenses allowed under section 35D of the Income Tax Act, 1961	0.76	1.33
Provision for non performing assets	31.41	7.48
Provision for compensated absences	2.21	-
Amortisation of income on sale of receivable	0.08	0.97
Deferred tax asset (Net)	527.53	602.83

* includes deferred bonus, gratuity, etc.

23.5 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits

A) Defined contribution plan (Provident fund):

Amount of Rs. 32.32 million (Previous year: Rs. 14.82 million) is recognised as expenses and included in "Employee Costs" – Schedule 20 in the profit and loss account.

B) Defined benefit plan (Gratuity):

The following tables summarize the components of the net benefit expenses recognised in the profit and loss account and the fund status and amount recognised in the balance sheet for the Gratuity benefit plan.

Profit and loss account

Net employee benefit expenses (recognised in employee costs)

	2011	2010
Current service cost	36.69	15.21
Interest on defined benefit obligation	4.16	3.61
Expected return on plan assets	(0.84)	-
Net actuarial (gain)/loss recognised in the year	(1.74)	-
Past service cost	-	-
Actuarial (gain)/loss	(17.77)	(8.30)
Total included in 'employee benefit expense'	20.50	10.52

Balance sheet

Details of provision for gratuity

	2011	2010
Liability at the end of the year	75.43	46.04
Fair value of plan assets at the end of the year	78.64	-
Difference	3.21	(46.04)
Amount in balance sheet	3.21	(46.04)
Included in:		
- Advances recoverable in cash or in kind or for value to be received	8.32	-
- Provision for gratuity	(5.11)	(46.04)

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.5 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (Continued)

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Liability at the beginning of the year	46.04	37.11
Liability on acquisition of Subsidiary	10.36	-
Interest cost	4.16	3.48
Current service cost	36.69	14.99
Past service cost (non-vested benefit)	-	-
Past service cost (vested benefit)	-	-
Benefits paid	(2.51)	(1.58)
Actuarial (gain)/loss	(19.31)	(7.96)
Liability at the end of the year	75.43	46.04

Changes in the fair value of plan assets are as follows:

	2011	2010
Fair value of plan assets at the beginning of the year	-	-
Fair value of plan assets on acquisition of Subsidiary	12.49	-
Expected return on plan asset	0.84	-
Contributions	67.60	-
Benefits paid	2.51	-
Actuarial (gain)/loss	0.22	-
Fair value of plan assets at the end of the year	78.64	-

Principal actuarial assumptions at the balance sheet date:

	2011	2010
Discount rate	8.00%	7.50%
Salary escalation	10.00%	8.00%
Employee attrition rate	2.00%-15.00%	2.00%-15.00%

23.6 Operating leases

The Group has taken various premises on operating lease. Gross rental expenses for the year ended 31 March 2011 aggregated to Rs. 308.63 million (Previous year Rs. 340.86 million) which has been included under the head Operating expenses – Rent in the profit and loss account.

Details of future minimum lease payments for non-cancellable operating leases are as follows:

	2011	2010
Minimum lease payments for non-cancellable lease		
- not later than one year	18.22	164.34
- later than one year and not later than five years	15.51	114.97
- later than five years	-	-
Total	33.73	279.31

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.7 A) Open interest in Equity Index/Stock Futures as at the balance sheet date:

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of Units Involved
1	ACC Limited	28-Apr-11	20	5,000
2	Aditya Birla Nuvo Limited	28-Apr-11	50	12,500
3	Ashok Leyland Ltd	28-Apr-11	10	40,000
4	Axis Bank Limited	28-Apr-11	15	3,750
5	Bank Nifty	26-May-11	108	2,700
6	Bank Nifty	28-Apr-11	39	975
7	Bank of Baroda	28-Apr-11	42	10,500
8	Bharat Petroleum Corp Ltd	28-Apr-11	7	3,500
9	Bharti Airtel Limited	28-Apr-11	19	19,000
10	Canara Bank	28-Apr-11	54	27,000
11	Dabur India Limited	28-Apr-11	52	104,000
12	DLF Limited	28-Apr-11	52	52,000
13	GMR Infrastructure Limited	28-Apr-11	55	220,000
14	Grasim Industries Limited	28-Apr-11	18	2,250
15	HCL Technologies Limited	28-Apr-11	42	21,000
16	HDFC Bank Limited	28-Apr-11	52	6,500
17	Hindalco Industries Limited	28-Apr-11	9	18,000
18	Hindustan Construction Company Limited	28-Apr-11	58	232,000
19	Hindustan Unilever Limited	28-Apr-11	17	17,000
20	Housing Development & Infrastructure Limited	28-Apr-11	77	77,000
21	Idea Cellular Limited	28-Apr-11	25	100,000
22	Indiabulls Real Estate Limited	28-Apr-11	44	88,000
23	Infrastructure Development Finance Company Limited	28-Apr-11	16	32,000
24	ITC Limited	28-Apr-11	57	114,000
25	IVRCL Infrastructure & Project Limited	28-Apr-11	50	100,000
26	Jaiprakash Associates Limited	28-Apr-11	46	92,000
27	Jindal Steel & Power Limited	28-Apr-11	29	14,500
28	Lanco Infratech Limited	28-Apr-11	51	204,000
29	Larsen & Toubro Limited	28-Apr-11	25	3,125
30	LIC Housing Finance Limited	28-Apr-11	36	45,000
31	Nifty	28-Apr-11	6,140	307,000
32	Patni Computer Systems Limited	28-Apr-11	28	14,000
33	Piramal Healthcare Limited	28-Apr-11	10	5,000
34	Punj Lloyd Limited	28-Apr-11	104	208,000
35	Reliance Capital Limited	28-Apr-11	35	17,500
36	Reliance Communications Limited	28-Apr-11	76	152,000
37	Reliance Industries Limited	28-Apr-11	20	5,000
38	Reliance Infrastructure Limited	28-Apr-11	58	14,500
39	Reliance Power Limited	28-Apr-11	40	80,000
40	Sesa Goa Limited	28-Apr-11	13	13,000
41	SREI Infrastructure Finance Limited	28-Apr-11	42	151,200
42	Sterlite Industries (India) Limited	28-Apr-11	10	20,000
43	Suzlon Energy Limited	28-Apr-11	272	136,000
44	Tata Consultancy Services Limited	28-Apr-11	34	8,500
45	Tata Power Company Limited	28-Apr-11	16	4,000
46	Titan Industries Limited	28-Apr-11	20	2,500
47	Unitech Limited	28-Apr-11	52	208,000

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.7 A) Open interest in Equity Index/Stock Futures as at the balance sheet date: (Continued)

Short Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of Units Involved
1	3I Infotech Ltd.	28-Apr-11	1	4,000
2	Aban Offshore Limited	28-Apr-11	33	8,250
3	ACC Limited	28-Apr-11	1	250
4	Asian Paints Limited	28-Apr-11	1	125
5	Bajaj Hindustan Limited	28-Apr-11	59	118,000
6	Balrampur Chinimills Limited	28-Apr-11	32	128,000
7	BGR Energy Systems Limited	28-Apr-11	10	2,500
8	Central Bank of India	28-Apr-11	12	14,112
9	Century Textiles Ltd	28-Apr-11	1	500
10	Bank Nifty	28-Apr-11	32	800
11	Escorts India Ltd	28-Apr-11	1	1,000
12	Firstsource Solutions Ltd.	28-Apr-11	1	8,000
13	GAIL (India) Limited	28-Apr-11	22	11,000
14	Gujarat State Petro Ltd	28-Apr-11	1	2,000
15	Hero Honda Motors Ltd	28-Apr-11	1	125
16	Hindustan Oil Exploration Company Ltd.	28-Apr-11	1	1,000
17	ICICI Bank Ltd.	28-Apr-11	1	250
18	Indiabulls Real Estate Ltd	28-Apr-11	2	4,000
19	Indian Bank	28-Apr-11	1	1,000
20	Infosys Technologies Ltd	28-Apr-11	4	500
21	Infrastructure Development Finance Company Limited	28-Apr-11	1	2,000
22	Jet Airways (India) Ltd.	28-Apr-11	1	500
23	JSW Steel Limited	28-Apr-11	1	250
24	Karnataka Bank Limited	28-Apr-11	1	2,165
25	Mahanagar Telephone Nigam Ltd	28-Apr-11	1	4,000
26	Mahindra & Mahindra Ltd	28-Apr-11	1	500
27	Mercator Lines Limited	28-Apr-11	1	4,000
28	Moser Baer India Ltd	28-Apr-11	1	4,000
29	Mphasis Limited	28-Apr-11	1	500
30	Nagarjuna Fertilizer & Chemicals Ltd	28-Apr-11	1	8,000
31	NCC Limited	28-Apr-11	1	2,000
32	Nifty	28-Apr-11	683	34,150
33	Piramal Healthcare Ltd	28-Apr-11	1	500
34	PTC India Limited	28-Apr-11	1	2,000
35	Ranbaxy Laboratories Limited	28-Apr-11	21	10,500
36	Reliance Communications Limited	28-Apr-11	1	2,000
37	Shree Renuka Sugars Limited	28-Apr-11	30	120,000
38	Siemens Limited	28-Apr-11	299	149,500
39	Siemens Limited	26-May-11	47	23,500
40	Suzlon Energy Limited	28-Apr-11	95	380,000
41	Tata Motors Limited	28-Apr-11	18	4,500
42	Tata Steel Limited	28-Apr-11	4	2,000

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.7 B) Open interest in Commodity Futures as at the balance sheet date:

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of Units Involved (in kgs.)
1	Aluminium	28-Apr-11	515	2,575,000.00
2	Copper	29-Apr-11	30	30,000.00
3	Cotton seed Oil cake	20-Apr-11	47	470,000.00
4	Gold Mini 995	5-Apr-11	183	18.30
5	Gold Mini 995	5-May-11	360	36.00
6	Gold Mini 995	4-Jun-11	2,305	230.50
7	Gold.995	5-Apr-11	800	80.00
8	Guar Seed	20-May-11	59	590,000.00
9	Jeera	20-Apr-11	3	9,000.00
10	Lead	28-Apr-11	773	3,865,000.00
11	Pepper	20-Apr-11	297	297,000.00
12	Pepper	20-May-11	3	3,000.00
13	Rape Must Seed	20-Apr-11	735	7,350,000.00
14	Rape Must Seed	20-May-11	112	1,120,000.00
15	Silver	5-Jul-11	103	3,090.00
16	Silver Mini 999	30-Apr-11	1,763	8,815.00
17	Zinc	28-Apr-11	369	1,845,000.00

Short Position

Sr. No.	Name of Future	Expiry Date	Number of contracts	Number of Units Involved (in kgs.)
1	Chana	20-Apr-11	45	450,000.00
2	Chana	20-May-11	41	410,000.00
3	Coconut	20-Apr-11	5	50,000.00
4	Copper	29-Apr-11	15	15,000.00
5	Copper	30-Jun-11	30	30,000.00
6	Coriander	20-Apr-11	538	5,380,000.00
7	Cotton	20-Apr-11	30	300,000.00
8	Cotton oil seed cake	20-Apr-11	71	710,000.00
9	Gold guinea	30-Apr-11	855	6.84
10	Gold Mini 995	5-May-11	5,029	502.90
11	Gold Mini 995	4-Jun-11	155	15.50
12	Gold.995	5-Apr-11	1,592	1,592.00
13	Gold.995	4-Jun-11	244	244.00
14	Gold.995	5-Aug-11	41	41.00
15	Gold.995	5-Oct-11	13	13.00
16	Guar Gum	20-Apr-11	285	1,425,000.00
17	Guar Gum	20-May-11	180	900,000.00
18	Guar Seed	20-Apr-11	3,272	32,720,000.00
19	Guar Seed	20-May-11	120	1,200,000.00
20	Jeera	20-Apr-11	353	1,059,000.00
21	Jeera	20-May-11	1	3,000.00
22	Lead	28-Apr-11	3	15,000.00
23	Light Sweet Crude Oil	18-Apr-11	2,745	274,500.00
24	Nickel	28-Apr-11	144	36,000.00
25	Pepper	20-Apr-11	834	834,000.00
26	Rape Mustard Seed	20-Apr-11	58	580,000.00
27	Rape Mustard Seed	20-May-11	564	5,640,000.00
28	Silver	5-May-11	40	1200.00
29	Silver	5-Jul-11	965	28,950.00
30	Silver	5-Sept-11	20	600.00
31	Undecorticated Cotton	20-Apr-11	235	2,350,000.00
32	Undecorticated Cotton	20-May-11	4	40,000.00
33	Zinc	28-Apr-11	1,459	7,295,000.00

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.7 C) Open interest in Currency Derivatives as at the balance sheet date:

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of Units Involved
1	Euro	27-Apr-11	4,125	4,125,000
2	USD	27-Apr-11	273,636	273,636,000

Short Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of Units Involved
1	GBP	27-Apr-11	5,065	5,065,000
2	JPY	27-Apr-11	1,750	1,750,000
3	USD	27-Apr-11	37,465	37,465,000
4	USD	27-May-11	3,466	34,66,000

23.8 Option contracts outstanding as on the balance sheet date:

A) Index/Stock

Sr. No.	Name of the Option – Index/Stock	Total premium carried forward at 31 March 2011 (Net of provisions made)
1	Nifty	(391.42)
2	Tata Motors Limited	0.38
3	Tata Steel Limited	0.51
4	UCO Bank	0.39
	Total	(390.14)

B) Currency

Name of the Option – Currency	Total premium carried forward at 31 March 2011 (Net of provisions made)
USD	(0.08)

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.9 Employee stock option plans

The Company has currently seven Employee Stock Option Plans ('Plans') in force. The Plans provide that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company that vests in a graded manner. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any, of the fair market value of the underlying share over the exercise price.

During the year, the Company has issued ESOP 2010 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2010 Plan is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
Total		100 (One hundred)% of grant

During the previous year, the Company has issued ESOP 2009 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	36 months from the date of grant	30 (Thirty)% of grant
2	48 months from the date of grant	30 (Thirty)% of grant
3	60 months from the date of grant	40 (Forty)% of grant
Total		100 (One hundred)% of grant

For determination of compensation cost, the Company has assumed the exercise price to be the specified amount.

With respect to stock options granted upto 31 March 2008, the fair market value of the underlying shares has been determined based on an independent valuer's report as these stock options were granted by the Company to its employees when it was not listed on the stock exchanges. The fair value under stock options granted during the year is arrived as stipulated in the Guidance Note on Accounting for Employee Share Based Payments issued by The Institute of Chartered Accountants of India. The compensation cost recorded in the profit and loss account for the year is Rs. 3.21 million (Previous year: Rs. 7.63 million).

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.9 Employee stock option plans (Continued)

Details of various schemes are stated below:

Activity in the options outstanding under the employees stock options plan as at 31 March 2011:

Exercise Price (Rs.)#	ESOP 2002			ESOP 2004			ESOP 2006			Pricing Formula (*)								
	1	7.92	1.04	2.08	7.92	16.67	7.92	16.67	ESOP 2006	ESOP 2007								
ESOP Plan Scheme	D									I			II			III		
Total Options approved by the members#	60,960,000									24,000,000								
Grants as at 1 April, 2010#	15,000	15,000	645,000	1,410,000	2,322,170	2,400,000	15,213,000	2,400,000	2,400,000	3,489,500	6,496,000	15,922,000						
Add - Options granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less - Options lapsed / cancelled during the year	-	-	-	(60,000)	(36,000)	-	(6,000)	-	-	(351,000)	(736,000)	(1,508,000)						
Less - Options exercised during the year	(15,000)	(15,000)	-	(165,000)	(281,850)	-	(42,000)	-	-	(738,000)	(20,000)	(62,000)						
Grants as at 31 March, 2011	-	-	645,000	1,185,000	2,004,320	2,400,000	15,165,000	2,400,000	2,400,000	2,400,500	5,740,000	14,352,000						
Options exercisable as at 31 March 2011	-	-	645,000	1,185,000	2,004,320	2,400,000	13,965,000	1,200,000	1,200,000	2,400,500	5,740,000	14,352,000						

Exercise Price (Rs.)#	Pricing Formula(*)			Range of Exercise price (**)	
	ESOP 2008	ESOP 2009	ESOP 2010	ESOP 2009	ESOP 2010
ESOP Plan Scheme	I				
Total Options approved by the members#	12,000,000				
Grants as at 1 April, 2010#	3,548,000	3,548,000	20,238,000	-	-
Add - Options granted during the year	-	-	22,810,000	-	-
Less - Options lapsed / cancelled during the year	(740,000)	(740,000)	(2,328,500)	(3,021,000)	-
Less - Options exercised during the year	-	-	-	-	-
Grants as at 31 March, 2011	2,808,000	2,808,000	17,909,500	19,789,000	-
Options exercisable as at 31 March 2011	2,808,000	2,808,000	-	-	-

Exercise price, total options approved by the members and opening grants as at 1 April 2010 have been adjusted to give the effect of corporate action during the year.

Activity in the options outstanding under the employees stock options plan as at 31 March 2010:

Exercise Price (Rs.)	ESOP 2002			ESOP 2004			ESOP 2006			ESOP 2007			Pricing Formula (*)			Range of Exercise price(**)											
	5	79.17	10.42	20.83	79.17	166.67	79.17	166.67	ESOP 2006	ESOP 2007			ESOP 2008			ESOP 2009											
ESOP Plan Scheme	D									G			I			II			III								
Total Options approved by the members	6,096,000									2,400,000									4,800,000								
Grants as at 1 April, 2009	1,500	1,500	94,500	195,000	271,055	240,000	1,554,600	240,000	240,000	788,300	1,755,200	419,200	419,200	419,200	419,200	419,200	419,200	419,200									
Add - Options granted during the year	-	-	-	-	(4,950)	-	-	-	-	-	-	-	-	-	-	-	-	-									
Less - Options lapsed / cancelled during the year	-	-	(6,000)	(6,000)	(4,950)	-	(59,050)	(138,700)	(163,000)	(64,400)	(64,400)	(64,400)	(64,400)	(64,400)	(64,400)	(64,400)	(64,400)	(64,400)									
Less - Options exercised during the year	-	-	(24,000)	(48,000)	(33,888)	-	(33,300)	-	-	-	-	-	-	-	-	-	-	-									
Grants as at 31 March, 2010	1,500	1,500	64,500	141,000	232,217	240,000	1,521,300	240,000	240,000	348,950	1,592,200	354,800	354,800	354,800	354,800	354,800	354,800	354,800									
Options exercisable as at 31 March 2010	1,500	1,500	64,500	141,000	164,717	180,000	864,000	-	-	348,950	1,592,200	354,800	354,800	354,800	354,800	354,800	354,800	354,800									

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.9 Employee stock option plans (Continued)

(*) Pricing formula:

ESOP 2008 (I)

Period during which vested options are exercised	From the date of vesting to 31 December 2010	From 1 January 2011 to 31 December 2011
Exercise price payable for such vested options	10 % discount to market price or Rs. 120; whichever is higher; otherwise Rs. 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

ESOP 2008 (III)

Period during which vested options are exercised	From the date of vesting to 31 December 2012	From 1 January 2013 to 31 December 2013
Exercise price payable for such vested options	In case shares are listed, 10 % discount to market price or Rs. 120; whichever is higher; otherwise Rs. 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

ESOP 2007 (I)

Period during which vested options are exercised	From 1 October 2008 to 30 September 2009	From 1 October 2009 to 30 September 2010	From 1 October 2010 to 30 September 2014
Exercise price payable for such vested options	In case shares are listed, 25 % discount to market price or Rs. 83.30; whichever is higher; otherwise Rs. 83.30.	Rs. 58.30	Rs. 21.70

ESOP 2007 (II)

Period during which vested options are exercised	From 1 July 2008 to 30 June 2009	From 1 July 2009 to 30 June 2010	From 1 July 2010 to 30 June 2011	From 1 July 2011 to 30 June 2015
Exercise price payable for such vested options	In case shares are listed, 25% discount to market price or Rs. 83.30; whichever is higher; otherwise Rs. 83.30.	In case shares are listed, 50% discount to market price or Rs. 66.70; whichever is higher; otherwise Rs. 66.70.	Rs. 50.00	Rs. 33.30

ESOP 2007 (III)

Period during which vested options are exercised	From 1 January 2009 to 31 December 2009	From 1 January 2010 to 31 December 2013
Exercise price payable for such vested options	In case shares are listed, 50% discount to market price or Rs. 66.70; whichever is higher; otherwise Rs. 66.70	Rs. 51.70

(**) Range of Exercise price

ESOP 2009

Exercise price payable for such vested options	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	Rs. 39.44 to Rs. 50.26
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ESOP 2010

Exercise price payable for such vested options	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	Rs. 41.40 to Rs. 61.00
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Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.9 Employee Stock Option Plans (Continued)

Following summarises the information about stock options outstanding as at 31 March 2011:

Plan	ESOP 2002 Scheme D	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010
- Range of exercise price	Rs. 1.00 to Rs. 7.92	Rs. 1.04 to Rs.16.67	Rs. 7.92 to Rs.16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Rs 39.44 to Rs. 50.26	Rs. 41.40 to Rs. 61.00
- Number of shares arising out of options	-	6,234,320	17,565,000	2,400,500	5,740,000	14,352,000	2,808,000	2,808,000	17,909,500	19,789,000
- Weighted average life of outstanding options (in years)	-	2.88	3.77	3.50	4.25	2.75	0.75	2.75	5.19	5.37
Weighted average exercise prices of stock options										
- outstanding at the beginning of the year	4.21	9.15	9.11	21.70	33.30	51.70	46.30	34.82	40.14	N.A.
- granted during the year	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	48.84
- forfeited/cancelled during the year	N.A.	4.27	7.92	21.70	33.30	51.70	46.30	34.82	39.79	48.56
- exercised during the year	4.21	5.76	7.92	21.70	50.00	51.70	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year	N.A.	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88
- exercisable at the end of the year	N.A.	9.47	8.61	21.70	33.30	51.70	46.30	34.82	N.A.	N.A.

The weighted average market share price for stock options exercised during the year is Rs.47.81 (Previous year: Rs. 43.33).

Fair value methodology

The fair value of options used to compute pro-forma net income and earnings per share have been estimated on the dates of each grant, on or after the date the 'Guidance Note on Accounting for Employee Share-based Payments', issued by the Institute of Chartered Accountants of India, became applicable, i.e. 1 April 2005, using the Black-Scholes option pricing model. In absence of the shares of the Company being listed at the time of the grant the Company has estimated the volatility based on the historical market volatility. The various assumptions considered in the pricing model for the aforementioned ESOP's granted are:

	2011
Dividend yield	0.4% - 1.54%
Expected volatility	16.29% - 46.69%
Risk free interest rate	6.50% - 8%
Expected life of the option	3.19 - 9 years

Impact of fair value method on net profit and earnings per share

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have reduced to the pro-forma amounts as indicated below:

	2011
Net Profit (as reported)	2,330.16
Less: Impact of incremental cost under fair value approach	166.25
Net Profit: (pro-forma)	2,163.91
Basic earnings per share (as reported) (in rupees)	3.10
Basic earnings per share (pro-forma) (in rupees)	2.88
Diluted earnings per share (as reported) (in rupees)	3.00
Diluted earnings per share (pro-forma) (in rupees)	2.79

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.10 Capital commitment

Capital commitments (net of advances) Rs. 2,488.36 million (Previous year Rs. 1,871.93 million).

23.11 Contingent liability

(i) Edelweiss Capital Limited

- (a) Taxation matters in respect of which appeal is pending Rs. 20.42 million (Previous year: Rs. 2.39 million).
- (b) The Company has issued corporate guarantees to the extent of Rs. 15,950 million (Previous year: Rs. 3,800 million), in favor of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, EC Commodity Limited, Edelweiss Broking Limited and Edelweiss Trading & Holdings Limited (subsidiary companies) and Rs. 5,000 million (Previous year: Rs. 2,500 million) in favor of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited (subsidiary company) against due discharge of debt.

(ii) Edelweiss Securities Limited (ESL)

- (a) ESL has provided bank guarantees aggregating to Rs. 2,000 million (Previous year: Rs. 150 million), also included in paragraph i(b) of Note 23.11, as on 31 March 2011 to The National Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating Rs. 1,000 million (Previous year: Rs. 75 million) for obtaining the above bank guarantees.
- (b) Fixed deposits have also been pledged with:
 - 1. Bombay Stock Exchange Limited Rs. 271 million (Previous year: Rs. 207 million) for meeting base capital requirements.
 - 2. National Stock Exchange of India Limited Rs. 2,760.40 million (Previous year: Rs. 4,479.50 million) for meeting base capital requirements.
 - 3. The Multi Commodity Exchange of India Limited Rs. 161.30 million (Previous year: Rs. 101.70 million) for meeting base capital requirements.
 - 4. Bank of India amounting to Rs. 1,363.30 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 5. Canara Bank amounting to Rs. 6,000.05 million (Previous year: Rs. 548.50 million) for availing secured bank overdraft.
 - 6. Federal Bank amounting to Rs. 292.30 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 7. HDFC Bank amounting to Rs. 838 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 8. ICICI Bank amounting to Rs. 500 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 9. Karur Vysya Bank amounting to Rs. 250 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 10. Lakshmi Vilas Bank amounting to Rs. 250 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 11. State Bank of Travancore amounting to Rs. 613.70 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 12. Syndicate Bank amounting to Rs. 500 million (Previous year: Rs. Nil) for availing secured bank overdraft.
 - 13. Commissioner of Value Added Tax - Rs. 0.05 million (Previous year: Rs. Nil) for VAT Registration.
 - 14. Commissioner of Sales Tax - Rs. 0.03 million (Previous year: Rs. Nil) for Sales Tax Registration.
- (c) As at 31 March 2011, debtors aggregating to Rs. 360.67 million (Previous year: Nil) were hypothecated against bank overdraft.
- (d) Taxation matters in respect of which appeal is pending Rs. 1.42 million (Previous year: Rs. Nil).

(iii) Edelweiss Finance & Investments Limited

Taxation matters in respect of which appeal is pending Rs. 2.24 million (Previous year: Rs. 2.24 million).

(iv) Edelweiss Trading & Holdings Limited (ETHL)

- (a) ETHL has provided bank guarantee aggregating to Rs. Nil (Previous year: Rs. 10 million), also included in paragraph i(b) of Note 23.11, as on 31 March 2011 to The Multi Commodity Exchange of India Limited for meeting margin requirements. ETHL has pledged fixed deposit with bank amounting to Rs. Nil (Previous year: Rs. 5 million) for obtaining the above bank guarantee.
- (b) ETHL has provided stand-by letter of credit aggregating to Rs. 5,600 million (Previous year: Rs. 1,750 million), also included in paragraph i(b) of Note 23.11, as on 31 March 2011 to The State Trading Corporation of India Limited for meeting margin requirements for buying bullion. ETHL has provided stand-by letter of credit aggregating to Rs. 250 million (Previous year: Rs. 250 million), also included in paragraph i(b) of Note 23.11, as on 31 March 2011 to The Bank of Nova Scotia for meeting margin requirements for buying bullion. ETHL has pledged fixed deposit with bank amounting to Rs. 912.50 million (Previous year: Rs. 512.50 million) for obtaining the above stand-by letter of credit.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.11 Contingent liability (Continued)

(c) Fixed deposits have also been pledged with:

1. The Multi Commodity Exchange of India Limited Rs. 1,174 million (Previous year: Rs. 1,334 million) for meeting margin requirements.
2. The National Commodity and Derivatives Exchange Limited Rs. 217.40 million (Previous year: Rs. 42.10 million) for meeting margin requirements.
3. The National Spot Exchange Limited Rs. 0.25 million (Previous year: Rs. 4.25 million) for meeting margin requirements.
4. The Indian Commodity Exchange Limited Rs. 29.90 million (Previous year: Rs. 49.50 million) for meeting margin requirements.
5. Axis Bank Rs. 85 million (Previous year: Rs. 861.30 million) for meeting margin requirements for forward contracts entered with the bank and for meeting margin requirements for buying bullion.
6. Kotak Mahindra Bank Rs. Nil (Previous year: Rs. 198.90 million) for meeting margin requirements for forward contracts entered with the bank and for meeting margin requirements for buying bullion.
7. HDFC Bank Rs. 242.10 million (Previous year: Rs. 633.60 million) for meeting margin requirements for buying bullion.
8. ICICI Bank Rs. Nil (Previous year: Rs. 178.20 million) for meeting margin requirements for buying bullion.
9. Agriculture Produce Market Committee Indore Rs. 0.30 million (Previous year: Rs. 0.30 million) for mandi license.
10. Citibank Rs. 9.80 million (Previous year: Rs. Nil) for meeting margin requirements for forward contracts
11. Sales tax authorities Rs. 0.18 million (Previous year: Rs. Nil) for meeting deposit requirements.
12. Bank of India Rs. 750 million (Previous year: Rs. Nil) for Letter of credits opened by Tara Jewels Limited for import of gold.
13. State Bank of India Rs. 750 million (Previous year: Rs. Nil) for Letter of credits opened by Tara Jewels Limited for import of gold.
14. Canara Bank Rs. 800 million (Previous year: Rs. Nil) for securing bank overdraft facility.
15. HDFC Bank Rs. 499 million (Previous year: Rs. Nil) for securing bank overdraft facility.
16. Bank of India Rs. 6,250 million (Previous year: Rs. Nil) for securing bank overdraft facility.
17. Laxmi Vilas Bank Rs. 250 million (Previous year: Rs. Nil) for securing bank overdraft facility.

(v) ECL Finance Limited (ECLF)

Litigation pending against ECLF amounting to Rs. 1.58 million (Previous year: Rs. Nil)

(vi) ECap Equities Limited

Fixed deposit amounting to Rs. 0.08 million (Previous year: Rs. 0.08 million) has been pledged with sales tax authorities for meeting deposit requirements.

(vii) Edelweiss Broking Limited

Fixed deposits have been pledged with:

1. Bombay Stock Exchange Limited Rs. 11.68 million (Previous year: Rs. 10.90 million) for meeting base and additional base capital requirements.
2. National Stock Exchange of India Limited Rs. 85 million (Previous year: Rs. 76.80 million) for meeting base capital requirements.

(viii) EC Commodity Limited (EC Comm)

(a) EC Comm has pledged fixed deposit with bank amounting to Rs. 3.25 million (Previous year: Rs. 82.45 million) with The Multi Commodity Exchange of India Limited for meeting margin requirements.

(b) EC Comm has also pledged fixed deposit with bank amounting to Rs. 0.18 million (Previous year: Rs. 0.08 million) with Sales Tax Authorities for meeting deposit requirements.

(ix) Edel Commodities Limited (Edel Comm)

Edel Comm has pledged fixed deposit with bank amounting to Rs. 0.06 million (Previous year: Rs. Nil) with Sales Tax Authorities for meeting deposit requirements.

(x) Edelweiss Comtrade Limited (EDEL Com)

(a) Edel Com has provided bank guarantees aggregating to Rs. 59 million as on 31 March 2011 for the following purposes to:

1. The National Commodity and Derivatives Exchange Limited:- Rs. 1.50 million for meeting margin requirements.
2. The Multi Commodity Exchange of India Limited:- Rs. 57.50 million for meeting margin requirements.

Edel Com has pledged fixed deposits with banks aggregating of Rs. 29.63 million for obtaining the above bank guarantees.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.11 Contingent liability (Continued)

- (b) Fixed deposits have also been pledged with:
1. The National Commodity and Derivatives Exchange Limited:- Rs. 71.80 million for Additional base Capital.
 2. The Multi Commodity Exchange of India Limited:- Rs. 80 million for Additional base Capital.
 3. National Spot Exchange of India Limited:- Rs. 0.25 million for Additional base Capital.
 4. HDFC Bank Limited:- Rs. 14.23 million for availing secured bank overdraft.
 5. The Multi Commodity Exchange of India Limited:- Rs. 0.25 million towards arbitration.
- (c) Claims against Edel Com not acknowledged as debt Rs. 0.08 million
- (d) Taxation matters in respect of which appeal is pending - Rs. 2.01 million

(xi) Edelweiss Financial Advisors Limited (EFAL)

- (a) EFAL has provided bank guarantees to The National Stock Exchange of India Limited aggregating to Rs. 117.50 million as on 31 March 2011 for meeting margin requirements.
EFAL has pledged fixed deposits with banks aggregating of Rs. 61.25 million for obtaining the above bank guarantees.
- (b) Fixed deposits have also been pledged with:
1. National Stock Exchange of India Limited Rs. 50 million for Additional Base Capital and Rs. 2.50 million for Minimum Base Capital
 2. Ahmedabad Stock Exchange Limited Rs. 0.54 million for meeting base capital requirements.
 3. The MCX Stock Exchange of India Limited Rs. 0.80 million for Security Deposit.
 4. HDFC Bank Rs. 62.90 million for availing secured bank overdraft.
 5. National Stock Exchange of India Limited Rs. 0.48 million towards arbitration.
- (c) Corporate guarantee Rs. 129.50 million given to banks on behalf of Edelweiss Stock Broking Limited, Edelweiss Comtrade Limited and Edel Finance Company Limited.
- (d) Claims against EFAL not acknowledged as debts Rs. 9.89 million.
- (e) Taxation matters in respect of which appeal is pending - Rs. 54.51 million.

(xii) Edelweiss Stock Broking Limited (ESBL)

- (a) ESBL has provided bank guarantees aggregating to Rs. 100 million as on 31 March 2011 for meeting margin requirements to Bombay Stock Exchange Limited
ESBL has pledged fixed deposits with banks aggregating of Rs. 50 million for obtaining the above bank guarantees.
- (b) Fixed deposits have also been pledged with:
1. Bombay Stock Exchange Limited Rs. 1 million for Trade Guarantee Fund, Rs. 1 million for Base Capital and Rs. 50 million for Additional Base Capital
 2. The MCX Stock Exchange of India Limited Rs. 22.50 million for meeting base capital requirements and Rs. 0.80 million for Security Deposit.
 3. HDFC Bank:- Rs. 21.80 million for availing secured bank overdraft.
- (c) Corporate guarantee Rs. 147 million given to banks on behalf of Edelweiss Financial Advisors Limited, Edelweiss Comtrade Limited and Edel Finance Company Limited.
- (d) Claim against ESBL not acknowledged as debt Rs. 4.14 million
- (e) Taxation matters in respect of which appeal is pending – Rs. 22.27 million.

23.12 In accordance with the accounting policy set out on paragraph 1.17 of significant accounting policies, provision for standard assets created in the books as at 31 March 2011, is Rs. 65.85 million (Previous year: Rs. 93.16 million). Further, provision towards non-performing assets created in the books as at 31 March 2011 is Rs. 96.04 million (Previous year: Rs. 22.53 million).

23.13 Impact of change in accounting policy:

During the current year, the Group has changed its policy on accounting for benchmark linked non-convertible debentures and exchange traded derivatives by applying fair valuation as against the earlier policy of not recognising unrealized gains. Had the Group continued to follow its earlier policy, "Net current assets" and the profit before tax for the year would have been lower by Rs. 24.6 million.

23.14 Securities received from clients as collateral for margins are held by broking companies of the Group in their own names in fiduciary capacity.

Schedules to the consolidated financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

23 NOTES TO THE ACCOUNTS (CONTINUED)

23.15 Certain companies in the Group have received demand notices from tax authorities on account of disallowance of expenditure for earning exempt income under section 14A(2) of Income Tax Act, 1961, read with Rule 8D of the Income Tax Rules, 1962. The Group has filed appeals and is defending its position. Due to the lack of clarity on the legal position relating to the application of Rule 8D, the outcome and quantification of the eventual tax liability on the Group, if any, at this stage cannot be estimated. The Group has been advised by its tax counsel that it has a good chance in sustaining its position.

23.16 Prior period comparatives

Previous year figures have been regrouped and reclassified wherever necessary.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768

Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Securities Limited	Edelweiss Finance & Investments Limited	Edelweiss Trading & Holdings Limited	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited	Edelweiss Financial Products & Solutions Limited	Edelweiss Trustee Services Limited	ECap Equities Limited
Paid-up Equity Share Capital	45.00	26.55	19.00	1,891.85	6.95	42.27	10.00	0.50	2.40
Paid-up Preference Share Capital	-	-	10.00	-	-	-	-	-	-
Reserves of the Subsidiary	2,606.67	3,893.29	3,143.99	10,280.58	14.63	(2.80)	142.42	6.93	118.71
Total Assets of the Subsidiary	27,938.89	7,969.04	62,495.56	30,927.55	58.70	121.60	593.55	7.67	2,954.37
Total Liabilities of the Subsidiary	25,287.23	4,049.20	59,322.58	18,755.13	37.12	82.12	441.13	0.23	2,833.26
Investments (other than in Subsidiary Companies)	604.81	3,055.04	1,319.26	1,028.74	-	-	-	-	5.99
Total Turnover	3,397.37	863.58	2,091.30	4,261.77	60.10	65.03	194.41	2.82	484.02
Profit/(Loss) before taxation	427.45	197.31	75.96	1,541.29	16.27	4.98	114.92	2.62	231.67
Provision for taxation (including Deferred Tax and MAT credit entitlement)	(63.50)	72.04	28.41	523.10	3.52	(3.20)	36.39	0.65	49.31
Profit/(Loss) after taxation	490.95	125.27	47.55	1,018.19	12.75	8.18	78.53	1.97	182.36
Proposed dividend	-	-	-	-	-	-	-	-	-

Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956 (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelcap Securities Limited	Edelweiss Broking Limited	EC Global Limited	Edelweiss Asset Management Limited	Edelweiss Trusteeship Company Limited	Edel Commodities Limited	EC Commodity Limited	Edelweiss Housing Finance Limited	Edelweiss Alternative Asset Advisors Limited
Paid-up Equity Share Capital	3.00	48.81	0.44	600.00	1.00	0.50	9.58	228.50	22.56
Paid-up Preference Share Capital	-	-	-	-	-	-	-	-	-
Reserves of the Subsidiary	420.00	263.63	527.73	377.98	0.70	18.89	238.37	89.19	92.44
Total Assets of the Subsidiary	3,132.16	1,128.26	2,661.83	1,022.85	1.79	370.95	2,227.33	1,082.65	144.51
Total Liabilities of the Subsidiary	2,709.16	815.82	2,133.67	44.87	0.10	351.56	1,979.39	764.97	29.51
Investments (other than in Subsidiary Companies)	(5.41)	-	35.20	135.15	1.62	-	-	-	122.50
Total Turnover	1,048.66	600.34	94.67	87.69	1.07	74.92	137.76	21.79	69.10
Profit/(Loss) before taxation	557.83	104.16	(47.56)	(11.30)	0.52	47.97	69.27	(15.60)	37.36
Provision for taxation (including Deferred Tax and MAT credit entitlement)	180.93	6.18	-	0.96	0.15	9.62	19.12	-	7.34
Profit/(Loss) after taxation	376.90	97.98	(47.56)	(12.26)	0.37	38.35	50.15	(15.60)	30.02
Proposed dividend	-	-	-	-	-	-	-	-	-

Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956 (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Investment Advisors Limited	Edel Land Limited	Edelweiss Custodial Services Limited	Edelweiss Capital (Singapore) Pte. Limited	Edelweiss Alternative Asset Advisors Pte. Limited	Edelweiss International (Singapore) Pte. Limited	EC International Limited	Aster Commodities DMCC
Paid-up Equity Share Capital	0.50	0.50	47.50	0.43	0.10	0.19	6.20	133.73
Paid-up Preference Share Capital	4.25	1.25	-	-	-	-	-	-
Reserves of the Subsidiary	432.99	132.22	504.47	(1.25)	(1.02)	(0.06)	8.69	164.85
Total Assets of the Subsidiary	704.25	185.55	556.11	1.57	0.05	0.15	5,295.55	21,501.78
Total Liabilities of the Subsidiary	266.51	51.58	4.15	2.39	0.97	0.02	5,280.66	21,203.20
Investments (other than in Subsidiary Companies)	-	-	-	-	-	-	-	-
Total Turnover	33.26	17.75	46.77	-	-	-	225.79	330.85
Profit/(Loss) before taxation	18.44	14.50	40.59	(1.17)	(0.94)	(0.03)	11.76	143.28
Provision for taxation (including Deferred Tax and MAT credit entitlement)	6.51	5.18	13.78	-	-	-	0.35	-
Profit/(Loss) after taxation	11.93	9.32	26.81	(1.17)	(0.94)	(0.03)	11.41	143.28
Proposed dividend	-	-	-	-	-	-	-	-

Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956 (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Allium Finance Private Limited	Edelweiss Tokio Life Insurance Company Limited	Edel Investments Limited	EAAA LLC	E Cap International Limited	EW India Special Assets Advisors LLC	EW Special Opportunities Advisors LLC	Comfort Projects Limited
Paid-up Equity Share Capital	8.30	8.24	8.70	2.36	2.36	1.14	1.71	2.85
Paid-up Preference Share Capital	-	-	-	-	-	-	-	0.40
Reserves of the Subsidiary	14.02	380.21	13.11	(3.12)	(0.98)	(8.28)	8.87	9.69
Total Assets of the Subsidiary	23.48	454.30	22.21	2.72	2.29	1.84	57.36	4,180.40
Total Liabilities of the Subsidiary	1.16	65.86	0.40	3.49	0.91	8.98	46.77	4,167.46
Investments (other than in Subsidiary Companies)	-	334.56	-	-	-	-	-	-
Total Turnover	1.37	26.45	1.52	-	-	-	125.40	8.45
Profit/(Loss) before taxation	0.05	(86.62)	1.42	(1.85)	(0.48)	(7.40)	5.85	6.19
Provision for taxation (including Deferred Tax and MAT credit entitlement)	-	9.10	0.50	-	-	-	0.18	2.11
Profit/(Loss) after taxation	0.05	(95.72)	0.92	(1.85)	(0.48)	(7.40)	5.67	4.08
Proposed dividend	-	-	-	-	-	-	-	-

Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956 (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Financial Advisors Limited	Edelweiss Stock Broking Limited	Edelweiss Comtrade Limited	Edel Finance Company Limited	Edelweiss Advisors Limited	Edelweiss Capital Markets Limited	Edelweiss Investment Advisors Private Limited (Singapore)	EdelGive Foundation
Paid-up Equity Share Capital	60.64	35.00	50.00	4.00	0.50	0.50	0.34	0.10
Paid-up Preference Share Capital	-	-	-	-	-	-	-	-
Reserves of the Subsidiary	424.66	283.84	49.36	13.00	(0.29)	(1.03)	0.02	1.09
Total Assets of the Subsidiary	1,366.58	631.86	308.45	175.73	0.25	0.50	0.36	1.74
Total Liabilities of the Subsidiary	881.27	313.01	209.09	158.73	0.04	1.03	-	0.55
Investments (other than in Subsidiary Companies)	-	-	-	-	-	-	-	-
Total Turnover	457.29	242.06	119.88	77.76	-	-	-	48.51
Profit/(Loss) before taxation	40.69	24.14	20.70	(24.56)	(0.29)	(1.03)	-	1.03
Provision for taxation (including Deferred Tax and MAT credit entitlement)	0.59	5.92	7.93	(8.06)	-	-	-	-
Profit/(Loss) after taxation	40.10	18.22	12.77	(16.50)	(0.29)	(1.03)	-	1.03
Proposed dividend	-	-	-	-	-	-	-	-

The financial statements of foreign subsidiaries are converted into Indian Rupees on the basis of appropriate exchange rate.

For and on behalf of the Board of Directors

Rashesh Shah
Chairman & Managing Director

Venkat Ramaswamy
Whole-time Director

B Renganathan
SVP & Company Secretary

Mumbai | 16 May 2011

Edelweiss Capital Limited

Standalone Financial Statements
for the year ended 31 March 2011

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Auditors' Report to Standalone Financial Statements

To the Members of Edelweiss Capital Limited

We have audited the accompanying balance sheet of Edelweiss Capital Limited ('the Company') as at 31 March 2011, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto (together referred to as 'the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the balance sheet, profit and loss account and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of the written representations received from the directors of the Company as at 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2011 from being appointed as director in terms of clause (g) of sub section (1) of section 274 to the Act; and
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - (ii) in the case of the profit and loss account, of the profit of the Company for the year ended 31 March 2011; and
 - (iii) in the case of cash flow statement, of the cash flows of the Company for the year ended 31 March 2011.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Mumbai
16 May 2011

Akeel Master
Partner
Membership No.: 046768

Annexure to Auditors' Report - 31 March 2011

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) (a) During the year, the Company has granted unsecured demand loan to one subsidiary company which is covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs. 415.59 lakhs and the year-end balance of such loans was Rs. 137.35 lakhs.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (c) The loan granted to the aforementioned company is repayable on demand. According to the information and explanations given to us, the borrower has been regular in the payment of interest as stipulated.
- (d) The loans granted to the companies listed in the register maintained under section 301 are repayable on demand. Accordingly, there is no overdue amount of more than Rs. 1 lakh in respect of loans granted to any of the companies, firms or other parties listed in the register maintained under section 301.
- (e) The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the activities conducted by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and Investor Education and Protection fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, other than those stated in Appendix I to this report there are no dues of Income-tax, Provident Fund, Wealth tax, Service tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

Annexure to Auditors' Report - 31 March 2011 (Continued)

- (d) There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been made effective by the Central Government.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to information and explanations given to us, the Company is not a chit fund, nidhi or mutual benefit fund/society.
- (xiv) The Company has maintained proper records of the transactions and contracts in respect of dealing in securities and timely entries have been made therein. Further, such securities and investments have been held by the Company in its own name except to the extent of exemption granted under section 49 of the Act.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Mumbai
16 May 2011

Akeel Master
Partner
Membership No.: 046768

Appendix I

Details of statutory dues which have not been deposited on account of any dispute

Name of the statute	Nature of dues	Amount (in Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	6,779,144	A.Y 2007-08	CIT(A)

Balance Sheet as at 31 March 2011

(Currency: Indian rupees in millions)	Schedule	31 March 2011	31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	752.03	375.36
Share application money		0.78	0.04
Stock options outstanding account		20.63	18.91
Reserves and surplus	4	12,456.66	12,707.01
		13,230.10	13,101.32
Loan funds			
Secured loans	5	995.12	4,718.51
Unsecured loans	6	34,966.04	9,815.55
TOTAL		49,191.26	27,635.38
APPLICATION OF FUNDS			
Fixed assets			
Gross block	7	117.29	97.51
Less: Accumulated depreciation		79.78	66.48
Net block		37.51	31.03
Investments	8	11,995.23	11,536.05
Deferred tax asset	21.5	42.28	67.37
Current assets, loans and advances			
Sundry debtors	9	171.25	583.85
Cash and bank balances	10	112.29	314.35
Loans and advances	11	37,963.32	16,896.54
		38,246.86	17,794.74
Less: Current liabilities and provisions			
Current liabilities	12	769.73	986.75
Provisions	13	360.89	807.06
		1,130.62	1,793.81
Net current assets		37,116.24	16,000.93
TOTAL		49,191.26	27,635.38
Significant accounting policies	2		
Notes to the accounts	21		

The schedules referred to above form an integral part of the balance sheet.

As per our report attached.
For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768
Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Profit and Loss Account for the year ended 31 March 2011

(Currency: Indian rupees in millions)	Schedule	31 March 2011	31 March 2010
INCOME			
Fee income	14	2,282.36	1,282.06
Income from investments and dividend	15	524.97	370.57
Interest income	16	1,680.06	788.58
Other income	17	0.03	14.05
		4,487.42	2,455.26
EXPENDITURE			
Employee costs	18	378.52	281.44
Operating and other expenses	19	469.90	361.48
Financial expenses	20	3,001.10	1,372.21
Depreciation		14.19	16.68
		3,863.71	2,031.81
PROFIT BEFORE TAXATION			
Provision for taxation		623.71	423.45
- Income tax (includes short provision for earlier years of Rs. Nil; Previous year: Rs. 4.61 million)		21.99	65.10
- MAT credit entitlement		(10.62)	-
- Deferred tax charge		25.09	16.31
PROFIT AFTER TAXATION			
		587.25	342.04
BALANCE IN PROFIT AND LOSS ACCOUNT BROUGHT FORWARD			
		42.76	550.90
PROFIT AND LOSS ACCOUNT BALANCE AVAILABLE FOR APPROPRIATION			
		630.01	892.94
APPROPRIATIONS			
Proposed dividend		263.24	600.73
Interim dividend		187.98	150.09
Dividend distribution tax (includes write back Rs. Nil; Previous year: Rs. 12.16 million)		13.83	65.16
Transfer to general reserve		58.73	34.20
Profit and loss account balance carried forward to balance sheet		106.23	42.76
		630.01	892.94
Basic earnings per share (Rs.) (Face value Re. 1 each)	21.4	0.78	0.46
Diluted earnings per share (Rs.) (Face value Re. 1 each)	21.4	0.76	0.44
Significant accounting policies	2		
Notes to the accounts	21		

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768

Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
B Renganathan

Chairman & Managing Director
Whole-time Director
SVP & Company Secretary

Cash Flow Statement for the year ended 31 March 2011

(Currency: Indian rupees in millions)	31 March 2011	31 March 2010
A Cash flow from operating activities		
Profit before taxation	623.71	423.45
Adjustments for		
Depreciation	14.19	16.68
Profit on sale of investments (net)	(5.69)	(162.78)
Profit on sale of fixed assets	-	(13.97)
Interest income	(1,680.06)	(788.58)
Financial expenses	3,001.00	1,372.05
Dividend income	(519.28)	(207.79)
Provision for diminution in long term investments	(0.53)	20.69
Provision for deferred bonus written back	(6.75)	-
Bad debts written off	0.60	19.49
Provision for doubtful debts	5.86	(37.64)
ESOP compensation cost	3.21	7.63
Operating cash flow before working capital changes	1,436.26	649.23
Adjustments for		
(Increase) in loans and advances	(70.90)	(1,590.62)
Decrease/(increase) in sundry debtors	406.15	(521.64)
(Decrease)/increase in current liabilities and provisions	(13.49)	67.50
Cash generated from /(used in) operations	1,758.02	(1,395.53)
Income taxes paid	256.06	113.15
Net cash generated from /(used in) operating activities during the year - A	1,501.96	(1,508.68)
B Cash flow from investing activities		
Purchase of fixed assets	(20.67)	(1.67)
Proceeds from sale of fixed assets	-	31.43
Decrease in current investments	3.48	136.43
Purchase of long term investments	(1,057.13)	(1,056.25)
Redemption/sale of long term investments	600.70	2,023.12
Dividend received	339.28	360.79
Interest income on fixed deposits	20.32	5.43
Net cash (used in)/generated from investing activities during the year - B	(114.02)	1,499.28

Cash Flow Statement for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)	31 March 2011	31 March 2010
C Cash flow from financing activities		
Share application money received	0.75	0.04
Proceeds from issue of share capital including securities premium	22.51	6.53
Bonus offering expense	(2.15)	-
Debenture redemption expense	(17.72)	-
Borrowed through secured loans	-	4,210.42
Repayment of secured loans	(3,723.39)	(562.50)
Borrowed through unsecured loans	440,681.86	424,425.21
Repayment of unsecured loans	(415,531.37)	(418,630.89)
Dividend paid	(788.72)	(374.89)
Dividend distribution tax paid	(74.87)	(2.46)
(Increase) in loan to subsidiary companies (Refer Note 2)	(20,577.89)	(8,917.47)
Interest income from subsidiary companies	1,661.45	749.23
Interest income others	4.98	21.83
Financial expenses	(3,245.44)	(820.34)
Net cash (used in)/generated from financing activities during the year - C	(1,590.00)	104.71
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(202.06)	95.31
Cash and cash equivalents as at the beginning of the year	314.35	219.04
Cash and cash equivalents as at the end of the year (Refer Note 1)	112.29	314.35

- Note:**
- 1 Cash and cash equivalents represent cash, balances with banks in current account and fixed deposits placed with banks (Refer schedule 10 to the financial statements).
 - 2 Net figures have been reported on account of volume of transactions.

As per our report attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

Akeel Master

Partner

Membership No.: 046768

Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah

Venkat Ramaswamy

B Renganathan

Chairman & Managing Director

Whole-time Director

SVP & Company Secretary

Schedules to the financial statements for the year ended 31 March 2011

(Currency: Indian rupees in millions)

1 BACKGROUND

Edelweiss Capital Limited ('the Company') was incorporated as a public limited company on 21 November 1995 and is the ultimate holding company of Edelweiss group of entities. The Company is registered as a Merchant Banker and Portfolio Management Advisor with the Securities & Exchange Board of India ('SEBI'). The Company is principally engaged in providing investment banking services and holding company activities comprises of development, managerial and financial support to the businesses of Edelweiss group entities.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable. The financial statements are presented in Indian rupees in millions.

2.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Revenue recognition

- (a) Investment banking fee income is recognised, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- (b) Interest income is recognised on accrual basis.
- (c) Dividend income is recognised when the right to receive payment is established.
- (d) Profit earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- (e) The rating support fee for the borrowing programme of the subsidiaries is accrued on straight line basis over the rating period and as per the contractual terms agreed with the subsidiaries.
- (f) Fee Income from subsidiaries for Brand Equity, Brand Protection, Brand Promotion services provided by the company is recognized on accrual basis in accordance with the contractual terms and conditions as agreed with the subsidiaries.
- (g) Portfolio management fees are accounted on accrual basis as follows:
 - (i) In case of percentage based fees, in accordance with the Portfolio Management Agreement entered with the respective clients and with the SEBI Regulations as amended from time to time, on a quarterly basis.
 - (ii) In case of return based fee, as a percentage of the annual profit, on an annual basis.

2.4 Benchmark linked debentures

The Company has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the profit and loss account. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

2.5 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready to use or put to use, whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Flat	5.00%
Office equipments	13.91%
Computers	40.00%
Furniture and fixtures	18.10%
Vehicles	25.89%

Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease, whichever is shorter.

Intangibles such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

2.7 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

2.8 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

2.9 Employee benefits

The accounting policy followed by the company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

Provident fund

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method. The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on government securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an Insurance Company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses are recognised immediately in the profit and loss account.

Compensated absences

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the Profit & Loss account and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

2.10 Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

Current tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred taxation

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Taxation (Continued)

Deferred taxation (Continued)

reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Minimum Alternate Tax (MAT) credit

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future.

2.11 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

2.12 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

2.13 Employee stock option plans

The Company follows the intrinsic value method to account for compensation cost of its stock based employee compensation plans. The compensation cost is amortised on a straight-line basis.

2.14 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
3 SHARE CAPITAL		
Authorised:		
1,230,000,000 (Previous year: 100,000,000) Equity shares of Re. 1 (Previous year: Rs. 5) each	1,230.00	500.00
20,000,000 (Previous year: 4,000,000) Preference shares of Re. 1 (Previous year: Rs. 5) each	20.00	20.00
	1,250.00	520.00
Issued, Subscribed and Paid up:		
752,026,280 (Previous year: 75,071,893) Equity shares of Re. 1 (Previous year: Rs. 5) each, fully paid-up (Refer schedule 21.1)	752.03	375.36
	752.03	375.36
Of the above,		
<i>Bonus:</i>		
(a) during the F.Y. 2007-08: 44,916,806 equity shares of Re. 1 each (before consolidation of face value of equity share from Re. 1 per share to Rs. 5 per share) were allotted as fully paid up bonus shares by capitalisation of Rs. 44.92 million from securities premium account.		
(b) during the F.Y. 2007-08: 35,937,448 equity shares of Rs. 5 each were allotted as fully paid up bonus shares by capitalisation of Rs. 179.69 million from securities premium account.		
(c) during the year: 375,495,590 equity shares of Re. 1 each (after split of face value of equity share from Rs. 5 to Re. 1 per share) were allotted as fully paid-up bonus shares by capitalisation of Rs. 2.60 million from capital redemption reserve and Rs. 372.90 million from securities premium account.		
<i>Consolidation:</i>		
during the F.Y. 2007-08: 89,843,620 equity shares of Re. 1 each were consolidated into fully paid up 17,968,724 equity shares of Rs. 5 each.		
<i>Split:</i>		
during the year: 75,099,118 equity shares of Rs. 5 each were split into fully paid up 375,495,590 equity shares of Re. 1 each.		
4 RESERVES AND SURPLUS		
Securities premium account		
Opening balance	12,511.94	12,504.58
Add: Additions during the year	22.82	7.36
Less: Capitalisation on issue of bonus shares	372.90	-
Less: Expenses on issue of bonus share	2.15	-
Less: Expenses on redemption of debentures	17.72	-
	12,141.99	12,511.94
Capital redemption reserve		
Opening balance	2.60	2.60
Less: Capitalisation on issue of bonus shares	2.60	-
	-	2.60
General reserve		
Opening balance	149.71	115.51
Add: Additions during the year	58.73	34.20
	208.44	149.71
Balance in profit and loss account	106.23	42.76
	12,456.66	12,707.01

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
5 SECURED LOANS		
Non-convertible debentures (Refer schedule 21.15)		
(a) Secured by way of fixed charge on immovable property and floating charge on sundry debtors, cash and bank balances and loans and advances	994.70	1,787.30
(b) Secured by way of second charge on immovable property and floating charge on loans to subsidiary companies	-	2,930.00
	994.70	4,717.30
Vehicles loan (Secured by hypothecation of vehicles)	0.42	1.21
	995.12	4,718.51
6 UNSECURED LOANS		
Fully convertible debentures	-	1,800.00
Non-convertible debentures	-	2,840.00
Inter corporate deposits	105.00	-
Short term loan	500.00	-
Commercial paper	35,150.00	5,250.00
Less: Unamortised discount	788.96	74.45
	34,361.04	5,175.55
	34,966.04	9,815.55

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

7 FIXED ASSETS

Particulars	Gross Block		Depreciation		Net Block	
	As at 1 April 2010	Additions during the year	Deductions during the year	As at 31 March 2011	As at 1 April 2010	As at 31 March 2011
(a) Tangibles						
Leasehold improvements	32.59	-	0.89	31.70	27.19	1.71
Flat	2.78	-	-	2.78	0.28	2.37
Office equipments	15.36	1.15	-	16.51	5.82	8.88
Computers	35.11	1.55	-	36.66	26.57	6.50
Furniture and fixtures	4.05	0.01	-	4.06	2.23	0.38
Vehicles	7.62	14.96	-	22.58	4.39	15.78
(b) Intangibles						
Software	-	3.00	-	3.00	-	1.89
Total	97.51	20.67	0.89	117.29	66.48	37.51
Previous year	103.12	1.66	7.27	97.51	57.06	31.03

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
8 INVESTMENTS		
Long term investments		
I. Quoted		
Equity shares *	0.00	0.00
II. Unquoted		
(a) Equity shares		
(i) In subsidiaries	11,322.99	10,268.24
(ii) In associates	0.50	0.60
(iii) Others	284.34	284.34
	11,607.83	10,553.18
(b) Preference shares		
In subsidiaries	150.00	700.00
(c) Units of venture capital funds	224.56	274.64
(d) Others	36.60	36.60
	12,018.99	11,564.42
Less: Diminution in value of unquoted long term investments	52.33	54.72
	11,966.66	11,509.70
<i>Total long term investments</i>	11,966.66	11,509.70
Current investments		
I. Unquoted		
Units of mutual funds	28.57	26.35
<i>Total current investments</i>	28.57	26.35
Total investments	11,995.23	11,536.05
Aggregate of quoted investments		
- At book value *	0.00	0.00
- At market value *	0.00	0.00
Aggregate of unquoted long term investments		
- At book value	11,966.66	11,509.70
Aggregate of unquoted current investments		
- At book value	28.57	26.35
* Amount is less than Rs. 0.01 million		

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
9 SUNDRY DEBTORS		
(Unsecured and considered good, unless otherwise stated)		
Debtors outstanding for a period exceeding six months		
(a) Considered good	31.40	21.70
(b) Considered doubtful	9.96	3.49
Other debts	139.85	562.15
	181.21	587.34
Less: Provision for doubtful debts	9.96	3.49
	171.25	583.85
10 CASH AND BANK BALANCES		
Cash in hand	0.08	0.07
Cheques in hand	-	0.10
Balances with scheduled banks		
- in current accounts	9.61	11.58
- in fixed deposits	102.60	302.60
	112.29	314.35
11 LOANS AND ADVANCES		
(Unsecured and considered good, unless otherwise stated)		
(Refer schedule 21.17)		
Advances recoverable in cash or in kind or for value to be received		
(a) Subsidiaries	860.19	674.62
(b) Others	1,792.13	1,724.98
Accrued interest on fixed deposits	13.98	19.34
Accrued interest on loans	-	1.34
Loans to subsidiary companies	34,760.14	14,182.25
(includes interest accrued Rs. 1,287.39 million; Previous year: Rs. 379.91 million)		
Deposits	14.89	27.33
Advance tax and tax deducted at source	511.37	266.68
(net of provision for taxation of Rs. 508.03 million; Previous year: Rs. 485.03 million)		
Minimum alternate tax credit entitlement	10.62	-
	37,963.32	16,896.54

Schedules to the financial statements as at 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
12 CURRENT LIABILITIES		
Sundry creditors (Refer schedule 21.16)	322.68	254.66
Book overdraft	1.33	2.18
Income received in advance	-	15.00
Interest accrued but not due	407.38	651.81
Other liabilities	38.34	63.10
	769.73	986.75
13 PROVISIONS		
Gratuity	-	11.36
Provision for compensated absences	4.56	-
Provision for deferred bonus	79.26	120.11
Proposed dividend	263.24	600.73
Dividend distribution tax	13.83	74.86
	360.89	807.06

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
14 FEE INCOME		
Investment banking fees (Tax deducted at source Rs. 102.92 million; Previous year: Rs. 39.87 million)	1,117.15	685.04
Advisory fees (Tax deducted at source Rs. 14.16 million; Previous year: Rs. 20.35 million)	156.51	201.26
Rating support, brand related and other fees (Tax deducted at source Rs. 26.42 million; Previous year: Rs. 9.71 million)	1,008.70	395.76
	2,282.36	1,282.06
15 INCOME FROM INVESTMENTS AND DIVIDEND		
Profit on sale of current investments (net)	2.29	162.19
Profit on sale of long term investments	3.40	0.59
Dividend on long term investments		
- Subsidiaries	519.25	207.76
- Others	0.03	0.03
	524.97	370.57
16 INTEREST INCOME		
On loan to subsidiary companies (Tax deducted at source Rs. 82.12 million; Previous year: Rs. 10.90 million)	1,661.46	729.23
On fixed deposits (Tax deducted at source Rs. 2.20 million; Previous year: Rs. 2.31 million)	14.96	22.33
On debentures of subsidiary company (Tax deducted at source Rs. Nil; Previous year: Rs. 4.53 million)	-	20.00
Others (Tax deducted at source Rs. 0.00*; Previous year: Rs. 3.54 million)	3.64	17.02
	1,680.06	788.58
17 OTHER INCOME		
Profit on sale of fixed assets	-	13.88
Miscellaneous income	0.03	0.17
	0.03	14.05
18 EMPLOYEE COSTS		
Salaries and bonus #	362.41	273.41
Contribution to provident fund and other funds	5.75	3.61
Gratuity	3.76	2.47
Compensated absences	4.56	-
Staff welfare	2.04	1.95
	378.52	281.44
* Amount is less than Rs. 0.01 million		
# Refer schedule 21.18		

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

	31 March 2011	31 March 2010
19 OPERATING EXPENSES		
Advertisement, publicity and business promotion #	39.61	32.20
Auditors' remuneration (Refer schedule 21.11)	3.02	2.71
Bad debts written off	0.60	19.49
Commission to non-executive directors	3.00	3.50
Commission and brokerage	4.37	9.62
Communication	9.00	9.86
Computer software and website development charges	20.32	11.74
Custodian charges	1.22	1.39
Dematerialisation charges	0.76	0.55
Directors' sitting fee	0.78	0.87
Donation	3.00	-
Electricity #	3.43	12.55
Foreign exchange loss (net)	91.87	99.33
Insurance	3.26	3.29
Legal and professional fees	108.42	58.23
Membership and subscription	13.92	10.27
Office expense	5.52	6.13
Postage and courier	10.68	4.33
Printing and stationery	14.90	13.48
Provision for diminution in value of long term investments	(0.53)	20.69
Provision for doubtful debts	5.86	(37.64)
Rates and taxes #	49.61	12.46
Rent #	13.36	18.01
Repairs and maintenance - others	4.93	3.26
Securities transaction tax	0.08	0.07
Seminars and conference	8.33	8.02
Travelling and conveyance	49.11	34.32
Wealth tax	-	0.03
Miscellaneous expenses	1.47	2.72
	469.90	361.48
20 FINANCIAL EXPENSES		
Interest on		
- Debentures	772.48	1,069.71
- Inter corporate deposits	11.14	0.27
- Term loan	9.04	-
- Bank overdraft	0.02	0.60
- Vehicle loan	0.06	0.15
Discount on commercial paper	2,195.14	281.94
Financial charges	13.12	19.38
Bank charges	0.10	0.16
	3,001.10	1,372.21
# Refer schedule 21.18		

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS

21.1 Movement in issued, subscribed and paid up equity share capital:

Particulars	Number	Face Value	Amount (in Rs.)
Opening as at 1 April 2010	75,071,893	5	375,359,465
Issued during the year for cash	27,225	5	136,125
<i>Prior to Split</i>	<i>75,099,118</i>	<i>5</i>	<i>375,495,590</i>
Split of equity shares from face value of Rs. 5 each to Re. 1 each	375,495,590	1	375,495,590
Issued as bonus shares	375,495,590	1	375,495,590
Issued during the year for cash	1,035,100	1	1,035,100
As at 31 March 2011	752,026,280		752,026,280

21.2 Segment reporting

The Company's business is organised and management reviews the performance, based on the business segments as mentioned below:

Segment	Activities covered
Agency business	Advisory and transactional services
Holding company activities	Development, managerial and financial support to the businesses of Edelweiss group entities

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as at 31 March 2011 and segmental profit & loss account for the year ended 31 March 2011 have been prepared.

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED) 21.2 Segment reporting (Continued)

Particulars	Agency business		Holding company activities		Un-allocated		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Segment revenue								
Income from customers	1,320.13	900.92	3,167.26	1,540.32	0.03	14.02	4,487.42	2,455.26
Total	1,320.13	900.92	3,167.26	1,540.32	0.03	14.02	4,487.42	2,455.26
Segment result	1,058.59	710.45	(320.26)	(172.72)	(114.62)	(114.28)	623.71	423.45
Income tax					21.99	65.10	21.99	65.10
MAT credit entitlement					(10.62)	-	(10.62)	-
Deferred tax benefit					25.09	16.31	25.09	16.31
Profit after tax							587.25	342.04
Other information								
Carrying amount of segment assets	214.85	314.42	49,435.77	28,643.83	671.26	470.94	50,321.88	29,429.19
Carrying amount of segment liabilities	102.31	121.29	36,485.77	15,315.78	503.70	890.80	37,091.78	16,327.87
Capital expenditure	21.30	0.90	3.84	0.36	(4.47)	0.40	20.67	1.66
Depreciation	14.63	8.94	2.63	3.72	(3.07)	4.02	14.19	16.68
Other non cash expenditure	6.47	(18.14)	(0.53)	20.69	-	-	5.94	2.55

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties

(A) Subsidiaries which are controlled by the Company and with whom transactions have taken place during the year

Edelweiss Securities Limited
 Edelweiss Trading & Holdings Limited (*formerly known as Edelweiss Commodities Limited*)
 Edelweiss Insurance Brokers Limited
 Edelweiss Finance & Investments Limited
 Edelweiss Capital USA, LLC (wound-up during F.Y. 2009-10)
 Edelweiss Trustee Services Limited
 ECL Finance Limited
 Edelweiss Custodial Services Limited
 Edelcap Securities Limited
 ECap Equities Limited
 EC Commodity Limited
 Edel Commodities Limited
 Edelweiss Financial Products & Solutions Limited
 Edelweiss Trusteeship Company Limited
 Edelweiss Asset Management Limited
 Edelweiss Broking Limited
 Edelweiss Investment Advisors Limited (*formerly known as Edelweiss Property Advisors Limited*)
 Edel Land Limited
 Edelweiss Web Services Limited (*formerly known as Edelweiss Capital Services Limited*)
 EC International Limited, Mauritius
 Edelgive Foundation
 Edelweiss Alternative Asset Advisors Limited
 Edelweiss Housing Finance Limited
 Edelweiss Tokio Life Insurance Company Limited
 Edel Investments Limited
 Allium Finance Private Limited (with effect from 15 June 2009)
 (*through Edelweiss Trading & Holdings Limited*)
 Arum Investments Private Limited (with effect from 15 June 2009 to 28 March 2011)
 (*through Edelweiss Securities Limited*)
 Edelweiss Capital (Singapore) Pte. Limited
 Edelweiss Financial Advisors Limited (*formerly known as Anagram Capital Limited*)
 (*through Edelweiss Securities Limited and Edelweiss Finance & Investments Limited*)

(B) Enterprise over which significant influence is exercised

Edelweiss Employee Welfare Trust

(C) Subsidiaries which are controlled by the Company and with whom no transactions have taken place during the year

EC Global Limited (*through Edelweiss Finance & Investments Limited*)
 Aster Commodities DMCC
 (*through EC International Limited, Mauritius*)
 ECap International Limited (*through EC International Limited, Mauritius*)

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(C) Subsidiaries which are controlled by the Company and with whom no transactions have taken place during the year (Continued)

Edelweiss International (Singapore) Pte. Limited

(through Edelweiss Capital (Singapore) Pte. Limited)

Edelweiss Alternative Asset Advisors Pte. Limited

(through Edelweiss Capital (Singapore) Pte. Limited)

EAAA LLC, Mauritius *(through EC International Limited, Mauritius)*

EW Special Opportunities Advisors LLC *(through EAAA LLC, Mauritius)*

EW India Special Assets Advisors LLC *(through EAAA LLC, Mauritius)*

Comfort Projects Limited *(through Edelweiss Trading & Holdings Limited)*

Edelweiss Investment Advisors Private Limited, Singapore

(through Edelweiss Capital (Singapore) Pte. Limited)

Edelweiss Comtrade Limited *(formerly known as Anagram Comtrade Limited)*

(through Edelweiss Financial Advisors Limited)

Edelweiss Stock Broking Limited *(formerly known as Anagram Stockbroking Limited)(through Edelweiss Financial Advisors Limited)*

Edel Finance Company Limited *(formerly known as Dropadi Finance Limited)*

(through Edelweiss Financial Advisors Limited)

Edelweiss Capital Markets Limited *(through Edelweiss Trading & Holdings Limited)*

EW Crossover Advisors LLC *(through EAAA LLC, Mauritius)*

(D) Associates

Edelweiss Asset Reconstruction Company Limited

(through Edelweiss Alternative Asset Advisors Limited)

Edelweiss Fund Advisors Limited

Dahlia Financial Services Private Limited *(through Edelweiss Securities Limited)*

Magnolia Financial Services Private Limited *(through Edelweiss Securities Limited)*

Arum Investments Private Limited (with effect from 29 March 2011) *(through Edelweiss Securities Limited)*

(E) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company

Rashesh Shah

Venkat Ramaswamy

(F) Relatives of individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company

Vidya Shah

Aparna T. C.

Kaavya Venkat

Shilpa Mody

Sharmishta Chandrakant Shah

A V Ramaswamy

(G) Enterprise which exercise significant influence over the Company

Oak Holdings Private Limited (upto 28 March 2011)

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Capital account transactions						
<i>Investments in Equity shares</i>						
Edelweiss Finance & Investments Limited	525.00					
	(-)					
Edelweiss Broking Limited	170.00					
	(90.80)					
EC Commodity Limited	-					
	(201.00)					
Edelweiss Custodial Services Limited	-					
	(517.00)					
Edelweiss Tokio Life Insurance Company Limited	278.85					
	(1.35)					
Others	83.28					
	(51.00)					
<i>Investments in Preference shares</i>						
Edelweiss Investment Advisors Limited	-					
	(70.00)					
Edel Land Limited	-					
	(80.00)					
<i>Disinvestment in Equity shares</i>						
Edelweiss Capital USA, LLC	0.53					
	(-)					
Others			0.10			
			(-)			
<i>Redemption of optionally fully convertible debentures</i>						
ECL Finance Limited	-					
	(1,020.90)					
<i>Redemption of Preference shares</i>						
Edelweiss Trading & Holdings Limited	-					
	(1,000.00)					
Edelweiss Finance & Investments Limited	200.00					
	(-)					
Edelweiss Securities Limited	350.00					
	(-)					
<i>Long term non-convertible debentures subscribed by</i>						
Oak Holdings Private Limited						-
						(20.00)

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Long term non-convertible debentures redeemed to</i>						
ECap Equities Limited	574.80					
	(349.50)					
<i>Share application money paid</i>						
Edelweiss Tokio Life Insurance Company Limited	-					
	(278.85)					
<i>Short term non-convertible debentures subscribed by</i>						
Edelweiss Trading & Holdings Limited	5,000.00					
	(-)					
<i>Short term non-convertible debentures redeemed to</i>						
Edelweiss Trading & Holdings Limited	11,045.19					
	(-)					
Others	935.87					
	(-)					
<i>Redemption of fully convertible debentures</i>						
Dahlia Financial Services Private Limited			1,800			
			(-)			
<i>Commercial papers subscribed by</i>						
Edelweiss Trading & Holdings Limited	12,342.15					
	(-)					
<i>Commercial papers redeemed to</i>						
Edelweiss Trading & Holdings Limited	24,300.00					
	(-)					
Current account transactions						
<i>Loans repaid by</i>						
Edelweiss Securities Limited	253,705.19					
	(128,392.51)					
Edelweiss Trading & Holdings Limited	367,713.02					
	(60,025.61)					
ECL Finance Limited	286,445.87					
	(33,165.81)					

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)**21.3 Related parties (Continued)****(H) Transactions and balances with related parties:**

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others	187,835.96	39.40	1,502.65			
	(72,097.03)	(12.65)	(30.42)			
<i>Loans given to</i>						
Edelweiss Securities Limited	250,465.04					
	(130,556.81)					
Edelweiss Trading & Holdings Limited	385,250.55					
	(64,349.70)					
ECL Finance Limited	286,076.61					
	(33,561.10)					
Others	194,485.74	-	1,502.65			
	(74,055.54)	(1,031.88)	(29.09)			
<i>Reimbursement recovered</i>						
Edelweiss Trading & Holdings Limited	295.90					
	(192.41)					
ECL Finance Limited	361.73					
	(310.73)					
Edelcap Securities Limited	125.53					
	(140.71)					
Edelweiss Financial Products & Solutions Limited	20.51					
	(104.33)					
Others	520.23	0.00*	16.51			55.81
	(207.72)	(-)	(9.39)			(0.02)
<i>Dividend paid</i>						
Rashesh Shah				145.95		
				(65.11)		
Venkat Ramaswamy				55.68		
				(26.51)		
Edelweiss Employees Welfare Trust		39.48				
		(12.42)				
Oak Holdings Private Limited						40.69
						(24.00)
Others					57.37	
					(27.22)	
<i>Remuneration</i>						
Rashesh Shah				7.26		
				(20.57)		

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Venkat Ramaswamy				12.36		
				(15.97)		
<i>Rent paid</i>						
Vidya Shah					-	
					(1.54)	
<i>Dividend income</i>						
Edelweiss Securities Limited	369.25					
	(72.16)					
Edelcap Securities Limited	150.00					
	(135.60)					
<i>Advisory fee received</i>						
ECap Equities Limited	-					
	(80.32)					
ECL Finance Limited	86.71					
	(12.00)					
Edelweiss Financial Products & Solutions Limited	-					
	(84.10)					
Others	5.72		0.26			
	(8.00)		(-)			
<i>Rating fee received</i>						
ECL Finance Limited	413.51					
	(163.77)					
Edelweiss Securities Limited	101.28					
	(195.15)					
Edelweiss Trading & Holdings Limited	75.84					
	(22.24)					
<i>Branding fee received</i>						
Edelweiss Securities Limited	125.00					
	(-)					
Edelweiss Trading & Holdings Limited	73.70					
	(-)					
ECL Finance Limited	55.90					
	(-)					
Others	117.00					
	(-)					

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Interest income</i>						
Edelweiss Securities Limited	179.55					
	(164.86)					
Edelweiss Trading & Holdings Limited	508.66					
	(92.59)					
Edelweiss Finance & Investments Limited	245.12					
	(125.68)					
Edelcap Securities Limited	215.16					
	(166.68)					
EC International Limited	208.24					
	(75.41)					
Others	304.74		0.01			
	(104.01)		(0.13)			
<i>Interest income from optionally fully convertible debentures</i>						
ECL Finance Limited	-					
	(20.00)					
<i>Commission and brokerage expense</i>						
Edelweiss Securities Limited	4.81					
	(-)					
<i>Interest expense on long term non-convertible debentures</i>						
Oak Holdings Private Limited						-
						(5.86)
Ecap Equities Limited	140.14					
	(37.40)					
Edelcap Securities Limited	20.42					
	(-)					
Others				0.80	1.80	
				(1.01)	(2.27)	
<i>Interest expense on fully convertible debentures</i>						
Dahlia Financial Services Private Limited			31.51			
			(-)			

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Interest expense on short term non-convertible debentures</i>						
Edelweiss Trading & Holdings Limited	118.62					
	(-)					
Others	5.97					
	(-)					
<i>Cost reimbursements paid</i>						
Edelweiss Securities Limited	11.55					
	(6.48)					
<i>Cost reimbursements recovered</i>						
ECL Finance Limited	52.40					
	(31.15)					
Edelweiss Securities Limited	109.84					
	(76.74)					
Edelweiss Trading & Holdings Limited	50.70					
	(31.77)					
Others	87.55		12.40			
	(31.41)		(8.44)			
Balances with related parties						
<i>Investments in Equity shares</i>						
Edelweiss Trading & Holdings Limited	1,108.00					
	(1,108.00)					
Edelweiss Finance & Investments Limited	2,297.27					
	(1,772.27)					
ECL Finance Limited	5,190.56					
	(5,190.56)					
Others	2,727.16		0.50			
	(2,197.41)		(0.60)			
<i>Investments in Preference shares</i>						
Edelweiss Investment Advisors Limited	70.00					
	(70.00)					
Edel Land Limited	80.00					
	(80.00)					

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Edelweiss Securities Limited	-					
	(350.00)					
Edelweiss Finance & Investments Limited	-					
	(200.00)					
<i>Loans</i>						
Edelweiss Securities Limited	1,469.26					
	(4,709.41)					
Edelweiss Trading & Holdings Limited	22,047.70					
	(4,510.16)					
Edelweiss Finance & Investments Limited	2,458.91					
	(1,496.41)					
EC International Limited	5,279.16					
	(537.17)					
Others	3,505.11					
	(2,853.69)					
<i>Long term non-convertible debentures outstanding</i>						
Oak Holdings Private Limited						-
						(22.50)
Ecap Equities Limited	88.00					
	(73.50)					
Edelcap Securities Limited	27.00					
	(-)					
Others				4.00	9.00	
				(4.00)	(9.00)	
<i>Interest payable on long term non-convertible debentures</i>						
Oak Holdings Private Limited						-
						(6.06)
Ecap Equities Limited	47.87					
	(19.52)					
Edelcap Securities Limited	20.92					
	(-)					
Others				1.82	4.09	
				(1.01)	(2.27)	

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.3 Related parties (Continued)

(H) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Sundry debtors</i>						
ECL Finance Limited	-					
	(91.27)					
Edelweiss Securities Limited	-					
	(195.15)					
Others	-					
	(22.24)					
<i>Advances</i>						
Edelweiss Tokio Life Insurance Company Limited	-					
	(278.85)					
Edelweiss Finance & Investments Limited	250.99					
	(122.20)					
Edelweiss Employee Welfare Trust		1,404.65				
		(1,444.05)				
Others	656.64		12.31			
	(348.97)		(10.00)			
<i>Bonus payable</i>						
Rashesh Shah				-		
				(15.00)		
Venkat Ramaswamy				5.00		
				(12.00)		

Amounts in brackets represent previous year numbers

* Amount is less than Rs. 0.01 million

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.4 Earnings per share

In accordance with Accounting Standard 20 – Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2011	2010
(a) Shareholders earnings (as per profit and loss account)	587.25	342.04
(b) Calculation of weighted average number of equity shares of Re. 1 each :		
- Number of shares at the beginning of the year	75,071,893	74,933,155
- Number of shares issued during the year*	676,954,387	138,738
Total number of equity shares outstanding at the end of the year	752,026,280	75,071,893
Total number of equity shares outstanding at the end of the year (restated for corporate action of FY 2010-11)	-	750,718,930
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	751,274,833	74,999,515
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares) (restated for corporate action of FY 2010-11)	-	749,995,150
(c) Number of dilutive potential equity shares	23,771,189	30,165,620
(d) Basic earnings per share (in rupees) {a/b}	0.78	0.46
(e) Diluted earnings per share (in rupees) {a/(b+c)}	0.76	0.44

* includes issuance of bonus equity shares and split of equity shares.

During the year, the Company has split the face value of its equity shares from Rs. 5 per share to Re. 1 per share with effect from 11 August 2010. Further, the Company has issued bonus shares during the year. Consequent to the aforementioned changes in the share capital, the calculation of basic and diluted earnings per share of the previous year has been restated pursuant to the para 44 of the Accounting Standard 20 – Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006.

21.5 Deferred taxes

The primary components relating to deferred tax assets are as follows:

	2011	2010
Deferred tax asset		
<i>Tax effect of the timing differences on account of:</i>		
Difference between book and tax written down value of fixed assets	12.21	12.48
Provision for doubtful debts	2.88	1.00
Disallowance of deferred bonus under section 43B of the Income Tax Act, 1961	27.19	53.89
Deferred tax asset	42.28	67.37

21.6 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits

(A) Defined contribution plan (Provident fund):

Amount of Rs. 5.75 million (Previous year: Rs. 3.61 million) is recognised as expense and included in "Employee Costs" – Schedule 18 in the profit and loss account.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.6 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (Continued)

(B) Defined benefit plan (Gratuity):

The following tables summarise the components of the net employee benefit expenses recognised in the profit and loss account, the fund status and amount recognised in the balance sheet for the gratuity benefit plan.

Profit and loss account

Net employee benefit expenses (recognised in employee costs)

	2011	2010
Current service cost	8.94	3.07
Interest on defined benefit obligation	0.91	0.85
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised in the year	(0.03)	-
Past service cost	-	-
Actuarial (gain)/loss	(6.06)	(1.45)
Total included in 'employee benefit expense'	3.76	2.47

Balance sheet

Details of provision for gratuity

	2011	2010
Liability at the end of the year	15.15	11.36
Fair value of plan assets at the end of the year	15.74	-
Difference	0.59	(11.36)
Amount in Balance sheet	0.59	(11.36)
Included in:		
- Advances recoverable in cash or in kind or for value to be received	0.59	-
- Provision for gratuity	-	(11.36)

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Liability at the beginning of the year	11.36	9.12
Interest cost	0.91	0.85
Current service cost	8.94	3.07
Past service cost (non-vested benefit)	-	-
Past service cost (vested benefit)	-	-
Benefits paid	-	(0.23)
Actuarial (gain)/loss	(6.06)	(1.45)
Liability at the end of the year	15.15	11.36

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.6 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (Continued)

(B) Defined benefit plan (Gratuity): (Continued)

Changes in fair value of plan assets:

	2011	2010
Fair value at the beginning of the year	-	-
Expected return on plan asset	-	-
Contributions	15.71	-
Benefits paid	-	-
Actuarial gain/(loss)	0.03	-
Fair value of plan assets at the end of the year	15.74	-

Principal actuarial assumptions as at the balance sheet date:

	2011	2010
Discount rate	8.00%	7.50%
Salary escalation	10.00%	8.00%
Employee attrition rate	2.00%-15.00%	2.00%-15.00%

21.7 Operating leases

The Company has taken various premises on operating lease. Gross rental expenses for the year ended 31 March 2011 aggregated to Rs. 13.36 million (Previous year: Rs. 18.01 million) which has been included under the head Operating expenses – Rent – Schedule 19, in the profit and loss account.

Details of future minimum lease payments for the non-cancellable operating leases are as follows:

	2011	2010
Minimum lease payments for non-cancellable leases		
- not later than one year	-	2.35
- later than one year and not later than five years	-	-
Total	-	2.35

Future minimum lease payments for the non-cancellable operating leases are before sharing of expenses with group companies.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.8 Quantitative details of investments

(A) Long term investments in equity shares - quoted

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
Kotak Mahindra Bank Limited*	5	0.00	-	-	-	-	5	0.00
Total (A)	5	0.00	-	-	-	-	5	0.00

* Amount is less than Rs. 0.01 million

(B) Long term investments in equity and preference shares of subsidiary companies – unquoted

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
Equity shares								
Edelweiss Finance & Investments Limited	2,130,020	1,772.27	525,000	525.00	-	-	2,655,020	2,297.27
Edelweiss Insurance Brokers Limited	499,760	5.00	-	-	-	-	499,760	5.00
Edelweiss Securities Limited	4,500,000	92.00	-	-	-	-	4,500,000	92.00
Edelweiss Capital USA, LLC	5,000	2.39	-	-	5,000	0.53	-	-
Edelweiss Trading & Holdings Limited	1,900,000	1,108.00	-	-	-	-	1,900,000	1,108.00
ECL Finance Limited	1,499,959,129	5,190.56	-	-	-	-	1,499,959,129	5,190.56
Edelweiss Trustee Services Limited	50,000	0.50	-	-	-	-	50,000	0.50
Edelweiss Asset Management Limited	60,000,000	1,000.00	-	-	-	-	60,000,000	1,000.00
Edelweiss Trusteeship Company Limited	100,000	1.00	-	-	-	-	100,000	1.00
Edelweiss Financial Products & Solutions Limited	1,000,000	45.62	-	-	-	-	1,000,000	45.62
ECap Equities Limited	240,000	10.00	-	-	-	-	240,000	10.00
Edelcap Securities Limited	240,000	10.00	60,000	3.00	-	-	300,000	13.00
Edelweiss Broking Limited	2,756,000	135.80	2,125,000	170.00	-	-	4,881,000	305.80
EC Commodity Limited	957,500	211.00	-	-	-	-	957,500	211.00
Edel Commodities Limited	50,000	0.50	-	-	-	-	50,000	0.50
Edelweiss Housing Finance Limited	2,550,000	25.50	8,000,000	80.00	-	-	10,550,000	105.50
Edelgive Foundation	10,000	0.10	-	-	-	-	10,000	0.10
Edelweiss Investment Advisors Limited	50,000	0.50	-	-	-	-	50,000	0.50
Edelweiss Capital (Singapore) Pte. Limited	5,000	0.15	8,800	0.28	-	-	13,800	0.43
Edel Land Limited	50,000	0.50	-	-	-	-	50,000	0.50
Edelweiss Custodial Services Limited	51,750,000	517.50	-	-	-	-	51,750,000	517.50

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.8 Quantitative details of investments (Continued)

(B) Long term investments in equity and preference shares of subsidiary companies – unquoted (Continued)

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
EC International Limited	125,000	6.20	-	-	-	-	125,000	6.20
Edelweiss Alternative Asset Advisors Limited	2,256,000	110.80	-	-	-	-	2,256,000	110.80
Edelweiss Tokio Life Insurance Company Limited	51,703	1.35	557,697	278.85	-	-	609,400	280.20
Edel Investments Limited	870,000	21.00	-	-	-	-	870,000	21.00
Total (I)	1,632,105,112	10,268.24	11,276,497	1,057.13	5,000	0.53	1,643,376,609	11,322.99
Preference shares								
Edelweiss Securities Limited	15,000,000	350.00	-	-	15,000,000	350.00	-	-
Edelweiss Finance & Investments Limited	800,000	200.00	-	-	800,000	200.00	-	-
Edelweiss Investment Advisors Limited	70,000	70.00	-	-	-	-	70,000	70.00
Edel Land Limited	80,000	80.00	-	-	-	-	80,000	80.00
Total (II)	15,950,000	700.00	-	-	15,800,000	550.00	150,000	150.00
Total (B) (I+II)	1648,055,112	10,968.24	11,276,497	1,057.13	15,805,000	550.53	1,643,526,609	11,472.99

(C) Long term investments in equity shares of associates – unquoted

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
Blue River Capital Advisors (India) Private Limited	10,000	0.10	-	-	10,000	0.10	-	-
Edelweiss Fund Advisors Private Limited	50,000	0.50	-	-	-	-	50,000	0.50
Total (C)	60,000	0.60	-	-	10,000	0.10	50,000	0.50

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)
21.8 Quantitative details of investments (Continued)
D) Long term investments in equity shares of other companies – unquoted

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
ApnaLoan.com India Private Limited*	500	0.00	-	-	-	-	500	0.00
Cadbury India Limited*	1	0.00	-	-	-	-	1	0.00
Caltiger.com Limited	112,211	0.01	-	-	-	-	112,211	0.01
Choksi Technologies Private Limited	30,000	0.30	-	-	-	-	30,000	0.30
Datacomp WebTech Private Limited	14,850	2.48	-	-	-	-	14,850	2.48
DSP Merrill Lynch Limited	50	0.01	-	-	-	-	50	0.01
EMR Technology Ventures Private Limited	120,000	2.40	-	-	-	-	120,000	2.40
Enmail.com Private Limited	1,250	0.01	-	-	-	-	1,250	0.01
Enter Technologies Private Limited	250,000	2.50	-	-	-	-	250,000	2.50
Ezeenet Infotech Private Limited	67,600	1.34	-	-	-	-	67,600	1.34
Health Care Global Enterprise Private Limited	1,530	0.35	-	-	-	-	1,530	0.35
July Systems, Inc. – Common stock	83,695	0.33	-	-	-	-	83,695	0.33
July Systems, Inc. – Preferred stock	27,898	1.37	-	-	-	-	27,898	1.37
Exactus Corporation Limited	75,210	2.24	-	-	-	-	75,210	2.24
Mecklai Financial & Commercial Services Limited	10,000	0.10	-	-	-	-	10,000	0.10
N-Logue Communication Private Limited*	358	0.00	-	-	-	-	358	0.00
Octon Technologies Limited	4,165	0.04	-	-	-	-	4,165	0.04
Servion Global Solutions Limited	37,800	0.14	-	-	-	-	37,800	0.14
Starcom Software Private Limited	20,000	2.00	-	-	-	-	20,000	2.00
Travelanza Private Limited*	19	0.00	-	-	-	-	19	0.00
UTV (TSN) Private Limited	13,500	1.35	-	-	-	-	13,500	1.35
Hitech Drilling Services India	100	-	-	-	-	-	100	-
Intellect Data Systems Private Limited	1,500	0.37	-	-	-	-	1,500	0.37
JSM Holding Private Limited	14,849	2.00	-	-	-	-	14,849	2.00
Highmark Credit Information Services Private Limited	3,265,306	40.00	-	-	-	-	3,265,306	40.00
Percept Limited	67,843	200.00	-	-	-	-	67,843	200.00
You Telecom India Private Limited	1,824,818	25.00	-	-	-	-	1,824,818	25.00
Total (D)	6,045,053	284.34	-	-	-	-	6,045,053	284.34

* Amount is less than Rs. 0.01 million

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.8 Quantitative details of investments (Continued)

(E) Long term investments in units of venture capital funds – unquoted

	Opening		Purchases		Redemption		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
Edelweiss Property Fund I	25,000	250.00	-	-	4,000	40.00	21,000	210.00
The Seed Fund (*)	225	22.50	-	-	- (*)	9.07	225	13.43
Yatra Art Fund (**)	5,000	2.14	-	-	- (**)	1.00	5,000	1.14
Total (E)	30,225	274.64	-	-	4,000	50.07	26,225	224.56

* During the year, The Seed Fund returned Rs. 40,330.15 per unit as capital redemption/return. Consequently, the face value of units of The Seed Fund has been reduced from Rs. 100,000.00 per unit to Rs. 59,669.85 per unit.

** During the year, Yatra Art Fund returned Rs. 200 per unit as capital redemption/return. Consequently, the face value of units of Yatra Art Fund has been reduced from Rs. 427.50 per unit to Rs. 227.50 per unit.

(F) Long term investments – others – unquoted

	Opening		Purchases		Sold		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
MIC Electronics Limited - Warrants	1,500,000	36.60	-	-	-	-	1,500,000	36.60
Total (F)	1,500,000	36.60	-	-	-	-	1,500,000	36.60

(G) Current investments in units of mutual funds – unquoted

	Opening		Purchases**		Redemption**		Closing	
	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount	Quantity (No.)	Amount
Edelweiss Diversified Growth Equity Top 100 Fund Plan B – Growth	-	-	1,988,692	29.97	-	-	1,988,692	28.24
Edelweiss Diversified Growth Equity Top 100 Fund Plan B - Dividend- Reinvestment	1,995,000	26.05	-	-	1,995,000	30.04	-	-
Edelweiss Ultra Short Term Bond Fund-Institutional-Growth Plan	-	-	28,238	0.33	-	-	28,238	0.33
Edelweiss Quarterly Interval Fund- Series 1-Retail Growth	28,135	0.30	-	-	28,135	0.33	-	-
Total (G)	2,023,135	26.35	2,016,930	30.30	2,023,135	30.37	2,016,930	28.57

** Purchases/redemptions include transfers done from one scheme to another scheme of same fund house.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.9 Managerial remuneration

The aggregate managerial remuneration under section 198 of the Companies Act, 1956, to the directors (including managing director) is:

Particulars	2011	2010
Whole-time directors		
Salaries and bonus	19.58	35.74
Rent	0.04	0.80
Total remuneration	19.62	36.54
Non-whole-time directors		
Commission	3.00	3.50
Total remuneration	3.00	3.50

Provision for gratuity is based on actuarial valuation done on an overall basis which is excluded from above.

Computation of net profit in accordance with section 349 of the Companies Act, 1956 and calculation of commission payable to non-whole-time directors for financial year 2010-11:

Particulars	2011
Profit before tax as per profit and loss account	623.71
Add:	
Whole-time directors' remuneration	19.62
Commission to non-whole-time directors	3.00
Provision for diminution in the value of long term investments	-
Provision for doubtful debts	5.86
Gratuity provision	3.76
Loss on sale of fixed assets	-
Sub-total	32.24
Less:	
Profit on sale of fixed assets credited to profit and loss account	-
Write back of provision for diminution in long term investments (net)	0.53
Provision for doubtful advances written back	-
Sub-total	0.53
Profit as per section 349 of the Companies Act, 1956	655.42
Commission payable to non-whole-time directors:	
Maximum allowed as per Companies Act, 1956 at 1%	6.55
Commission approved by the Board	3.00

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.10 Foreign currency transactions

The Company has undertaken the following transactions in foreign currency:

	2011	2010
Expenditure incurred in foreign currency (on accrual basis)		
Travel	3.08	2.08
Professional fees	15.86	5.26
Software licence fees	3.15	0.94
Interest on fully convertible debentures	-	229.53
Business development	0.21	-
Subscription charges	1.31	1.45
Seminar & conference	0.17	-
Software	1.77	-
Total	25.55	239.26
Income earned in foreign currency (on accrual basis)		
Fee income	113.78	91.60
Reimbursement	0.62	12.02
Total	114.40	103.62

Amount remitted in foreign currency during the year ended 31 March 2011 on account of equity dividend:

	(Dividend)	(Interim dividend)
Number of equity shareholders	8	7
Number of equity shares	20,712,480	18,687,530
Dividend relates to year ended	31 March 2010	31 March 2011
Amount remitted (Indian rupees in million)	16.57	4.67

Amount remitted in foreign currency during the year ended 31 March 2010 on account of equity dividend:

	(Dividend)	(Interim dividend)
Number of equity shareholders	12	11
Number of equity shares	11,877,024	6,901,082
Dividend relates to year ended	31 March 2009	31 March 2010
Amount remitted (Indian rupees in million)	35.63	13.81

21.11 Auditors' remuneration

	2011	2010
As auditors	2.70	2.40
Other matters	0.28	0.23
Out-of-pocket expenses	0.04	0.08
Total	3.02	2.71

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.12 Employee stock option plans

The Company has currently seven Employee Stock Option Plans ('Plans') in force. The Plans provide that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company that vests in a graded manner. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any, of the fair market value of the underlying share over the exercise price.

During the year, the Company has issued ESOP 2010 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2010 Plan is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
Total		100 (One hundred)% of grant

During the previous year, the Company has issued ESOP 2009 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	36 months from the date of grant	30 (Thirty)% of grant
2	48 months from the date of grant	30 (Thirty)% of grant
3	60 months from the date of grant	40 (Forty)% of grant
Total		100 (One hundred)% of grant

For determination of compensation cost, the Company has assumed the exercise price to be the specified amount.

With respect to stock options granted upto 31 March 2008, the fair market value of the underlying shares has been determined based on an independent valuer's report as these stock options were granted by the Company to its employees when it was not listed on the stock exchanges. The fair value under stock options granted during the year is arrived as stipulated in the Guidance Note on Accounting for Employee Share Based Payments issued by The Institute of Chartered Accountants of India. The compensation cost recorded in the profit and loss account for the year is Rs. 3.21 million (Previous year: Rs. 7.63 million).

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.12 Employee stock option plans (Continued)

(*) Pricing formula:

ESOP 2008 (I)

Period during which vested options are exercised	From the date of vesting to 31 December 2010	From 1 January 2011 to 31 December 2011
Exercise price payable for such vested options	10 % discount to market price or Rs. 120; whichever is higher; otherwise Rs. 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

ESOP 2008 (III)

Period during which vested options are exercised	From the date of vesting to 31 December 2012	From 1 January 2013 to 31 December 2013
Exercise price payable for such vested options	In case shares are listed, 10 % discount to market price or Rs. 120; whichever is higher; otherwise Rs. 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

ESOP 2007 (I)

Period during which vested options are exercised	From 1 October 2008 to 30 September 2009	From 1 October 2009 to 30 September 2010	From 1 October 2010 to 30 September 2014
Exercise price payable for such vested options	In case shares are listed, 25 % discount to market price or Rs. 83.30; whichever is higher; otherwise Rs. 83.30.	Rs. 58.30	Rs. 21.70

ESOP 2007 (II)

Period during which vested options are exercised	From 1 July 2008 to 30 June 2009	From 1 July 2009 to 30 June 2010	From 1 July 2010 to 30 June 2011	From 1 July 2011 to 30 June 2015
Exercise price payable for such vested options	In case shares are listed, 25% discount to market price or Rs. 83.30; whichever is higher; otherwise Rs. 83.30.	In case shares are listed, 50% discount to market price or Rs. 66.70; whichever is higher; otherwise Rs. 66.70.	Rs. 50.00	Rs. 33.30

ESOP 2007 (III)

Period during which vested options are exercised	From 1 January 2009 to 31 December 2009	From 1 January 2010 to 31 December 2013
Exercise price payable for such vested options	In case shares are listed, 50% discount to market price or Rs. 66.70; whichever is higher; otherwise Rs. 66.70	Rs. 51.70

(**) Range of Exercise price

ESOP 2009

Exercise price payable for such vested options	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	Rs. 39.44 to Rs. 50.26
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ESOP 2010

Exercise price payable for such vested options	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	Rs. 41.40 to Rs. 61.00
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Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.12 Employee Stock Option Plans (Continued)

Following summarises the information about stock options outstanding as at 31 March 2011:

Plan	ESOP 2002 Scheme D	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010
- Range of exercise price	Rs. 1.00 to Rs. 7.92	Rs. 1.04 to Rs.16.67	Rs. 7.92 to Rs.16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Rs 39.44 to Rs. 50.26	Rs. 41.40 to Rs. 61.00
- Number of shares arising out of options	-	6,234,320	17,565,000	2,400,500	5,740,000	14,352,000	2,808,000	2,808,000	17,909,500	19,789,000
- Weighted average life of outstanding options (in years)	-	2.88	3.77	3.50	4.25	2.75	0.75	2.75	5.19	5.37
Weighted average exercise prices of stock options										
- outstanding at the beginning of the year	4.21	9.15	9.11	21.70	33.30	51.70	46.30	34.82	40.14	N.A.
- granted during the year	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	48.84
- forfeited/cancelled during the year	N.A.	4.27	7.92	21.70	33.30	51.70	46.30	34.82	39.79	48.56
- exercised during the year	4.21	5.76	7.92	21.70	50.00	51.70	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year	N.A.	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88
- exercisable at the end of the year	N.A.	9.47	8.61	21.70	33.30	51.70	46.30	34.82	N.A.	N.A.

The weighted average market share price for stock options exercised during the year is Rs.47.81 (Previous year: Rs. 43.33).

Fair value methodology

The fair value of options used to compute pro-forma net income and earnings per share have been estimated on the dates of each grant, on or after the date the 'Guidance Note on Accounting for Employee Share-based Payments', issued by the Institute of Chartered Accountants of India, became applicable, i.e. 1 April 2005, using the Black-Scholes option pricing model. In absence of the shares of the Company being listed at the time of the grant the Company has estimated the volatility based on the historical market volatility. The various assumptions considered in the pricing model for the aforementioned ESOP's granted are:

	2011
Dividend yield	0.4% - 1.54%
Expected volatility	16.29% - 46.69%
Risk free interest rate	6.50% - 8%
Expected life of the option	3.19 - 9 years

Impact of fair value method on net profit and earnings per share

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have reduced to the pro-forma amounts as indicated below:

	2011
Net Profit (as reported)	587.25
Less: Impact of incremental cost under fair value approach	166.25
Net Profit: (pro-forma)	421.00
Basic earnings per share (as reported) (in rupees)	0.78
Basic earnings per share (pro-forma) (in rupees)	0.56
Diluted earnings per share (as reported) (in rupees)	0.76
Diluted earnings per share (pro-forma) (in rupees)	0.54

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.13 Capital commitment

Capital commitments (net of advances) – Rs.Nil (Previous year: Rs. Nil)

21.14 Contingent liability

- (a) Taxation matters in respect of which appeal is pending – Rs.20.42 million (Previous year: Rs. 2.39 million).
- (b) The Company has issued corporate guarantees to the extent of Rs.15,950 million (Previous year: Rs. 3,800 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, EC Commodity Limited, Edelweiss Broking Limited and Edelweiss Trading & Holdings Limited (subsidiary companies) and Rs. 5,000 million (Previous year: Rs. 2,500 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited (subsidiary company) against due discharge of debt.

21.15 Secured loans (non-convertible debentures)

Series of issue	Amount Outstanding	Date of redemption
C1C803	26.00	30-Jun-11
C1C804	33.00	30-Jun-11
C1C806	30.00	20-Jun-11
C1C807	20.00	20-Jun-11
D1D804	5.00	29-Jul-11
D1E807	23.00	5-Aug-11
E1F802	44.00	1-Sep-11
F1G801	33.00	3-Oct-11
F1G803	18.00	10-Oct-11
F1G808	50.00	11-Oct-11
F1G807	23.00	14-Oct-11
G1G809	12.00	17-Oct-11
G1G810	16.00	18-Oct-11
F1G806	35.00	4-Oct-11
G1H802	37.00	7-Nov-11
G1H801	37.00	8-Nov-11
H1H802	5.00	25-Nov-11
I1I801*	5.00	29-Dec-11
K1K801	1.50	28-Feb-12
A1A803	3.00	29-Mar-12
A2A905	2.00	27-Apr-12
A2A904	7.80	30-Apr-12
A2B901	0.80	26-Apr-12
B2B905	3.00	28-May-12
B2C901	0.50	8-Jun-12
D2D901	6.60	26-Jul-12
F2F901	21.00	25-Oct-12
F2G901	5.00	6-Nov-12
F2G905	50.00	8-Nov-12
F2G907	55.00	16-Nov-12
G2G906	1.00	30-Nov-12
G2H902	72.70	3-Dec-12
G2H903*	20.00	3-Dec-12
G2H905*	5.00	14-Dec-12

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.15 Secured loans (non-convertible debentures) (Continued)

Series of issue	Amount Outstanding	Date of redemption
H2H908*	5.00	26-Dec-12
H2H904	3.50	28-Nov-12
I2J901*	3.00	31-Dec-12
J2K904	7.20	18-Feb-13
K2K907*	36.00	28-Dec-12
K2K912*	59.00	28-Dec-12
J2K911	0.70	28-Feb-13
K2K915*	100.00	26-Feb-13
K2K914*	46.90	28-Dec-12
K2K917*	20.00	31-Dec-12
A2A901	1.50	3-Apr-12
A2A902	2.00	3-Apr-12
B2B902	2.00	18-May-12
D2D903	1.00	27-Jul-12
Total	994.70	

* Non principal protected.

The non-convertible debentures other than non principal protected are redeemable at par.

21.16 Details of dues to micro, small and medium enterprises

The Company has requested its creditors to confirm the applicability to them under the Micro Small and Medium Enterprises Development Act, 2006. Based on the responses received by the Company, the details of dues to micro, small and medium enterprises:

Sr. No.	Particulars	2011	2010
1.	the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting period	Nil	Nil
2.	the amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during accounting period	Nil	Nil
3.	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
4.	the amount of interest accrued and remaining unpaid at the end of accounting period	Nil	Nil
5.	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil

21.17 Disclosure of loans and advances pursuant to clause 32 of listing agreement

- Rs. 13.73 million (Previous year: Rs. 11.35 million) due from Edelweiss Alternative Asset Advisors Limited (maximum amount due at any time during the year Rs. 29.76 million; Previous year: Rs. 11.35 million)
- Rs. Nil (Previous year: Rs. Nil) due from Edelweiss Asset Management Limited (maximum amount due at any time during the year Rs. Nil; Previous year: Rs. 3.20 million)
- Rs. 155.54 million (Previous year: Rs. 317.15 million) due from Edelweiss Broking Limited (maximum amount due at any time during the year Rs. 922.52 million; Previous year: Rs. 1,500.73 million)
- Rs. 514.39 million (Previous year: Rs. 28.61 million) due from EC Commodity Limited (maximum amount due at any time during the year Rs. 5,158.72 million; Previous year: Rs. 2,838.51 million)
- Rs. 22,047.70 million (Previous year: Rs. 4,510.16 million) due from Edelweiss Trading & Holdings Limited (maximum amount due at any time during the year Rs. 52,415.11 million; Previous year: Rs. 3,955.10 million)

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.17 Disclosure of loans and advances pursuant to clause 32 of listing agreement (Continued)

- (f) Rs. 104.40 million (Previous year: Rs. 546.42 million) due from ECap Equities Limited (maximum amount due at any time during the year Rs. 8,332.87 million; Previous year: Rs. 4,527.62 million)
 - (g) Rs. 314.84 million (Previous year: Rs. 63.08 million) due from Edel Commodities Limited (maximum amount due at any time during the year Rs. 519.26 million; Previous year: Rs. 975.99 million)
 - (h) Rs. 1,430.70 million (Previous year: Rs. 1,341.44 million) due from Edelcap Securities Limited (maximum amount due at any time during the year Rs. 8,464.84 million; Previous year: Rs. 4,573.42 million)
 - (i) Rs. 2,458.91 million (Previous year: Rs. 1,496.41 million) due from Edelweiss Finance & Investments Limited (maximum amount due at any time during the year Rs. 9,796.27 million; Previous year: Rs. 3,912.42 million)
 - (j) Rs. 44.24 million (Previous year: Rs. 2.85 million) due from Edel Land Limited (maximum amount due at any time during the year Rs. 168.55 million; Previous year: Rs. 5.30 million)
 - (k) Rs. 1,469.26 million (Previous year: Rs. 4,709.41 million) due from Edelweiss Securities Limited (maximum amount due at any time during the year Rs. 16,498.33 million; Previous year: Rs. 12,129.62 million)
 - (l) Rs. 64.43 million (Previous year: Rs. Nil) due from Edelweiss Web Services Limited (maximum amount due at any time during the year Rs. 96.83 million; Previous year: Rs. 0.70 million)
 - (m) Rs. Nil (Previous year: Rs. 0.50 million) due from Edelweiss Trustee Services Limited (maximum amount due at any time during the year Rs. 0.50 million; Previous year: Rs. 0.50 million)
 - (n) Rs. 94.59 million (Previous year: Rs. Nil) due from Edelweiss Financial Products & Solutions Limited (maximum amount due at any time during the year Rs. 3,791.85 million; Previous year: Rs. 751.56 million)
 - (o) Rs. 1,404.65 million (Previous year: Rs. 1,444.05 million) due from Edelweiss Employees Welfare Trust (maximum amount due at any time during the year Rs. 1,444.05 million; Previous year: Rs. 1,451.80 million)
 - (p) Rs. 284.70 million (Previous year: Rs. 130.20 million) due from Edelweiss Employees Incentive and Welfare Trust (maximum amount due at any time during the year Rs. 284.70 million; Previous year: Rs. 130.20 million)
 - (q) Rs. 533.42 million (Previous year: Rs. Nil) due from Edelweiss Housing Finance Limited (maximum amount due at any time during the year Rs. 533.42 million; Previous year: Rs. Nil)
 - (r) Rs. Nil (Previous year: Rs. Nil) due from Edelweiss Custodial Services Limited (maximum amount due at any time during the year Rs. 1.10 million; Previous year: Rs. Nil)
 - (s) Rs. 70.01 million (Previous year: Rs. Nil) due from Edelweiss Financial Advisors Limited (maximum amount due at any time during the year Rs. 980.00 million; Previous year: Rs. Nil)
 - (t) Rs. 8.38 million (Previous year: Rs. Nil) due from Edelweiss Investment Advisors Limited (maximum amount due at any time during the year Rs. 178.00 million; Previous year: Rs. Nil)
 - (u) Rs. Nil (Previous year: Rs. Nil) due from Edelweiss Tokio Life Insurance Company Limited (maximum amount due at any time during the year Rs. 0.70 million; Previous year: Rs. Nil)
 - (v) Rs. 1.79 million (Previous year: Rs. Nil) due from Edelweiss Capital (Singapore) Pte. Limited (maximum amount due at any time during the year Rs. 1.82 million; Previous year: Rs. Nil)
 - (w) Rs. 5,279.16 million (Previous year: Rs. 534.55 million) due from EC International Limited (maximum amount due at any time during the year Rs. 5,279.16 million; Previous year: Rs. 2,838.51 million)
 - (x) Rs. 140.91 million (Previous year: Rs. 510.18 million) due from ECL Finance Limited (maximum amount due at any time during the year Rs. 31,408.27 million; Previous year: Rs. 7,317.55 million)
 - (y) Rs. 13.74 million (Previous year: Rs. 32.11 million) due from Edelweiss Insurance Brokers Limited (maximum amount due at any time during the year Rs. 41.56 million; Previous year: Rs. 45.74 million)
 - (z) Rs. Nil (Previous year: Rs. Nil) due from Edelweiss Asset Reconstruction Company Limited (maximum amount due at any time during the year Rs. Nil; Previous year: Rs. 21.11 million)
 - (aa) Rs. Nil (Previous year: Rs. Nil) due from Edelweiss Fund Advisors Private Limited (maximum amount due at any time during the year Rs. 1.45 million; Previous year: Rs. 3.55 million)
- All the above loans are repayable on demand except for loan of Rs. 453.50 million and Rs. 541.20 million to Edelweiss Finance & Investments Limited and Edelcap Securities Limited respectively where repayment is as per contracted terms.
 - Of the above loans, items (l), (o), (p), (q), (s) and (u) are at the interest rate below the rate specified in the section 372A.

Schedules to the financial statements for the year ended 31 March 2011 (Continued)

(Currency: Indian rupees in millions)

21 NOTES TO THE ACCOUNTS (CONTINUED)

21.18 Cost sharing

Edelweiss Capital Limited, being the holding company incurs expenditure like common senior management compensation cost, advertisement cost, rent expenditure, etc. which is for the common benefit of itself and certain subsidiary companies. This cost so expended is recovered as reimbursement from the subsidiaries on the basis of number of employees, area occupied, time spent by employees for other companies, actual identifications, etc. On the same lines, operational cost expended by the Company's Subsidiary for the benefit of the Company is reimbursed by the Company. Accordingly, and as identified appropriately, the expenditure heads in Schedule 18 and Schedule 19 are net of these reimbursements.

21.19 Impact of change in accounting policy

From the current year, the Company has started accounting all benchmark linked debentures products on fair value basis as against the previous policy for not recognising unrealised gain. The impact of the same is Nil.

21.20 The Company has received demand notices from tax authorities on account of disallowance of expenditure for earning exempt income under section 14A (2) of Income Tax Act, 1961 read with Rule 8D of the Income Tax Rules, 1962. The company has filed appeal and is defending its position. Due to the lack of clarity on legal position relating to the application of Rule 8D, the outcome and quantification of the eventual tax liability on the company, if any, at this stage cannot be estimated. The Company has been advised by its tax counsel that it has a good chance in sustaining its position.

21.21 Schedule VI disclosures

Disclosures under Schedule VI to the Companies Act, 1956 have been made to the extent applicable to the Company.

21.22 Prior period comparatives

Previous year figures have been regrouped and rearranged wherever necessary.

For **B S R & Associates**
Chartered Accountants
Firm's Registration No.: 116231W

Akeel Master
Partner
Membership No.: 046768
Mumbai | 16 May 2011

For and on behalf of the Board of Directors

Rashesh Shah	<i>Chairman & Managing Director</i>
Venkat Ramaswamy	<i>Whole-time Director</i>
B Renganathan	<i>SVP & Company Secretary</i>

Balance sheet abstract and Company's general business profile

I Registration Details

Registration No.	L99999MH1995PLC094641	State code	11
Balance sheet date	31 03 2011		

II Capital raised during the year (Amount in Rupees Thousands)

Public Issue	-	Rights Issue	-
Bonus Issue	-	Private Placement	22,544

III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities	49,191,272	Total Assets	49,191,272
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Source of Funds

Paid-up Capital	752,026	Reserves & Surplus	12,456,668
Stock Options Outstanding	20,634	Share Application Money	781
Secured Loans	995,121	Unsecured Loans	34,966,042

Application of Funds

Net Fixed Assets	37,517	Investments	11,995,229
Net Current Assets	37,116,245	Miscellaneous Expenditure	-
Deferred Tax Asset	42,281		

Balance sheet abstract and Company's general business profile (Continued)

IV Performance of the Company (Amount in Rupees Thousands)

Turnover	Total Expenditure
4,487,420	3,863,708
Profit/(Loss) before Tax	Profit/(Loss) after Tax
623,712	587,253
Earnings per Share (in Rupees)	Dividend rate
0.78	60%

V Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item code No (ITC Code)	Not applicable
Product Description	Investment Banking and Financial Services

For and on behalf of the Board of Directors

Rashesh Shah
Chairman & Managing Director
Mumbai | 16 May 2011

Venkat Ramaswamy
Whole-time Director

B Renganathan
SVP & Company Secretary

Statement pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Securities Limited	Edelweiss Finance & Investments Limited	Edelweiss Trading & Holdings Limited	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited ¹	Edelweiss Financial Products & Solutions Limited	Edelweiss Trustee Services Limited	ECap Equities Limited
Relevant financial period/year of the subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
Number of Equity Shares held in Subsidiary	4,500,000	2,655,020	1,900,000	1,744,352,462	499,760	4,227,451	1,000,000	50,000	240,000
Paid-up Equity Share Capital	45.00	26.55	19.00	1,891.85	6.95	42.27	10.00	0.50	2.40
Percentage of Equity Shares held in the subscribed capital of the subsidiary	100.00	100.00	100.00	92.20	71.91	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the company and is not dealt with in the Company's accounts of subsidiary									
(i) Profit/(Loss) for the financial period/year ended	121.95	125.27	47.55	938.77	9.17	8.19	78.53	1.97	182.36
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	2,555.71	1,778.68	1,017.44	1,815.62	1.35	(10.98)	28.26	4.96	(71.25)
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of subsidiary									
(i) Profit/(Loss) for the financial period/year ended	369.00	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	232.20	6.00	-	-	-	-	-	-	-

Statement pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelcap Securities Limited	Edelweiss Broking Limited	EC Global Limited ¹	Edelweiss Asset Management Limited	Edelweiss Trusteeship Company Limited	Edel Commodities Limited	EC Commodity Limited	Edelweiss Housing Finance Limited ⁵	Edelweiss Alternative Asset Advisors Limited
Relevant financial period/year of the subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
Number of Equity Shares held in Subsidiary	300,000	4,881,000	10,000	60,000,000	100,000	50,000	957,500	22,850,000	2,256,000
Paid-up Equity Share Capital	3.00	48.81	0.44	600.00	1.00	0.50	9.58	228.50	22.56
Percentage of Equity Shares held in the subscribed capital of the subsidiary	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the company and is not dealt with in the Company's accounts of subsidiary									
(i) Profit/(Loss) for the financial period/year ended	226.91	97.98	(47.56)	(12.26)	0.37	38.35	50.15	(15.60)	30.02
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	231.05	(91.34)	573.96	(9.69)	0.21	(19.46)	(13.20)	(1.22)	(25.81)
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of subsidiary									
(i) Profit/(Loss) for the financial period/year ended	150.00	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	135.60	-	-	-	-	-	-	-	-

Statement pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Investment Advisors Limited	Edel Land Limited	Edelweiss Custodial Services Limited	Edelweiss Capital (Singapore) Pte. Limited	Edelweiss Alternative Asset Advisors Pte. Limited ²	Edelweiss International (Singapore) Pte. Limited ²	EC International Limited	Aster Commodities DMCC ³
Relevant financial period/year of the subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
Number of Equity Shares held in Subsidiary	50,000	50,000	4,750,000	13,800	3,000	6,000	125,000	11,000
Paid-up Equity Share Capital	0.50	0.50	47.50	0.43	0.10	0.19	6.20	133.73
Percentage of Equity Shares held in the subscribed capital of the subsidiary	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the company and is not dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	11.93	9.32	26.80	(1.17)	(0.94)	(0.03)	11.40	143.28
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	0.31	(0.85)	7.66	(0.08)	(0.04)	(0.05)	(1.99)	25.66
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	-	-	-	-	-	-	-	-

Statement pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Allium Finance Private Limited ⁵	Edelweiss Tokio Life Insurance Company Limited	Edel Investments Limited	EAAA LLC ⁴	E Cap International Limited ³	EW India Special Assets Advisors LLC ⁶	EW Special Opportunities Advisors LLC ⁶	Comfort Projects Limited ⁵
Relevant financial period/year of the subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
Number of Equity Shares held in Subsidiary	830,000	609,400	870,000	51,001	51,001	25,000	25,000	285,000
Paid-up Equity Share Capital	8.30	8.24	8.70	2.36	2.36	1.14	1.71	2.85
Percentage of Equity Shares held in the subscribed capital of the subsidiary	100.00	74.00	100.00	100.00	100.00	100.00	67.00	100.00
The net aggregate amount so far as it concerns members of the company and is not dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	0.05	(70.83)	0.92	(1.85)	(0.48)	(7.40)	3.80	4.08
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	0.62	(11.72)	(0.11)	(1.30)	(0.46)	(1.07)	2.45	NA
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	-	-	-	-	-	-	-	NA

Statement pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies (Continued)

(Currency: Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Financial Advisors Limited ⁸	Edelweiss Stock Broking Limited ⁹	Edelweiss Comtrade Limited ⁹	Edel Finance Company Limited ⁹	Edelweiss Advisors Limited ⁷	Edelweiss Capital Markets Limited ⁵	Edelweiss Investment Advisors Private Limited (Singapore) ²	EdelGive Foundation
Relevant financial period/year of the subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
Number of Equity Shares held in Subsidiary	6,064,400	3,500,070	5,000,000	40,000	50,000	50,000	10,000	10,000
Paid-up Equity Share Capital	60.64	35.00	50.00	4.00	0.50	0.50	0.34	0.10
Percentage of Equity Shares held in the subscribed capital of the subsidiary	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the company and is not dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	40.09	18.22	12.78	(16.50)	(0.29)	(1.03)	-	1.03
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	NA	NA	NA	NA	NA	NA	NA	0.06
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of subsidiary								
(i) Profit/(Loss) for the financial period/year ended	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	NA	NA	NA	NA	NA	NA	NA	-

The financial statements of foreign subsidiaries are converted into Indian Rupees on the basis of appropriate exchange rate.

- held through Edelweiss Finance & Investments Limited
- held through Edelweiss Capital (Singapore) Pte. Limited
- held through EC International Limited
- held through ECap International Limited
- held through Edelweiss Trading & Holdings Limited
- held through EAAA LLC
- held through Edelweiss Alternative Asset Advisors Limited
- held through Edelweiss Securities Limited and Edelweiss Finance & Investments Limited
- held through Edelweiss Financial Advisors Limited

For and on behalf of the Board of Directors
 Rashesh Shah
 Chairman & Managing Director
 Venkat Ramaswamy
 Whole-time Director
 B Renganathan
 SVP & Company Secretary
 Mumbai | 16 May 2011

Notice

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF EDELWEISS CAPITAL LIMITED WILL BE HELD ON MONDAY, JULY 25, 2011 AT 3.00 P.M. AT Y. B. CHAVAN AUDITORIUM, YASHWANTRAO CHAVAN PRATISHTHAN, GENERAL JAGANATH BHOSALE MARG, NARIMAN POINT, MUMBAI-400 021, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet of the Company as at March 31, 2011 and the Profit and Loss Account of the Company for the financial year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Narendra Jhaveri, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. N. Venkatachalam, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint BSR & Associates, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

6. APPOINTMENT OF MR. SANJIV MISRA AS A DIRECTOR

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“**RESOLVED** that Mr. Sanjiv Misra, who was appointed by the Board of Directors as an Additional Director and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing the candidature of Mr. Sanjiv Misra for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. INCREASE IN BORROWING POWERS OF THE COMPANY

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“**RESOLVED** that in supersession of all the earlier Resolutions passed in this regard, consent of the Company be and is hereby accorded, pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company or any Committee thereof as may be authorised by the Board in this behalf for borrowing from time to time, any sum or sums of money for the purposes of the Company, upon such terms and conditions and with or without security, in Indian/Foreign currency, as the Board of Directors or any Committee thereof as may be authorised by the Board in this behalf may in its absolute discretion think fit, notwithstanding that the money or monies to be so borrowed by the Company (apart from the temporary loans obtained or to be obtained from time to time from the Company’s Bankers in the ordinary course of business) together with the sums already borrowed, may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the sums so borrowed and remaining outstanding on account of principal shall not, at any time, exceed Rs. 10,000 Crores (Rupees Ten Thousand Crores only).”

8. ALTERATION TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED** that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, approval of the members be and is hereby accorded for substitution of the existing Article 135 of the Articles of Association of the Company with the following:

‘135. The Board shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by or under the authority of the Directors or a Committee of Directors previously given and every deed or other instrument to which the Seal of the Company is required to be affixed shall, be affixed in the presence of a Director or the Manager or the Secretary or such other person as the Board/Committee of the Board may appoint for the purpose, who shall sign every instrument to which the Seal is so affixed in his presence, provided nevertheless, that any instrument bearing the Seal of the Company, and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity of the authority to issue the same.

The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act or any amendment thereof for use in any territory, district or place outside India and shall be used by or under the authority of the Directors or a Committee of the Directors and granted, in favour of any person appointed for the purpose in that territory, district or place outside India.’

FURTHER RESOLVED that subject to and in accordance with the provisions of law, as may be applicable from time to time, the Board or a Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power on behalf of the Company to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.”

9. CHANGE IN NAME OF THE COMPANY

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED** that subject to the approval of the Central Government under Section 21 of the Companies Act, 1956, the name of the Company be changed from ‘Edelweiss Capital Limited’ to ‘Edelweiss Financial Services Limited’ and accordingly the name of ‘Edelweiss Capital Limited’ wherever it appears in the Memorandum and Articles of Association and all other records of the Company be substituted by the name of ‘Edelweiss Financial Services Limited’.

FURTHER RESOLVED that subject to and in accordance with the provisions of law, as may be applicable from time to time, the Board or a Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power on behalf of the Company to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.”

**For and on behalf of the Board of Directors
EDELWEISS CAPITAL LIMITED**

June 6, 2011

Registered Office:
Edelweiss House, Off C.S.T. Road,
Kalina, Mumbai – 400 098.

**B. Renganathan
SVP & Company Secretary**

NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business is annexed hereto. The details in respect of item Nos. 3, 4 and 6 above, as required under Clause 49 of the Listing Agreement are annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**

3. Members/Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.
4. **Book Closure and Dividend**

The Register of Members and the Share Transfer Book of the Company will remain closed from July 11, 2011 to July 25, 2011 (both days inclusive).

Dividend, if declared, at the Annual General Meeting will be paid on August 3, 2011, to those persons or their mandates:

- (a) whose names appear as Beneficial Owners as at the end of the business hours on July 9, 2011, in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Registrar & Share Transfer Agent on or before July 9, 2011.
5. **Nomination Facility**
Members holding shares in physical form may obtain the Nomination forms from the Company's Registrar & Share Transfer Agent. Members holding shares in electronic form may obtain the Nomination forms from their respective Depository Participants.
 6. **National Electronic Clearing Services (NECS) facility**

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the Company provides NECS facility to the members. NECS facility is available at the locations identified by the Reserve Bank of India.

Members holding shares in physical form and who are desirous of availing this facility are requested to contact the Registrar & Share Transfer Agent of the Company.

Members holding shares in electronic form are requested to contact their respective Depository Participants.

7. Bank Mandates

In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate the Registrar & Share Transfer Agent under the signature of the Sole/First holder, the following information to be incorporated on the Dividend Warrants:

- I. Name of the Sole/First holder and the folio number
 - II. Particulars of Bank Account viz.,
 - a) Name of the Bank
 - b) Name of the Branch
 - c) Complete address of the Bank with Pin code
 - d) Bank Account Number allotted by the Bank
- 8.** In respect of the matters pertaining to Bank details, NECS mandates, nomination, power of attorney, change in name/address, etc., the members are requested to approach:
- the Company's Registrar & Share Transfer Agent, in case of shares held in physical form; and
 - the respective Depository Participants, in case of shares held in electronic form.

In all correspondence with the Company/Registrar & Share Transfer Agent, members are requested to quote their account/folio numbers or DP ID and Client ID in respect of physical or electronic holdings, respectively.

- 9.** Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to "Investors Education and Protection Fund" (Fund). No amount is due for transfer to the Fund.
- 10.** Certificates issued by the Auditors of the Company pursuant to Clause 14 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 shall be placed at the meeting.
- 11.** Members desirous of getting any information in respect of the contents of the Annual Report are requested to forward the queries to the Company at least ten days prior to the Meeting so that the required information can be made available at the Meeting.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6:

Mr. Sanjiv Misra was appointed as an Additional Director by the Board of Directors of the Company at their meeting held on May 16, 2011. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Sanjiv Misra holds office upto the date of the ensuing Annual General Meeting.

Mr. Misra is President of Phoenix Advisers Pte Ltd., a boutique advisory & principal investing firm. He is also Senior Advisor with Apollo Management, the global private equity and alternative assets management firm. Mr. Misra holds a Bachelor of Arts degree in economics from St. Stephen's College, Delhi University, a PGDM from Indian Institute of Management, Ahmedabad and a Masters in Management from the J. L. Kellogg Graduate School of Management.

Mr. Misra has rich and varied experience of more than 25 years in financial services sector with various organizations which *inter alia* include Goldman Sachs, Citigroup etc. Your Directors are of the view that the Company would be immensely benefited by the experience and expertise of Mr. Misra.

The Board recommends for approval the Ordinary Resolution as set out in item No. 6 of the Notice.

None of the Directors except Mr. Sanjiv Misra is concerned or interested in this item of business.

Item No. 7:

The members of the Company at the Annual General Meeting held on July 11, 2008 had authorised the Board of Directors of the Company to borrow monies up to Rs. 7,500 Crores. To meet its financial requirements, the Board may be required to borrow monies which may exceed the limit of Rs. 7,500 Crores as approved by the members. Under Section 293(1)(d) of the Companies Act, 1956, approval of the members is required for the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) if such borrowing exceed the aggregate of the paid-up share capital of the Company and its free reserves. Approval of the members is therefore sought for borrowing monies in excess of the paid-up share capital and free reserves, upto Rs. 10,000 Crores.

The Board recommends for approval the Ordinary Resolution as set out in item No. 7 of the Notice.

None of the Directors of the Company has any interest or concern in this item of business.

Item No. 8:

Article 135 of the Articles of Association (AOA) of the Company requires that the Common Seal ('the Seal') of the Company shall be used only as per the authority given by the Board or a Committee and one Director shall sign every instrument to which the Seal is affixed.

In order to bring in more flexibility in the day-to-day operations and execution of documents requiring affixation of the Seal, it is considered appropriate that, Article 135 of the AOA be altered in the manner indicated at item No. 8 of the Notice.

The alteration in the AOA of the Company requires the approval of the members by a Special Resolution.

The Board recommends for approval the Special Resolution as set out in item No. 8 of the Notice.

None of the Directors of the Company has any interest or concern in this item of business.

Item No. 9:

The Company along with its subsidiaries is providing wide range of financial services which *inter alia* includes investment banking, securities broking, asset management, financing activities, insurance, etc.

In order that the name of the Company reflects the activities undertaken by the Company alongwith its subsidiaries, it is considered appropriate that the name of the Company be changed from 'Edelweiss Capital Limited' to 'Edelweiss Financial Services Limited'.

As per the provisions of Section 21 of the Companies Act, 1956, the name of the Company can be changed only with the consent of the members by means of a Special Resolution and the approval of the Central Government.

The Board recommends for approval the Special Resolution as set out in item No. 9 of the Notice.

None of the Directors of the Company has any interest or concern in this item of business.

June 6, 2011

For and on behalf of the Board of Directors
EDELWEISS CAPITAL LIMITED

Registered Office:
Edelweiss House, Off C.S.T. Road,
Kalina, Mumbai – 400 098.

B. Renganathan
SVP & Company Secretary

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Narendra Jhaveri	Mr. P. N. Venkatachalam	Mr. Sanjiv Misra
Date of Birth	August 9, 1935	March 22, 1944	July 8, 1960
Date of Appointment	July 21, 2007	August 9, 2007	May 16, 2011
Experience in functional area	Specialisation in public finance and has more than 4 decades of experience in financial services sector.	Has more than 40 years of experience in the banking sector, non-banking financial services and allied industry.	Has rich and varied experience of more than 25 years in financial services sector with various organizations which <i>inter alia</i> include Goldman Sachs, Citigroup etc.
Qualification	Masters Degree in Economics, Gujarat University. M.Sc., in Economics from the London School of Economics.	Masters of Arts Degree in Economics. Certified Associate from the Indian Institute of Bankers.	Bachelor of Arts degree in economics from St. Stephen's College, Delhi University. PGDM from IIM, Ahmedabad. Master in Management from the J. L. Kellogg Graduate School of Management.
Directorship in other Companies (Public Limited Companies)	<ul style="list-style-type: none"> • Afcons Infrastructure Ltd. • Siemens Ltd. • Hindalco Industries Ltd. • Ultra Tech Cement Ltd. • Edelweiss Securities Ltd. • Gujarat Venture Finance Ltd. • Pidilite Industries Ltd. 	<ul style="list-style-type: none"> • ECL Finance Ltd. • Edelweiss Finance & Investments Ltd. • Sundaram Finance Ltd. 	Nil
Membership of committees of other Public Limited Companies (Audit Committee and Shareholders' Grievance Committee only)	<ul style="list-style-type: none"> • Afcons Infrastructure Ltd. • Hindalco Industries Ltd. • Pidilite Industries Ltd. 	<ul style="list-style-type: none"> • ECL Finance Ltd. 	Nil
No. of shares held in the Company	78,000	20,000	Nil

NOTES

Edelweiss Capital Limited

Registered Office: Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai - 400098

Attendance Slip

(To be signed and handed over at the entrance of the meeting venue)

Regd. Folio No.:
No. of Shares held :

DP ID*
Client ID*

Full Name of the Member (in Block Letters) _____

Name of the Proxy _____

(To be filled-in if the Proxy Form has been duly deposited with the Company)

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company at the Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021 on Monday, July 25, 2011 at 3:00 p.m.

Members / Proxy's Signature
(To be Signed at the time of handing over this slip)

* Applicable for members holding shares in electronic form.

Note : Members are requested to bring their copies of the Annual Report to the meeting.



Edelweiss Capital Limited

Registered Office: Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai - 400098

Proxy Form

Regd. Folio No.:
No. of Shares held :

DP ID*
Client ID*

I/We _____

of _____ in the district of _____

being a member / members of the above-named Company hereby appoint Shri _____

of _____ in the district of _____

_____ or failing him Shri _____

as my / our proxy to vote for me / us on my / our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Company to be held on Monday, July 25, 2011 at 3:00 p.m. at Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021 and at any adjournment thereof.

Signed this _____ day of _____ 2011

Signature _____

Affix
Revenue
Stamp

* Applicable for members holding shares in electronic form.

Note : This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

Dear Member,

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies and has issued Circulars No.17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011. The Circulars provide that a company will be in compliance with the provisions of Sections 53 and 219 of the Companies Act, 1956, in case documents like notices, annual report and all other communications are sent in electronic mode to its members.

In view of the above, we propose to send the documents like the notices, annual report and all other communications, in electronic form, to your E-mail ID registered with the Company. We, therefore, request all the members to be a part of this Green Initiative, by filing up the 'E-communication Registration Form' and send it back to us in this self-addressed pre-paid postage envelope.

Please note that all the documents sent to the members in the electronic form will also be uploaded on the website of the Company www.edelcap.com. As a member of the Company you are always entitled to receive all such communications, free of cost, on a request made to the Company in this behalf.

Yours faithfully
For Edelweiss Capital Limited

B. Renganathan
SVP & Company Secretary

Edelweiss Capital Limited

Edelweiss House, Off C.S.T. Road, Kalina, Mumbai - 400 098. Tel: +91 022 - 4009 4400 Fax: +91 022 - 4079 5065

E-communication Registration Form

Link Intime India Private Limited
Unit: Edelweiss Capital Limited
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai – 400078.

Dear Sir/Madam,

RE: Green Initiative in Corporate Governance

I/We, agree to receive all communication from Edelweiss Capital Limited (the Company) in electronic mode. Please register my E-mail ID in your records for sending communication through e-mail.

Registered Folio No./DP ID/Client ID No. : _____

PAN : _____

Name of the 1st Registered Holder : _____

Name of the Joint Holder(s) : _____

E-mail ID : _____

Date: _____ Signature of the 1st Registered holder : _____

Important Notes:

- (i) Investors can also forward the scanned copy of this Registration Form to edelweiss@linkintime.co.in.
- (ii) On registration, all the communication from the Company will be sent to the E-mail ID registered with the Company.
- (iii) The members are requested to keep the Company informed as and when there is any change in the E-mail ID. Else, the communication will be sent only to the E-mail ID registered with the Company. The 'E-communication Registration Form' can also be downloaded from the Company's website www.edelcap.com.

First Fold



Second Fold

C/o: Link Intime India Private Limited
Unit: Edelweiss Capital Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai - 400 078.

NO POSTAGE
STAMP
NECESSARY IF
POSTED IN
INDIA

BR Permit No.: MH/BY/NE/BR/238/11-12
Bhandup (W), P.O., Mumbai - 400 078.

POSTAGE
WILL BE
PAID BY
ADDRESSEE

BUSINESS REPLY ENVELOPE

Year 2010-11 @ Edelweiss



Release of the landmark research report – ‘India 2020 : Looking Beyond.’ The report was unveiled by Rashesh Shah, Chairman, Edelweiss Group, where he handed over the first copy of the report to the Hon. Finance Minister, Pranab Mukherjee.



Edelweiss India Conference 2011 focused on Africa as the next investment destination. It was attended by over 130 investors and 70 Indian corporates facilitating close to 1,800 meetings.



The successful EdelPulse Conference 2010 on Capex gave a bottom-up perspective on where India Inc. stands. The conference drew tremendous response with participation of over 50 investors facilitating over 500 meetings in the daylong event.



Pete Dagher, Campaign Chief of Staff for US President Barack Obama's historical presidential campaign, spent an evening with a few clients and employees of Edelweiss.



Edelweiss launched its Housing Finance business in October 2010 in Mumbai and expanded to NCR in the 4th quarter of the financial year.

Edelweiss hosted the prestigious 7th India Investment Forum at New York in association with Institutional Investor. It drew participation from a large number of institutional and direct investors from across the world and government officials including Hon. Finance Minister, Mr. Pranab Mukherjee.



Rashesh Shah receives Special Award for Contribution to Development of Capital Markets in India and Abneesh Roy of Edelweiss receives Best Fundamental Analyst award at the NCDEX and Zee Business Awards.



Edelweiss Financial Advisors (formerly Anagram Capital Ltd.) successfully integrated as a fully owned subsidiary of Edelweiss. The pan-India Edelweiss reach is now 374 offices across 170 cities.



Edelweiss Tokio Life Insurance has received its R3 License and is poised for a launch in H1FY12.



Edelweiss has been recognised by Superbrands India as a Business Superbrand for the year 2010, testimony to the reputation enjoyed by the brand.



Edelweiss Print and TV campaign won 4 creative excellence awards at the Abby's, the biggest and the most prestigious advertising and marketing awards show in the country.



Edelweiss' learning and corporate training initiative, the Fountainhead Leadership Centre opens at Alibaug with state-of-the-art conferencing, residential and recreational facilities. This signals Edelweiss' commitment to continue to invest in business and leadership enhancement for employees.



Edelweiss organises the annual Leadership Summit 2010-11 at Aamby Valley for all the four tiers of leaders and their families. This annual event sets the business challenges and opportunities for the Group.



Periodic Senior Leadership Group Meets are initiatives to have leadership of the organisation interact and share ideas outside the confines of boardrooms.



Palette 2010 saw masterpieces created by renowned artists like Jatin Das, Vrindavan Solanki etc, with budding talent at a week's art camp. This culminated in a successful sale of over 140 art works in aid of over 20 NGOs supported by the EdelGive Foundation.



Edelweiss employees regularly contribute to EdelGive investees with their time, finance and expertise. As part of Edelweiss Employee Engagement Project currently about 100 employees contribute to various institutions.

▶ Session on "Investing for Success: The role of Collaboration" conducted by EdelGive Foundation at the Sankalp Forum for Social Entrepreneurs.



◀ Representatives of Prajwala, winner of the Economic Security and Livelihoods category at the EdelGive Social Innovation Honours (ESIH), a national awards programme recognising innovative work that catalyses change in the social sector in India.



▶ The Edelweiss Premiere League 2011 saw much enthusiasm both on the field and on the office floors!



◀ Edelweiss Corporate Cricket 7s 2011, was the largest Indian inter-corporate cricket tournament with over 220 matches played by over 1,100 executives across over 100 teams.



Head Office: Edelweiss Capital Limited
Edelweiss House, off C.S.T. Road
Kalina, Mumbai 400098
Maharashtra, India
www.edelcap.com