



Ideas create. Values protect.

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Rooted in Creation. Growth through Diversity.

The Edelweiss, a rare and protected species of flora grows on the steep Alpine slopes of Europe.

This little white flower's deep fibrous roots and the felt like covering of its leaves protect it from the harsh winters and chilly winds of the region. The name, Edelweiss, is a derivation of German words, 'edel' (noble) and 'weiss' (white) and has long been associated with purity, romance and nobility. The Armed forces of several European countries sport the insignia of Edelweiss on their uniforms to connote valour, protection and peace.

It is this rare flower that we use to best represent our beliefs. A purity, steadfastness and freshness of purpose combined with the rare ability to constantly seek out innovative ideas. The protective arms of the letter 'e' encircle the graphic flower and represent the values that govern our actions. We believe ideas create wealth, but values protect it.

The core inspiring thought of 'ideas create, values protect' translates into a 'diversified' approach, powered by 'passion and creativity' and 'protected' by risk management, intellectual rigour, governance and culture at Edelweiss.

As with our name, for the FY14 Annual Report we take inspiration from India's abundant and diverse flora. India's floras thrive in completely different ecosystems - swamps and marshland, hot and dry deserts, freezing temperatures and coastal salty airs. Weaving an ever-growing ecology that is diverse yet sustainable, profitable, robust and enriching.

Allow us to tell you our annual story with the help of these beautiful symbols of hope and growth...

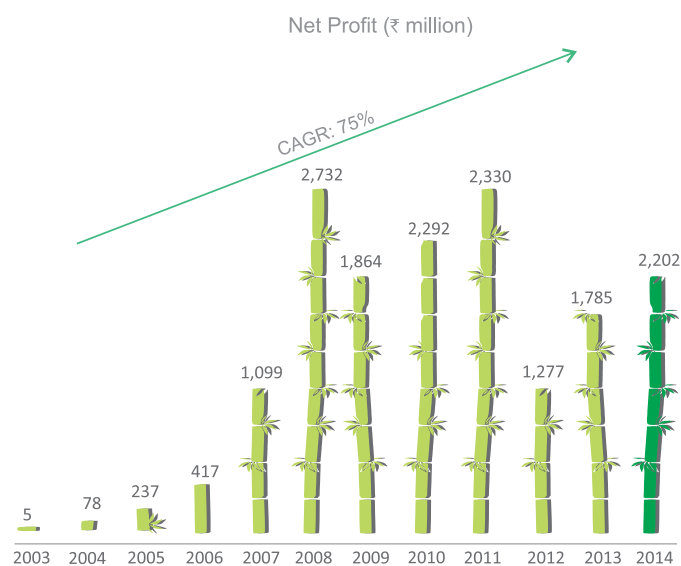
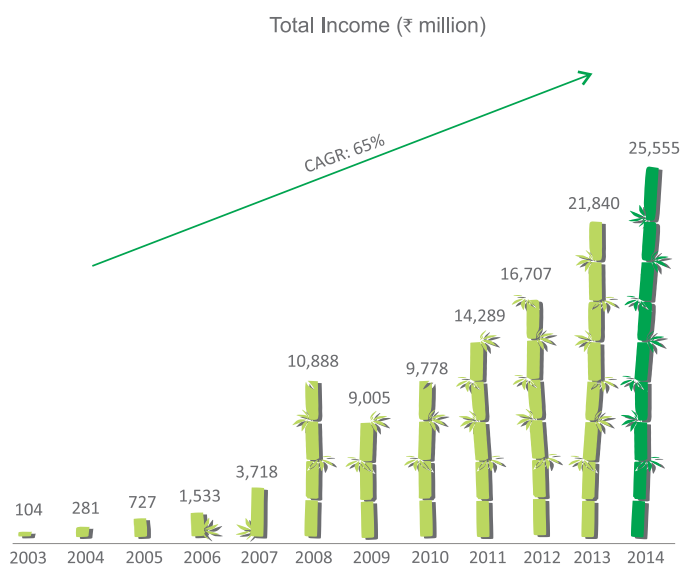
Performance Highlights

Consolidated Financial Performance of Edelweiss Financial Services Limited and its subsidiaries

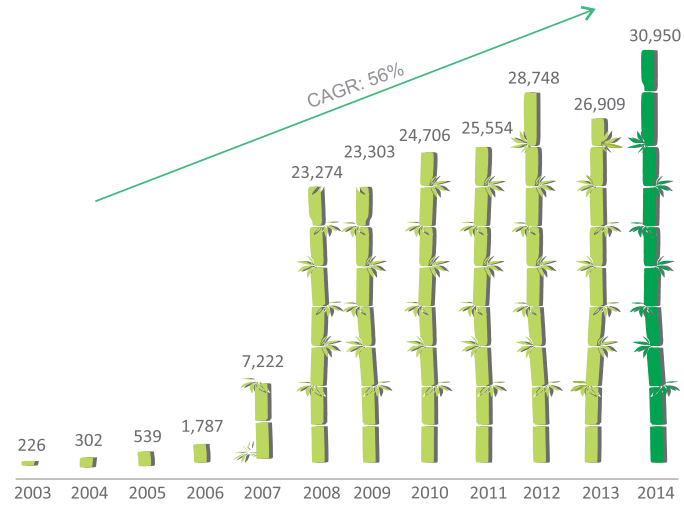
(in ₹ million except per share data)

Year Ended March 31,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Income	25,555	21,840	16,707	14,289	9,778	9,005	10,888	3,718	1,533	727	281	104
Total Expenditure	22,040	19,247	14,720	10,789	6,450	5,715	6,421	1,971	898	383	175	95
Profit Before Tax	3,515	2,593	1,987	3,500	3,328	3,290	4,467	1,747	636	345	106	9
Tax Expenses	1,346	881	681	1,031	879	1,199	1,540	646	218	107	28	4
Net Profit (after minority)	2,202	1,785	1,277	2,330	2,292	1,864	2,732	1,099	417	237	78	5
Paid up Equity Capital	724	719	757	752	375	375	375	45	38	29	28	27
Networth*	30,950	26,909	28,748	25,554	24,706	23,303	23,274	7,222	1,787	539	302	226
Diluted earning per share (FV ₹ 1) (in ₹)#	2.85	2.31	1.66	3.00	2.94	2.43	4.00	2.08	0.93	0.64	0.24	0.02
Book Value per share (FV ₹ 1) (in ₹)#	35.48	32.13	34.80	30.56	30.04	28.21	24.65	9.36	3.93	1.58	0.92	0.69

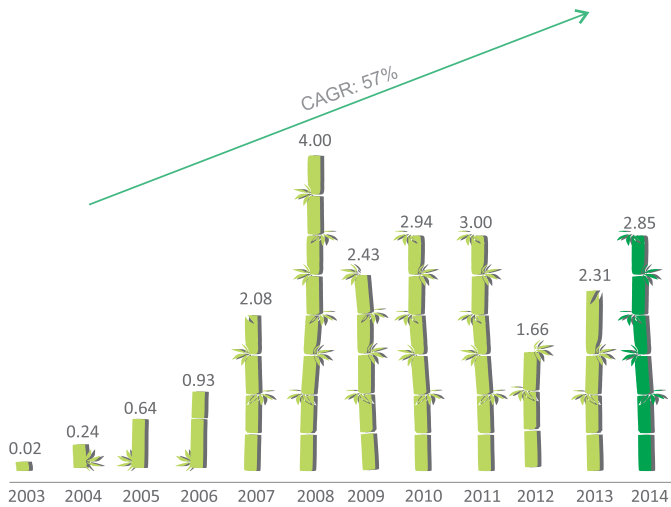
Adjusted for Corporate Actions * Networth including minority Previous years' figures have been regrouped wherever necessary



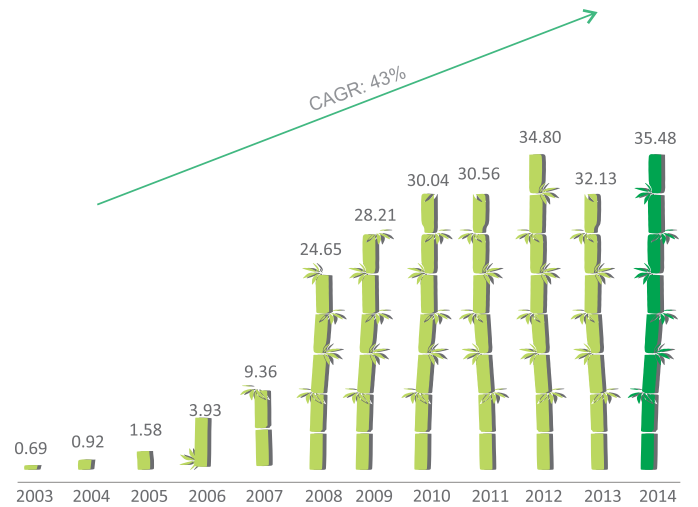
Networth (₹ million)



Diluted Earnings Per Share FV ₹1 (₹)

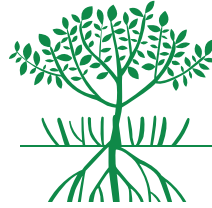


Book Value Per Share FV ₹1 (₹)



Expanding possibilities, scaling beyond boundaries.

The Mangrove is a ubiquitous plant species that thrives in the coastal areas between sea and land. While they grow partially submerged in saline sea water, they also support a large and diverse ecosystem. In India, mangroves sustain a rich and diverse fauna living in its protective environs.



Scalability

The Edelweiss Group is one of the nation's leading financial services conglomerate. The Group operates five business clusters - Credit including Housing Finance, Financial Markets, Asset Management, Life Insurance and Commodities; covering all significant areas of financial services in India. This coverage enables the Group to address a large pool of savings and investments across diverse consumer segments.

Some Facts:

- **The Group:**

- Balance sheet of ₹160 billion in FY14 compared to ₹33 billion in FY09 signifying increased focus on capital based businesses.
- Net worth of ₹30.95 billion in FY14, up from ₹23.30 billion in FY09.
- 216 offices in 118 cities including six international offices.
- Over 4000 employees cater to around 500,000 retail, HNI, corporate and institutional clients.

- **The Businesses:**

- Housing Finance business' Small Ticket Housing Loans expanded coverage to 14 cities and over 400 villages.
- Institutional Equities business continues to be one of the largest Institutional broking houses in the country.
- One of the leading Commodities players in Agri-commodities and Bullion with a sizeable market share in each.
- Fixed Income Advisory business has scaled considerably and is one of the leading debt arrangers in the country having handled transactions totalling over ₹465 billion in public and private placement of debt in FY14.
- Major distributor of public issues in equities and debt in FY14. Ranked 1st in IPO distribution in the combined Retail and HNI (NIB) category with 52% market share (amount procured).

Shooting higher and stronger.

The Bamboo is one of the fastest growing plants in the world and some species can grow at an astonishing rate of 3 feet an hour in their peak growth stage! It is light weight with amazing strength and this makes it highly resistant to cyclones, earthquakes and even floods.

India has the largest bamboo forests in the world covering almost 13% of the forest area with around 50% of these forests growing in the North Eastern States.



Growth & Profitability

At Edelweiss, scripting a profitable growth story has been our bedrock since inception. This has given us the leverage to invest in long term business opportunities alongside consistent investments in organisation building - leadership, risk, technology, research & analytics and robust systems & execution processes. This strong strategy has helped the Group grow from being an advisory house into an efficient, productive and profitable Credit and Financial Services Institution.

Some Facts:

- **The Group:**
 - Has been a profitable company ever since inception; as a publicly listed company, Edelweiss has been profitable in every single quarter.
 - Posted total revenues of ₹25.56 billion and a Profit after Tax of ₹2.2 billion in FY14.
 - PAT ex-insurance stood at ₹2.7 billion compared to ₹2.26 billion for FY13.
 - Steady revenue growth : 31% in FY13 and 17% in FY14.
 - Steady PAT growth annually and quarterly: 39% in FY13 and 23% in FY14.
 - Return on Equity (RoE) ex-insurance is 12.3% for FY14.
 - Dividend payout of ₹0.70 (₹0.55 + ₹0.15) per share (FV ₹ 1) to shareholders.
- **The Businesses**
 - Credit book grew 31% in FY14 to ₹86.3 billion with a 5 year CAGR of 69% .
 - Edelweiss Tokio Life Insurance gross premium rose 102% in FY14 while the Agency channel grew by 113% to 7255 personal financial advisors.
 - Alternative Asset Management AUM rose to ₹119 billion in FY14 from ₹27 billion a year ago, a growth of 440% in one year.
 - Fixed Income advisory managed a total of 53 transactions in FY14, a 36% growth over FY13.

Yielding high efficiency, all around, all across.

In Sanskrit, the coconut tree is called kalpa vriksha, meaning “the tree which provides all the necessities of life”. The coconut meat and water are a good source of food and hydration. The nut hulls are used as bowls and cups. The leaves are used to thatch roofs and build shelter. The wood is used to make different types of utensils, decorative items and more.

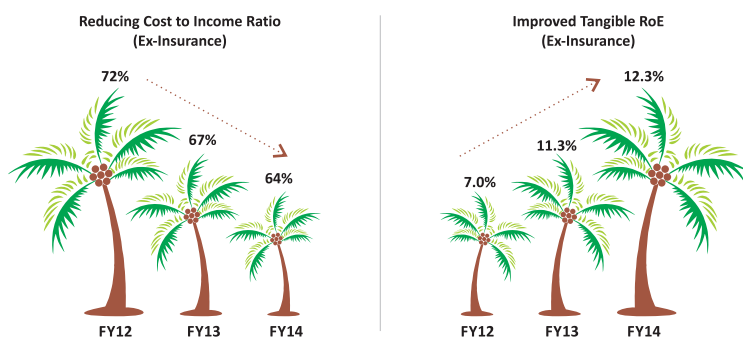


Productivity & Efficiency

Enhancing efficiencies and raising productivity levels enabled us to thrive in the challenging economic environment of FY13 and FY14. We initiated several proactive measures to raise our operating efficiency through a judicious management of resources and planned cost reduction. The resultant higher RoE in FY14 is testament to our concerted and strategic efforts. This focussed and persistent approach enabled us to improve our performance, strengthen the balance sheet and boost efficiency across our business verticals.

Some Facts:

- Stronger balance sheet with diversified borrowing profile.
- A non linear growth year with 13% Balance sheet growth accompanied by 23% growth in profitability in FY14.
- Cost to income ratios steadily improving with increasing operating and capital efficiencies.



- Employee strength grew by 2.5%, while PAT has grown by 23% indicative of higher productivity and efficiency.
- Revenue/employee increased by 14% while PAT/employee increased by 21% in FY14 over FY13.
- In FY14, invested in technology and automation initiatives to achieve higher TAT and enhance service productivity.

Mastering the elements, rising to the challenges.

Teak, one of the most valuable hardwood varieties is indigenous to India. It is well known for its medicinal properties as also for its endurance, strength and durability. This resolute and life-sustaining tree is able to withstand various climatic conditions and is known to reach heights of up to 50 metres!



Sustainability

The core thought that underlines each of our business decisions is to provide long term value creation by building sustainable businesses. Our business models are designed to endure and thrive even in the most challenging environment. The focus on diversification, calibrated growth and long-term investments in existing and adjacent markets across asset classes and consumer segments helps to build stability. Our focus remains on risk mitigation strategies, both short term and long term, while making judicious investments with an eye on future growth.

Some Facts:

- **The Group**

- Broad-based and diversified business model straddling all asset classes and all consumer segments.
- Entry into new businesses to achieve stability and predictability in earnings.
- Stable and diversified revenue pool: Credit 44%; Financial Market 21%; Commodities 16%; Treasury 13%; Insurance 6% .
- Well matched Asset Liability Management (ALM) strengthens balance sheet.
- Stronger balance sheet with diversified sources of borrowings; Debt market borrowings have reduced from 50% in FY11 to 34% in FY14.
- Steady growth in Net fund based income to ₹8.8 billion in FY14 as compared to ₹5.09 billion in FY12, a 73% rise.

Spreading seeds, growing forests.

From a single acorn, a forest does grow. That is the strength of an oak tree, many of which can live upto 200 years. The fruit (nut) of the Oak, the acorn, is a symbol of strength, power and patience as it braves storms, flood and heat to grow into a mighty tree, in turn nurturing another cycle of growth.



Management

Investing in leadership has been an integral part of our management matrix. Edelweiss has one of the most stable senior management teams enabling it to create sustainable businesses and nurture young talent to become future leaders. The 'Collective Ownership and Individual Responsibility' fosters a robust entrepreneurial culture that cultivates leaders who can add value and shape the organisation, year after year.

Some Facts:

- The Board of Directors mentor and guide senior management and are closely involved in fitment, performance as well as succession planning of business leaders.
- Stability and long tenure of senior management coalesces to strengthen organisation culture and values while guiding strategic initiatives and business growth.
- Multi-tiered Edelweiss Leadership Programme (covering approximately 7% of the total employees) grooms high potential leaders for organisation expansion.
- Over 13,700 training mandays across all levels covering two thirds of all Edelweiss employees.
- Fountainhead Leadership Center, Alibaug continues to be the center for all employee development activities with employees spending a total of around 1000 room nights for offsites, trainings, workshops, etc.

Adhering to the greater good.

Since times immemorial, the banyan tree has held a sacred position in India and at various times symbolises 'shelter' or the 'personality' of a benevolent ruler who looks after all under his care. It is the tree of knowledge, enlightenment and longevity and the seat of village chaupals and ancient gurukuls as well.

A single banyan tree can spread over 3 acres and can live for over 300 years.



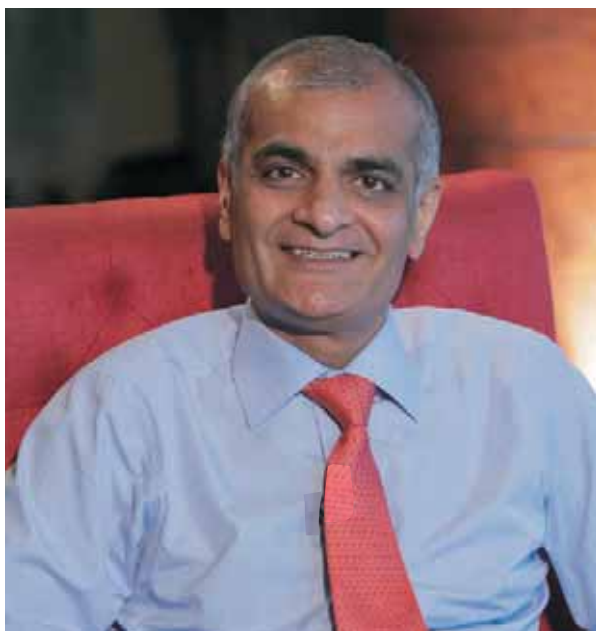
Governance

Creating an ecosystem led by integrity is the cornerstone of our corporate governance. At Edelweiss, our growth curve has been historically accompanied by concurrent organisation-wide investments in governance, compliance and risk management. This strict adherence to checks and balances fosters a culture of transparency and is buoyed by initiatives that go beyond the statutory parameters, thus setting the highest standards of Corporate Governance.

Some Facts:

- Eleven member Edelweiss Board of Directors, majority of whom are independent directors collectively provide the Edelweiss Group with over 300 man years of experience.
- The Board member's diverse skill sets span banking, financial markets, asset & wealth management, policy making, legal services, finance & accounts and overall administration.
- Key Board committees like audit committee and remuneration committee consist entirely of independent Directors.
- Major subsidiaries have external oversight through independent directors.
- State-of-the-art Risk and Compliance framework with Board level oversight.
- Central Global Risk Group (GRG) and Global Compliance Group (GCG) with independent personnel within each business constitute over 175 people who are involved in identification, management and mitigation of risk and adherence to compliance across the company.
- Voted '**The Best Corporate Governance, India 2013**' by London based Capital Finance International Jury, and awarded '**Best Managed Company (mid-cap), India 2013**' and '**Best Managed Company (upto \$500 million), India 2014**' by Finance Asia, Hong Kong.

Letter from the Chairman



Dear Shareholders,

Your Company has closed fiscal 2014 on an upbeat note and we enter 2015 with renewed hope and confidence. A new government has come to power on the promise of an early economic revival and a return to high growth. This is a good time for us to not only reflect on the past year but also set the agenda for the future.

FY14 – The Year that was

Edelweiss Financial Services Ltd. has posted consolidated revenues of ₹25.56 billion during FY14, an increase of 17% over ₹21.84 billion recorded last year. Profit after Tax grew by 23% to ₹2.20 billion against ₹1.78 billion in the previous year. PAT ex-insurance stood at ₹2.71 billion compared with ₹2.26 billion for FY13, an increase of 20%. Our net worth stood at ₹30.95 billion while our return on tangible equity (ex-insurance) was at 12.3%, compared with 11.3% for the previous year. I would call these highly satisfactory results overall considering the volatile economic and political environment of FY14.

In addition to improving profitability, your Company has worked aggressively to strengthen the balance sheet, both

from a liquidity as well as asset-liability management perspective - reducing our dependence on short-term borrowings and maintaining a matched ALM profile by diversifying our sources of borrowings.

Despite the challenges of a tough business environment, all the businesses of your Company scaled up during the year making investments in training, technology and risk, enabling us to capitalise on opportunities emerging from the significantly improved economic sentiment expected in the coming years.

For our new shareholders, here is a brief overview of the Edelweiss Group, one of the country's leading financial services conglomerates. Organised around five business verticals - Credit (including Housing Finance), Financial Markets, Asset Management, Life Insurance and Commodities, Edelweiss has expanded and grown into all significant areas of financial services currently available. Your Company provides a broad range of financial products and services that address a large pool of savings and investments. We offer our services to a substantial and diversified client base that includes corporations, institutions and individuals - from UHNIs to the financially excluded. Your Company's 4,000 employees serve 500,000 clients across our retail and wholesale platforms. Edelweiss is now present in almost all the major Indian cities with 216 offices in 118 cities; including six international offices. A strong network of over 5,700 authorised persons and sub-brokers provides further fillip to your Company's sales force.

Resurgent India in the making

The recent elections were a powerful demonstration of a peaceful, decisive democratic process. Investors have always given India the benefit of doubt over the years - because its democracy and open society allows, in fact, forces it to self-correct. A positive change in leadership gives investors the confidence that a polity can openly and freely demand change. Secondly, this demonstrates that India is not a land of "unknown unknowns". Even today, investors in China are worried that something will explode, some new and tenacious leadership could emerge, largely because of the opacity around government processes. India, on the other hand, has tough issues but is easy to read; risks exist but are

largely known. Thirdly, this election also demonstrated India's aspiration for growth and development - it was not about welfare schemes, freebies or subsidies. This is a good mandate overriding the oft mentioned belief that 'capitalism does not work, socialism does'. In fact, we now expect the debates will not be about capitalism versus socialism or urban versus rural - it will be about growth and development.

Over the last year, there have been many people who have doubted India's ability to bounce back, to self-correct and to be intolerant of extremism of any kind. Their intellectual and academic understanding of India failed to see the decisive action that 800 million voters can take to change their destiny. I expect the new government will revive the competitive spirit in Indian entrepreneurs and investors and lead the country to an economic resurgence in the next few years. Given the huge potential of the country - both as an investment destination and a consumer market - the days ahead offer a wealth of opportunities for Edelweiss in every business we operate in. As we stand at this juncture that will hopefully mark the start of a long period of high growth for the country as well as your Company, it is a good time to take stock of what got us here.

Edelweiss – Key areas of focus

Until 2007, our first decade of growth was driven by a single engine – capital markets, high growth rates, but very volatile. Since our IPO until 2012, we concentrated on building capacity and capability to drive many more growth engines. This de-risked our business and reduced the dependence on capital markets. Long-term investments in new businesses like Insurance, Housing Finance, Asset Reconstruction and Asset Management alongside the scale-up of the Credit and Commodities businesses were made. Concomitantly, we focussed on setting up systems and processes, risk management, technology and people development to strengthen the building blocks that bind Edelweiss together. The last couple of years have been largely about strengthening and consolidating our diversified businesses. Independent Strategic Business Units (SBUs) were set up as decentralisation became the mantra along with Quality, Efficiency, Productivity and Customer Centricity.

Through these years, in addition to building new businesses organically, we have also acquired many companies. These include Rooshnil, marking our entry into the institutional equities space; Anagram, to strengthen our retail equities

business, and more recently, Forefront, to widen our asset management offering in the UHNI space.

Going forward, we will focus on five key areas from where we derive our strength and demonstrate our edge.

Foremost is growing our **leadership pool**; bolstering young leaders to take on bigger roles, giving senior leadership the confidence and the bandwidth to continuously seek new opportunities.

This leadership pool also catalyses the Edelweiss **culture of ownership** - 'my Company, my client, our risk, our values'. Creating emerging leaders with the backing of a large Edelweiss platform helps us to diversify, innovate and protect our interests.

Aligned to this culture are our **risk-management** practices, which are among the best in the industry, ably supported by a strong and diligent **governance and compliance** process. Both have central and Board level oversight with an efficient structure for information flow and speedy decision-making.

Consistent investments in systems and processes, data analytics, technology and automation have helped us **improve efficiencies and increase productivity**, our fourth focus area.

Lastly, our **diversification strategy** helps us to counter the cyclical ups and downs of our industry and makes your Company stable and growth ready.

Measurement of performance

We measure our performance on five key parameters:

1. **Profitability:** Your Company has always been profitable and it is our endeavour to improve profitability ratios even further. Several initiatives, like increasing organisation-wide efficiency and productivity, stringent balance-sheet management and overall better performance of all the SBUs have ensured that the effect of an unfavourable external environment is minimised. This year, we will focus on reducing the cost-to-income ratio and improving our Return on Equity (RoE).
2. **Scalability:** To keep up our growth momentum and meet future challenges, our five business clusters - Credit, Commodities, Financial Markets, Asset Management and Life Insurance have nine SBUs catering to specific verticals. Each of these SBUs has an advisory board comprising the seniormost tier - Management Committee - that

collaborate with the SBUs in guiding, advising and providing strategic inputs. Each of our SBUs aspires to be in the top three in their markets. I am happy to see almost all our mature businesses in the wholesale/institutional space are right up there. In some cases, we are number one and in a few others, we are number two or three.

3. **People:** With every SBU creating its own pool of leaders and the central leadership programme continuing to get sharper, leadership development has been a pivotal force. A committed and stable senior management remains our biggest advantage providing unique strength to the organisation.
4. **Governance:** SBUs now exercise requisite control over most functions independently. This year, decentralisation of compliance functions has reduced complexity in this area for many SBUs. You will also be happy to know that your Company has been voted "India's Best Managed Company" (up to \$500 million cap companies) in the Asia's Best Companies poll of analysts and investors run by Hong Kong-based Finance Asia. This is the second year in a row that we have received this recognition.
5. **Sustainability:** Our diversification strategy has sought to achieve stability and de-risking of the business model. It has also reduced volatility, paving the way for continuous growth. We can see that over the past three years, our new businesses have begun contributing upwards of 50% of our total revenues. At the same time, our traditional businesses continue to grow strong through sustained investments in people and technology.

Our Businesses-Stable and Growing

As you are aware, your Company now has a significant presence in all the important segments of the financial services sector - each of which present unique growth opportunities. For instance, in a capital deprived economy like India, there's a sizeable market for credit. Even in tough current market conditions, the credit market continues to grow at a healthy 15% annually. NBFCs have been growing at a faster pace than banks, and with another spell of heightened economic growth on the anvil, demand for credit is set to pick up.

Then there is the life insurance sector that offers a sizeable opportunity space as around 15% of household savings in the country flow into life insurance, second only to banking.

Similarly, the outlook remains buoyant for the Asset Reconstruction business - where your Company is growing fast - and the capital market businesses where volumes could grow in a big way with the expected turnaround in the economy.

Now, let me walk you through our individual businesses.

Credit: Our credit business has grown horizontally and vertically to include SME and retail credit, including Housing Finance and small ticket home loans. Consequently, we now cater to a wide spectrum of clients - from corporates and SMEs to retail and rural clients.

Total credit book of the Group witnessed a healthy 31% growth over last year and stands at ₹86.28 billion at the end of FY14.

Within this, Retail finance has a book size of ₹20.90 billion with assets under management of ₹22.40 billion. Our retail credit business has a client base of over 16,000 in 22 major cities and 400 villages where both retail loans and small ticket housing loans are disbursed.

Our NBFC subsidiary ECL Finance Limited is well placed to grow its asset book with confidence in the future, having added a new source of long-term liabilities by virtue of the highly successful maiden Public Issue of NCDs of ₹5 billion in January 2014.

Insurance: Our insurance venture has significantly expanded our addressable retail markets. Edelweiss Tokio Life Insurance Company (ETLI) continued to scale up, with its gross premium rising 102% this year to ₹1.11 billion compared with ₹550 million in FY13.

The insurance business is present in 48 cities across India and has seen significant growth with the Agency channel now doubling the numbers of Personal Financial Advisors to around 7300. Focus for this year is to increase productivity and continue to differentiate by adherence to the proprietary Need-Based Selling approach.

Financial Markets: Our Institutional Broking business continued to be among the market leaders and performed in line with the industry. Our flagship Institutional Investor conference, the Edelweiss India Conference, was a grand success with over 100 Indian Corporates and around 500 global and Indian institutional investors participating. As part of the theme, we launched our book 'Thriving in Adversity - Conversations with leaders of India's Anti-Fragile Companies'.

The book captures insights from 22 iconic Indian business leaders on their companies.

Edelweiss continues to lead as a major distributor in public issues of equities and debt in FY14. We are ranked 1st in IPO distribution during FY14 in Retail and HNI (NIB) categories taken together with a 52% market share of the amount procured.

Asset Management: Our Alternative Asset Management business includes five alternative funds and Asset Reconstruction Company (ARC). AUMs under Alternative Asset Management business reached a level of over ₹119 billion at the end of FY14 compared with around ₹27 billion last year.

Edelweiss ARC scaled up its AUM to over ₹92 billion at the end of FY14 and is now among the leading ARCs in the country. We are excited about the ARC opportunity as it helps the economy to release productive assets, allows us the opportunity to rehabilitate and reconstruct high quality assets while reducing the burden on commercial banks.

We have also acquired the well known and highly respected specialised liquid alternatives player Forefront Capital. Their institutionalised approach to asset management for the discerning UHNI and family offices clientele synergises with the Edelweiss approach to innovative investments in this growing asset class.

Our Retail Asset Management business managed 10 funds across Equity, Debt and Liquid schemes and has been actively participating in investor education initiatives across the country.

Commodities: A strategically important business for us, it was set up six years ago under the diversification strategy of growing into adjacent asset classes on spotting growth opportunities. Commodities business is now poised to gain from the expected financialisation of the Indian commodities market and can be an important growth driver in the future. We are now developing a sophisticated, international sourcing and procurement model for select commodities besides readying ourselves to provide credit to the numerous participants in the value chain.

FY15 – What should we expect?

The markets and industry have responded to the new government's early pronouncements with hope and positivity. However, as President Obama has said, "Hope is

the belief that destiny will not be written for us, but by us, by the men and women who are not content to settle for the world as it is, who have the courage to remake the world as it should be".

We are at the stage where our businesses have begun to scale, rigorous investment in people, product and processes have been made, operating efficiencies and increased productivity is the organisation-wide mantra and risk management and compliance oversight has been increased even more. In fact, the latter is our mainstay because I believe that it is in times of heady optimism and growth that more often than not, people tend to get careless. Today, we are keen to accelerate, since the road is now wide open and seems pothole free. However, we must, as always, be sure that our brakes are well oiled and maintained and we will use them at the right time.

In this era of "achche din", our chosen path will remain that of controlled aggression. This approach defines who we are and what we believe in - speed coupled with caution, aggression tempered with humility, looking to the future with an eye on the lessons of the past. These are our core strengths. Staying focussed and balanced in our approach.

Your Company acknowledges your unfaltering faith in our growth phase as well as in our recent investment phase.

I thank you all for standing by us and supporting us.

Regards,



Rashesh Shah
Chairman & CEO

Place: Mumbai
Date: May 17, 2014



Edelweiss Guiding Principles Our anchor

The sum total of our values. Each of the values that define us find their rightful place in our charter - the Edelweiss Guiding Principles. Together, these 10 principles celebrate our ethos, our culture and business ethics while bringing to life our credo of 'Ideas create, values protect'.



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 his/her fullest potential.

We will focus on Growth for our clients, employees and shareholders.

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.

We will Obey and Comply with the rules of the land. We will maintain the highest standards of integrity and honesty. When we are unclear, we will seek clarifications.

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 stakeholders. We want our clients, our employees and all the stakeholders to be 'richer' for their relationship with us.

Our Reputation and Image is more important than any financial reward. Reputation is hard to build and even harder to rebuild. Our reputation will be impacted by our ability to think for our clients, maintain confidentiality and adherence to our value system.

Our Financial Capital is a critical resource for growth. We will endeavour to grow, protect, and use our financial capital wisely.

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.

EdelGive - 6 Years of Creating Social Synergies

Always committed to the society at large, the Edelweiss Group made philanthropy an indispensable part of its idea of growth in 2005 when it formed a separate entity to channelise its resources more effectively into serving the social cause.

Almost a decade since, it has made a difference to over 1,80,000 underprivileged lives across the country.

Established as the EdelGive Foundation, the initiative works towards empowering non-profit organisations (NPOs) in the areas of Education and Livelihood to achieve the greatest impact in the social sector. Currently, it provides both financial and non-financial support to 18 organisations across the country committed to bringing about a systemic change in the sector.

Our Highlights

- Financially supported over 40 NPOs.
- Committed over ₹200 million.
- Impacted over 1,80,000 lives.
- Over 8,500 hours of pro bono support from Edelweiss employees.
- Engaged over 1,700 Edelweiss employees via volunteering and contributions.

We help NGOs Build Capacity

EdelGive believes in going beyond traditional funding practices to offer critical non-financial support to its investee organisations. EdelGive partners & Edelweiss employees spend considerable time and expertise to deliver high quality solutions to organisational issues being faced by the organisations.

EdelGive offers non-financial support in areas of:

- Strategy & leadership
- Financial planning & sustainability
- Systems, processes & technology
- Human resources

We Engage Edelweiss Employees

At Edelweiss, we encourage a vibrant volunteering culture across the organisation. The Foundation's Employee Engagement Programme leverages the skills and expertise of Edelweiss employees to support and even guide organisations working in the social sector on a voluntary basis. Under this programme, we provide a perfect platform for our employees to fulfil their social inclinations and commitments.



We offer employees a range of opportunities for participation through:

- Volunteering directly with NGO beneficiaries onsite (E.g.: teaching, mentoring, workshops, etc).
- Payroll giving system (periodic donations to specific causes).
- Capacity building in specific areas for the NPO.

India NGO Awards

The India NGO Awards is a joint venture of The Resource Alliance, The Rockefeller Foundation and EdelGive Foundation. Instituted in 2006, the India NGO Awards seeks to recognise and celebrate excellence in the non-profit sector and set an example to inspire other non-profit organisations, thus promoting overall achievements and cross-learning.

The awards are open to NGOs working on a wide range of issues related to women and children, education, health, livelihoods, environment and arts and culture. The selection of winners is through a rigorous six-month multi-stage process and based on presentations made by the finalists to an eminent panel of jury members.



Key Events

Palette 2014

Edelweiss and EdelGive Foundation hosted the third edition of Palette 2014 - Art under Palms, at Fountainhead Leadership Centre, Alibaug on February 16, 2014. Palette is a unique charity art event that brings beautiful and affordable art to over 600 patrons in order to raise funds for non-profit



organisations supported by the EdelGive Foundation. The event helped spread awareness about EdelGive's work and raised funds for 10 NGOs that support the cause of Education among underprivileged children.

Mumbai Marathon 2014

A team of 60 Edelweiss employees came together on a common platform to raise funds and pledge their support for great causes. Over 1,100 employees contributed to this, helping raise ₹2 million and create over 2,000 touchpoints of contributions.

EdelGive Impact Workshop 2013

The EdelGive Impact Workshop 2013 was held from November 27-29 at Fountainhead Leadership Centre, Alibaug, brought to the surface many ideas that could be of immense help in serving the society.

Attended by over 20 participants from diverse organisations, the three-day workshop was designed on the methodology of Appreciative Inquiry. The workshop had group discussions and peer-to-peer sharing of experiences and helped to identify common areas of challenges and possible solutions to overcome the challenges.



Edelweiss Employees doing their bit!

Student Enrolment Drive & English Teaching Programme with Masoom

Every year, selected Edelweiss employees volunteer to undertake teaching for the full academic year. They conduct two-hour sessions on Saturdays to teach English and English conversation to the night school students. Some enthusiastic volunteers have also accompanied the Masoom staff in various slum communities for an education drive to enrol students in the schools.

Financial Literacy Session with Make-a-Difference (MAD)

Several financial literacy sessions have been conducted by Edelweiss employees over the last two years with the children from MAD's shelter homes across Mumbai. These sessions include practical knowledge on banking, budgeting, saving, etc. with a basic background on the office departments and functions as well. These sessions have been held at Edelweiss offices.

Soft Skills Workshop with Aangan

Female employees have undertaken soft skills workshops with adolescent girls from NGO Aangan at Edelweiss House. The workshops have been designed to include role plays, games and other exercises with the objective of boosting their motivation and increasing their confidence in an external environment.

Workshop with Light of Life Trust (LoLT)

Edelweiss employees have facilitated motivational social-cause workshops with students of Light of Life Trust (LoLT). The workshop involved role plays, poster-making and slogans to highlight the various social issues being dealt with the local communities and suggested ways of dealing with them.



Employee Field Visit to Light of Life Trust (LoLT), Karjat

Our Investment Highlights:

Uplifting tribal community of Mokhada through multi-faceted interventions!

EdelGive supports a community development project in Mokhada (Maharashtra) that reaches out to over 17,000 people through an integrated approach addressing the issues of health, education, livelihoods and effective governance.

Taking innovative science education to doorsteps of government schools!

EdelGive funds a Mobile Science Lab that seeks to transform and stimulate the thinking of economically disadvantaged children and teachers through innovative science education. The project covers 28 schools in Alibaug and reaches out to 7,500 students.

Empowering adolescent girls with life skills education!

EdelGive supports an initiative for inculcating confidence in adolescent girls from under-privileged communities of Patna. The program helps to empower, inform and mobilize over 1,300 girls.

Imparting education to children of Musahar community to become catalysts of change!

EdelGive supports a full time, residential, English-medium CBSE school catering to over 300 children of the highly marginalized Musahar community in Bihar. The program seeks to create inspirational role models to become catalysts of change for the community.

Empowering the slum community of Tikiapara through a holistic intervention programme!

EdelGive funds a low-cost English medium school, that reaches out to 1,200 students belonging to the slum communities of Tikiapara in West Bengal. The program works towards combating the cycle of poverty through quality education.

Liberating women & educating girls of the Neo-Muslim community of Mewat!

EdelGive supports interventions to strengthen 50 government schools and reach out to over 4,900 girls belonging to the Neo muslim community of Mewat, Alwar district of Rajasthan.



Board of Directors

Mr. Rashesh Shah

Chairman & CEO

Mr. Shah, co-founder of the Company has 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 of India Ltd., India's premiere securities exchange. He has in the past served on the Executive Committee of the National Stock Exchange of India Ltd. and presently serves as Chairman, Maharashtra Council of FICCI. He currently serves on the SEBI committee to review the Insider Trading Regulation. 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

Executive Director

Mr. Ramaswamy, co-founder of the Company spearheads one of the Company's most strategic businesses Financial Markets and Asset Management. 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. Himanshu Kaji

Executive Director

Mr. Kaji is the Group Chief Operating Officer. He is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Stakeholder Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group. Mr. Kaji

is a qualified Chartered Accountant with a post graduate diploma in securities law. Mr. Kaji has vast experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange (BSE) between 1999-2002. Presently, he is a member of the Secondary Market Advisory Committee of SEBI.

Mr. Rujan Panjwani

Executive Director

Mr. Panjwani, an Electrical Engineer by qualification, has extensive experience in the financial services industry working across all asset classes. At Edelweiss, he helped set up the Group's Treasury and Balance Sheet unit. Rujan is now a member of the Assets & Liabilities Committee (ALCO) that primarily oversees the implementation of an effective process for managing Edelweiss' interest rate, liquidity and similar market risks relating to the balance sheet and associated activities, including the adoption of policies, risk limits and capital levels from time to time. He also set up Edelweiss' Global Risk Group - the nodal point for all risk monitoring and management. He is now a member of the Global Risk Committee - the highest decision-making body in Edelweiss on Risk-related issues. He also played a role in setting up several businesses for the Edelweiss Group including Asset Management and Credit, for which he had oversight responsibilities till 2012.

Mr. Narendra Jhaveri

Independent Director

Mr. Jhaveri, a public finance expert, has occupied important positions in various prestigious institutions including National Council of Applied Economic Research (NCAER), Reserve Bank of India and ICICI Limited. 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 M.Sc. in Economics from the London School of Economics.

Mr. Kunnasagaran Chinniah

Independent Director

Mr. Chinniah recently retired as the 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. He is presently also a director of Changi Airport International and a member of the Hindu Endowments Board in Singapore. 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 wide experience in the banking sector in India and abroad and has also worked 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 of J. Sagar Associates, one of India's leading law firms. He has 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 in the financial services industry, having worked with various organisations including Goldman Sachs and Citigroup. Mr. Misra is the

President of Phoenix Advisers Pte. Ltd., an advisory and principal investing firm and Chairman, Asia Pacific Advisory Board 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.

Mr. Sunil Mitra

Independent Director

Mr. Mitra holds a bachelor's degree in Science from Delhi University and belongs to the 1975 batch of the Indian Administrative Service. He possesses rich and varied experience in public administration and general management having held diverse positions in Government of India such as Disinvestment Secretary, Revenue Secretary & Finance Secretary. In his stint with the Ministry of Finance, Government of India, Mr. Mitra was engaged in the design of significant tax reforms. During his stint with the West Bengal Government, Mr. Mitra was responsible for designing and implementing widespread policy reforms in the State-owned public sector.

Mr. Navtej S. Nandra

Independent Director

Mr. Nandra, a veteran of the global financial services industry, is the President of E*TRADE Financial Corporation. He also serves on the Board of Directors of the Centre of Governance, Institutions and Organisations, at the Business School, National University of Singapore. Mr. Nandra was CEO of Morgan Stanley Investment Management Ltd., and also served on the Boards of Directors of Morgan Stanley Huaxin Fund Management Company, Morgan Stanley International Ltd., and Morgan Stanley & Co. International plc. Prior to Morgan Stanley, Mr. Nandra's career included senior roles at DTZ Holdings, Merrill Lynch Global Wealth Management, Merrill Lynch Global Investment Banking, The Cambridge Group Inc., and BoozAllen and Hamilton Inc. (now Booz & Co.). He has also served on the Board of Directors of Nuveen Investments, Inc., and Merrill Lynch India Technology Services. Mr. Nandra holds an MBA from IIM, Ahmedabad, and a Bachelor's degree in Commerce (Honors) from the University of Delhi.

Company Details

Board of Directors

Rashesh Shah
Venkat Ramaswamy
Kunnasagaran Chinniah
Narendra Jhaveri
P. N. Venkatachalam
Berjis Desai
Sanjiv Misra
Himanshu Kaji
Sunil Mitra
Navtej S. Nandra
Rujan Panjwani

Company Secretary

B. Renganathan

Statutory Auditors

B S R & Associates LLP

Registered Office

Edelweiss House, Off C.S.T. Road,
Kalina, Mumbai - 400 098.
Corporate Identity No.:
L99999MH1995PLC094641
Email: efsl.shareholders@edelweissfin.com
Website: www.edelweissfin.com

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel: 022 - 2594 6970 | Fax: 022 - 2594 6969
Email: rnt.helpdesk@linkintime.co.in

Bankers

Abu Dhabi Commercial Bank
Allahabad Bank
Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Citi Bank
Corporation Bank
Dena Bank
DCB Bank
Federal Bank
HDFC Bank
ICICI Bank
IDBI Bank
IndusInd Bank
ING Vysya Bank
Karnataka Bank
Karur Vysya Bank
Kotak Mahindra Bank
Lakshmi Vilas Bank
Oriental Bank of Commerce
Punjab National Bank
SIDBI
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of India
Syndicate Bank
Union Bank of India
Vijaya Bank
Yes Bank

Debenture Trustees

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai - 400 001, Maharashtra, India
Tel: +91 22 6631 1771/2/3
Fax: +91 22 6631 1776
E-mail: itsl@idbitrustee.co.in
Website: www.idbitrustee.co.in

Edelweiss Presence

216 own offices across 118 cities
Covering ~497,000 clients

Major Cities:

Domestic

- Agra
- Ahmedabad
- Ajmer
- Allahabad
- Amritsar
- Bengaluru
- Bhavnagar
- Bhopal
- Bhubaneswar
- Chandigarh
- Chennai
- Coimbatore
- Cuttack
- Gandhinagar
- Goa (Panaji)
- Hyderabad
- Indore
- Jabalpur
- Jaipur
- Jalandhar
- Jamnagar
- Jamshedpur
- Jodhpur
- Kanpur
- Kochi
- Kolkata
- Kota
- Lucknow
- Ludhiana
- Madurai
- Mangalore
- Mumbai
- Nagpur
- NCR
- Patna
- Pune
- Rajkot
- Ranchi
- Surat
- Thiruvananthapuram
- Udaipur
- Vadodara
- Varanasi
- Vijayawada
- Visakhapatnam

International

- Dubai
- Hong Kong
- Mauritius
- New York
- Nigeria
- Singapore

Directors' Report

To the Members of Edelweiss Financial Services Limited,

The Directors hereby present their 19th Annual Report on the business and operations of the Company together with the audited statement of accounts for the financial year ended March 31, 2014:

Financial Highlights

I. Consolidated Financial Information:

	(₹ in million)	
	2013-14	2012-13
Total Income	25,555.32	21,840.24
Total Expenditure	22,040.33	19,246.99
Profit before tax	3,514.99	2,593.25
Provision for tax	1,346.07	881.51
Profit after tax	2,168.92	1,711.74
Less: Share of Minority Interest	(33.54)	(72.87)
Profit for the year after Minority interest	2,202.46	1,784.61
Add: Surplus brought forward from previous year	8,969.97	8,182.50
Less: Effect of changes in Group's interest	3.38	3.08
Profit available for appropriation:	11,169.05	9,964.03
Less: Appropriations		
Interim Dividend on Equity Shares	408.61	421.67
Proposed Dividend on Equity Shares	115.78	76.74
Dividend on Preference Shares	52.75	-
Transfer to Reserves	668.97	403.91
Dividend Distribution Tax	88.72	91.74
Surplus carried to the Balance Sheet	9,834.22	8,969.97
Earnings per Equity Share (Face Value – ₹ 1/-)		
Basic (₹)	2.86	2.35
Diluted (₹)	2.85	2.31

II. Standalone Financial Information of Edelweiss Financial Services Limited:

(₹ in million)

	2013-14	2012-13
Total Income	2,150.82	1,568.69
Total Expenditure	1,348.05	1,097.59
Profit before tax	802.77	471.10
Provision for tax	69.81	3.19
Profit after tax	732.96	467.91
Add: Surplus brought forward from previous year	205.29	283.44
Profit available for appropriation	938.25	751.35
Less: Appropriations		
Interim Dividend	422.97	421.67
Proposed Dividend	115.78	76.74
Transfer to Reserves	73.30	46.79
Dividend Distribution Tax	-	0.86
Surplus carried to the Balance Sheet	326.20	205.29
Earnings per Equity Share (Face Value – ₹ 1/-)		
Basic (₹)	0.95	0.62
Diluted (₹)	0.95	0.60

Abridged Financial Statements

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the abridged Annual Report containing salient features of the audited Balance Sheet as at March 31, 2014, Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and the Auditors' Report on the Abridged Financial Statements forms part of the Annual Report. Full version of the Annual Report will be available on the Company's website www.edelweissfin.com and will also be made available to the members of the Company upon request.

Dividend

During the year under review, your Directors had declared and paid an interim dividend of ₹ 0.55/- per share (on the face value of ₹ 1 each). The Board recommended a final dividend of ₹ 0.15 per share (on the face value of ₹ 1 each) for the financial year ended March 31, 2014.

The payment of the final dividend is subject to the approval of the members which is being sought at the forthcoming Annual General Meeting and shall be paid to those members whose names appear in the Register of Members of the Company as on July 14, 2014. The Register of Members and the share transfer books will remain closed from July 15, 2014 to July 25, 2014, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on July 25, 2014.

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.

Share Capital

Since March 31, 2013, 1,54,00,199 Equity Shares of ₹ 1 each were allotted on exercise of the Options granted to the employees under various ESOP Schemes of the Company.

The disclosures required under the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are given as an Annexure to this Report.

Buy-back of Equity Shares

Subsequent to the year end, the Board had approved the Buy-back of Equity Shares of the Company for an amount not exceeding ₹ 135 crores at a price not exceeding ₹ 45 per Equity Share through the Open market route through Stock Exchanges, pursuant to Section 68 of the Companies Act, 2013 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998. Pursuant to the said approval, the Company has bought 15,74,070 Equity Shares till date.

Finance

Your Company continued to borrow funds in the form of Commercial Papers and issued Secured Non-Convertible Debentures on a private placement basis.

The Company enjoys high credit rating from the Rating Agencies. The credit ratings reflect the Company's financial discipline and prudence.

Public Deposits

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

Subsidiaries

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

- ▶ Edelweiss Financial Services Inc.
- ▶ Edelweiss Metals Limited
- ▶ Edelweiss Commodities Pte. Limited
- ▶ Edelweiss Commodities Nigeria Limited

Subsequent to the year end, Forefront Capital Management Private Limited and Forefront India Capital Management, became the wholly owned subsidiaries of the Company w.e.f. April 30, 2014.

Ecap International Limited, a wholly owned subsidiary of the Company in Mauritius, was wound up and, accordingly, ceased to be the subsidiary of the Company w.e.f. April 3, 2014.

In terms of the General Circular No. 2/2011 dated February 8, 2011 (the Circular) issued by the Central Government in respect of 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 Annual Accounts of the subsidiaries shall be available to the members of the Company on request and also for inspection at the Registered Office of the Company.

Directors

Pursuant to Clause 49 of the Listing Agreement, the Company had appointed following Independent Directors:-

- Mr. Narendra Jhaveri
- Mr. P. N. Venkatachalam
- Mr. Berjis Desai
- Mr. Sanjiv Misra
- Mr. Sunil Mitra
- Mr. Navtej S. Nandra
- Mr. Kunnasagaran Chinniah.

In accordance with the provisions of Section 149 of the Companies Act, 2013 (the Act), the approval of the members for appointment of the aforesaid persons as Independent Directors for the purposes of the Act is being sought at the forthcoming Annual General Meeting (AGM). The necessary resolutions for the appointment of the Independent Directors are set out in the Notice convening the AGM.

The members at the 18th AGM of the Company held on July 26, 2013, appointed Mr. Rujan Panjwani as an Executive Director of the Company for a period of 3 years w. e. f. June 24, 2013. The members had also re-appointed Mr. Rashesh Shah as the Managing Director of the Company and Mr. Venkat Ramaswamy as an Executive Director of the Company for a further period of 3 years w. e. f. April 1, 2014.

Mr. Kunnasagaran Chinniah was appointed as an Additional Director designated as an Independent Director w. e. f. October 1, 2013. The approval of members for the appointment of Mr. Kunnasagaran Chinniah, as an Independent Director, is being sought at the forthcoming AGM.

The approval of the members for re-appointment of Mr. Himanshu Kaji as an Executive Director for a further period of 5 years w. e. f. November 1, 2014, is being sought at the forthcoming AGM.

Mr. Venkat Ramaswamy retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-appointment.

Corporate Social Responsibility Committee

In accordance with the provisions of Section 135 of the Companies Act, 2013 (the Act), the Board of Directors of the Company have constituted the Corporate Social Responsibility Committee (CSR Committee) comprising of the following Directors as its members:-

- Mr. Venkat Ramaswamy
- Mr. Himanshu Kaji
- Mr. Rujan Panjwani
- Mr. P. N. Venkatachalam (Independent Director).

The terms of reference of the CSR Committee include the matters specified in Section 135 of the Act.

Auditors

B S R & Associates LLP, Chartered Accountants, the Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting (AGM) and are eligible for re-appointment. Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint B S R & Associates LLP, Chartered Accountants, as the Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the 22nd AGM of the Company to be held in the year 2017, subject to ratification of their appointment at every AGM.

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) they had selected such accounting policies and 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 as at March 31, 2014 and of the profit of the Company for the financial year ended on that date;
- (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; and
- (iv) the annual accounts have been prepared on a going concern basis.

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

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken - The operations of your Company are not energy-intensive. However, adequate measures have been initiated for conservation of energy.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Not applicable in view of the nature of activities carried on by the Company.
- c) Impact of the measures taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods - Not applicable in view of the nature of activities carried on by the Company.
- d) Total energy consumption and energy consumption per unit of production as per Form A to the Annexure to the Rules in respect of industries specified in the Schedule thereto - Not applicable.

B. TECHNOLOGY ABSORPTION

Not applicable in view of the nature of activities carried on by the Company.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange earnings and outgo (including dividend) during the year under review were ₹ 112.75 million (previous year ₹ 65.51 million) and ₹ 28.69 million (previous year ₹ 58.33 million) respectively.

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 Annual 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.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the Report on Corporate Governance together with the Certificate issued by M/s. Manish Ghia & Associates, Practising Company Secretaries on compliance in this regard forms part of this Annual Report.

Acknowledgments

The Board of Directors wish to acknowledge the continued support and co-operation extended by the Securities and Exchange Board of India, Reserve Bank of India, Stock Exchanges, Commodity Exchanges, Insurance Regulatory and Development Authority, Ministry of Corporate Affairs, Forward Markets Commission, other government authorities, Banks 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 Financial Services Limited

Rashesh Shah
Chairman, Managing Director & CEO

May 17, 2014

Annexure to the Directors' Report

Disclosures as required under SEBI (Employee Stock Option Scheme & 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, 2014 are as under:

Particulars	ESOP 2004 (Scheme F)		ESOP 2007			ESOP 2008				ESOP Scheme 2009	ESOP Scheme 2010	ESOP Scheme 2011
	I	II	III	IV	I	II	III	IV				
Approval	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 - 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 - 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 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 Scheme I, II, III & IV	Approved by a special resolution passed by the Company by a postal ballot on March 30, 2009 for the grant of 5 million options under the ESOP Scheme 2009.	Approved by a special resolution passed by the Company by a postal ballot on June 30, 2010 for the grant of 3 million options under the ESOP Scheme 2010.	Approved by a special resolution passed by the Company by a postal ballot on April 26, 2011 for the grant of 100 million options under the ESOP Scheme 2011.					
Options granted*	27,771,000	18,882,000	21,749,000	5,600,000	5,600,000	-	5,600,000	-	26,375,000	22,810,000	64,327,100	
The pricing formula												
Options vested	23,349,320	15,780,000	21,749,000	5,452,000	5,452,000	-	5,452,000	-	9,644,700	12,021,125	13,409,375	
Options exercised	16,777,860	11,830,000	122,000	-	-	-	-	-	-	-	25,250	
Total number of shares arising out of exercise of options	16,467,360	11,830,000	122,000	-	-	-	-	-	-	-	25,250	
Options forfeited/lapsed/cancelled	10,693,140	2,636,000	21,627,000	5,600,000	5,600,000	-	5,600,000	-	11,410,500	7,748,000	7,487,250	
Variation of terms of options	-	-	During fiscal 2011 the members of the Company approved extension of exercise of vested options by three years.	-	-	-	-	-	-	-	-	-
Money realized by exercise of options (₹)	76,290,211	114,720,473	28,622,766	9,371,332	10,182,920	-	-	-	-	-	728,463	
Total number of options in force	300,000	4,416,000	1,798,500	4,038,000	-	-	-	-	14,964,500	15,062,000	56,814,600	

* includes grant of forfeited / lapsed / cancelled options.

NOTES: -**1. Details of options granted during the fiscal 2014:**

Particulars		Options granted under ESOP Scheme 2011
(a)	Directors and Key Managerial Personnel	
	Mr. Narendra Jhaveri	50,000
	Mr. Berjis Desai	50,000
	Mr. P. N. Venkatachalam	50,000
	Mr. Sanjiv Misra	50,000
	Mr. Sunil Mitra	50,000
	Mr. Himanshu Kaji	8,00,000
	Mr. Rujan Panjwani	2,00,000
	Mr. S. Ranganathan	2,00,000
	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)	
	Mr. Durga Prasad Jhawar	12,00,000
(c)	Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of Grant	--

2. Pricing Formula:

a)	ESOP 2004 (Scheme F) Exercise price of options	₹ 1.04 to ₹ 16.67
b)	ESOP 2006 (Scheme G) Exercise price of options	₹ 7.92 to ₹ 16.67

c) ESOP 2007 Scheme (I)

Period during which vested options are exercised	From October 1, 2010 to September 30, 2014	
Exercise price payable for such vested options	₹ 21.70	

ESOP 2007 Scheme (II)

Period during which vested options are exercised	From July 1, 2010 to June 30, 2011	From July 1, 2011 to June 30, 2015
Exercise price payable for such vested options	₹ 50.00	₹ 33.30

ESOP 2007 Scheme (III)

Period during which vested options are exercised	From January 1, 2010 to December 31, 2013	
Exercise price payable for such vested options	₹ 51.70	

d) **ESOP 2008 Scheme (I)**

Period during which vested options are exercised	From January 1, 2011 to December 31, 2011
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

ESOP 2008 Scheme (II)

Period during which vested options are exercised	From January 1, 2012 to December 31, 2012
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

ESOP 2008 Scheme (III)

Period during which vested options are exercised	From January 1, 2013 to December 31, 2013
Exercise price payable for such vested options	Price after 10% discount to the Reference price.

ESOP 2008 Scheme (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 the Market Price as on the exercise date or ₹ 120.00.	Price after 10% discount to the Reference price.

e) **ESOP Scheme 2009**

The Exercise price of the Vested Options 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.

f) **ESOP Scheme 2010**

The Exercise price of the Vested Options 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.

g) **ESOP Scheme 2011**

The Exercise price of the Vested Options 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. Diluted EPS for Fiscal 2014 - ₹ 0.95 per Equity Share
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):-

The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, the employee compensation would have been higher by ₹ 142.81 million and the profits would have been lowered by ₹ 142.81 million.

5. Impact on the profits and EPS for fiscal 2014, if the Company had followed the accounting policies specified in Clause 13 of the ESOP Guidelines:-

Impact on Profit	Impact on Basic EPS	Impact on diluted EPS
Lowered by ₹ 142.81 million	Lowered by ₹ 0.18	Lowered by ₹ 0.19

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

i. Risk-free interest rate	6.50% - 8.00%
ii. Expected life	3.19 years – 9 years
iii. Expected volatility	16.29% - 47.70%
iv. Expected dividend yield	0.41% - 2.27%

Following summarizes the information about stock options outstanding as at March 31, 2014:-

Plan	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme III	ESOP Scheme 2009	ESOP Scheme 2010	ESOP Scheme 2011
- Range of exercise price ₹	1.04 to 16.67	7.92 to 16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	39.44 to 50.26	41.70 to 61.00	24.60 to 37.80
- Number of shares arising out of options	300,000	4,416,000	1,798,500	4,038,000	-	-	14,964,500	15,062,000	56,814,600
- Weighted average life of outstanding options (in years)	0.50	0.64	0.50	1.25	-	-	2.18	2.41	4.20
Weighted average exercise prices of stock options									
- outstanding at the beginning of the year ₹	13.35	10.75	21.70	33.30	51.70	34.82	40.14	48.89	32.63
- granted during the year ₹	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	30.02
- forfeited/cancelled during the year ₹	16.67	16.67	21.70	33.30	51.70	34.82	39.44	49.09	32.29
- exercised during the year ₹	7.92	13.95	21.70	N.A.	N.A.	N.A.	N.A.	N.A.	28.85
- outstanding at the end of the year ₹	7.92	7.92	21.70	33.30	N.A.	N.A.	40.19	48.87	31.60
- exercisable at the end of the year ₹	7.92	7.92	21.70	33.30	N.A.	N.A.	40.19	48.87	33.98

The weighted average market share price during the year is ₹ 29.55 (previous year: ₹ 32.86).

Note: Exercise price of grants and number of options has been computed after making adjustment for splits, bonuses and consolidation, since the institution of the Employee Stock Option Plans.

**For and on behalf of the Board of Directors
Edelweiss Financial Services Limited**

**Rashesh Shah
Chairman, Managing Director & CEO**

May 17, 2014

Management's Discussion & Analysis Report

Macro-economic environment

ECONOMY: REVIEW AND OUTLOOK

Indian economy faced considerable macro challenges during FY14, the most prominent being sharp deterioration in Balance of Payments (BoP) situation. Fears of QE tapering by the US Fed starting May 2013 sent jitters across the globe with emerging markets witnessing sharp capital outflows and India was no exception. Combination of very large current account deficit and sudden outflow of capital especially from bonds led to a precipitous decline of ~20% in the rupee exchange rate in a short span of 3-4 months. Businesses were impacted through currency depreciation, rise in input prices and increase in cost of capital (as amidst falling rupee, RBI responded with interest rate hikes). All these developments impacted business sentiments severely. In some sense, one could say that reverberations of the global financial crisis that started in 2008-09 in US, spread to Europe in 2010-11, reached the shores of the Emerging Markets (EMs) in 2013 in the form of BoP crisis.

However, situation began to stabilise in late FY13 as the government and RBI took several effective steps to curb gold imports and attract foreign capital. Global concerns also subsided that time, thus supporting domestic measures. Further, as exchange rate moved into undervalued territory, it began to assist exports and import-competing sectors, thus helping narrowing of current account deficit. Today, India's BoP situation has improved significantly with Current Account Deficit (CAD) for FY14 coming down sharply to 1.7% of GDP from ~5% in FY13. Capital flows have recovered and rupee has also stabilised at a comfortable level. In addition to BoP situation, India has made considerable progress on fiscal consolidation front too. For the last two years, government has not only made significant attempts to reduce oil subsidies but has also maintained sanctity of targets set out at the time of Budget. To be sure, fiscal consolidation has been achieved at the cost of cutting plan expenditure, but it did send out a strong signal to businesses, investors and ratings agencies alike that prudence is finally returning after years of fiscal profligacy. Given the improvement in twin

deficit, India is not being counted in 'fragile five' anymore. However, growth challenges continue to persist. We have certainly emerged out of a phase of macro-vulnerability and we have also arrested growth deceleration but signs of economic turnaround are still few and far between. FY14 GDP growth is 4.7%, making it the second straight year of sub-5% growth. Even high frequency indicators do not point towards any imminent revival. The industrial production has been stagnant for several quarters now, PMI-Services is in contraction zone for last six or seven months, credit growth and money supply have slowed considerably, non-oil and non-gold imports have also been contracting and in recent quarters, corporate commentary suggests that even rural consumption has slowed down. What's more, both the levers of macroeconomic policy - monetary as well as fiscal are contractionary at this stage. It is only exports which is exhibiting a favourable trend but that too is highly dependent on external demand.

And as we crystal gaze into FY15, one can only hope for a modest acceleration in growth at best. The new government which has received a clear mandate in the general elections will have to contend with several challenges.

The first one is reviving stalled investment projects. Previous Government had set up Cabinet Committee on Investment (CCI) to fast track approval process around a year ago and since then it is believed that projects worth 5-6% of GDP have been cleared, but what is puzzling is that even three quarters later, there are hardly any signs of improvement in industrial and construction activity at ground level. It is possible that stretched balance sheets of corporates, high interest rates and poor consumer demand have now become binding constraints on businesses. For example, net debt to equity for industrial companies of BSE 500 universe is at a 20-year high at around 1.5x. These companies are now paying around 60% of their operating income as interest. Such dynamics of weak demand, high debt and elevated interest rate may have squeezed the ability of corporates to execute projects.

To overcome such situation, monetary easing can certainly help. But central bank's hands are tied because of elevated inflation. In fact, it is also puzzling that despite broad-based demand slowdown in the economy, high interest rates and

decelerating money supply, retail inflation has remained elevated and sticky. We think that inflation battle cannot be won by RBI alone. It is the government that needs to do the heavy lifting especially in view of the fact that steep MSP hikes and large procurement of food grains over the last six to seven years have contributed to adverse inflation dynamics. Only if inflation cools down in a sustainable manner can one hope that monetary authorities would look to stimulate economy.

Another challenge would be continuing process of fiscal consolidation in depressed growth environment. As mentioned earlier, expenditure has been reined back substantially over the last two years. Even fuel subsidies are getting rationalised gradually. But deficit is still elevated because tax revenues are highly sluggish amid weak economy. Therefore, growth revival is crucial for successful fiscal consolidation. In that sense, Union Budget 2014-15 will be the real test for new government as it should serve as the indicator of its priorities.

Overall, we think that extreme macroeconomic vulnerability seen last year is behind us. To that extent, economy has stabilised and we would likely see a modest rebound gradually. However, sustained uptrend in economy will require addressing lingering issues of inflation, fiscal deficit and reviving investment cycle and business confidence through faster project approval process and pragmatic policies. The new Government with a clear majority has generated huge optimism about return of growth.

Capital Markets

Capital markets witnessed a roller coaster ride during FY14, but ended on a high note. The year FY14 started well as commodity prices declined and stability on political front was restored. However, fears of QE tapering and rupee depreciation led to a sharp correction in markets. As rupee stabilised normalcy was restored, resulting in a rally and markets reaching back to levels prior to QE tapering. Last quarter of FY14 saw markets breaking new highs owing to increased optimism on the formation of a stable and progressive government and also stable commodity prices. Recent results gave a clear mandate in favour of NDA which is positive as the country needs to get growth back. Going ahead, we believe that these factors together with reasonable current valuations, markets will remain well supported.

Emerging Markets

The volatility of Indian equities was also a story of emerging markets. In FY14, MSCI EM declined by ~4%, compared to 17% gain of developed world. Apart from global factors, concern with regards to China also surfaced in the last quarter of FY14. Slowing growth and rising risk of debt defaults in China led to bouts of risk aversion. However, of late, there have been rumours of a possible China stimulus, which has resulted in EM equities rallying by ~8% in the last 10 days of FY14. Going ahead, we believe that while China related concerns will persist, Chinese authorities would not let growth slip because any sharp slowdown could make the process of re-balancing extremely challenging. Hence, a sharp EM slowdown should not be among the possibilities, thus resulting in higher risk appetite globally.

Commercial Credit Markets

Indian commercial banks' non-food credit grew around 14% in FY14, similar to previous year. After a brief spell of easing interest rates in the first half of CY2013, RBI had to again resort to increasing rates in the middle of the year on the back of elevated inflation. Higher interest rates coupled with lack of investment demand due to slowing economy resulted in subdued commercial credit growth, when seen in the backdrop of 20%+ growth witnessed till about three years ago. As a result of sluggish growth, high interest rates, rupee depreciation and deteriorating economy, cash flows of borrowers came under severe pressure leading to significant worsening of asset quality in banks, especially public sector banks. The number and quantum of references from mid and large corporates to Corporate Debt Restructuring mechanism also reached an all time high during the year. The worsening asset quality prompted RBI to come out with stricter guidelines for detection of accounts showing early signs of sickness and time-bound action for immediate resolution. High NPA ratios also spurred the banks into selling large chunk of bad loans to Asset Reconstruction companies during the second half of FY14. We expect the momentum for sale of NPAs to ARCs to continue in FY15 resulting in improvement in banks' reported NPA ratios. Credit growth and asset quality of PSU and private banks going forward is likely to continue to show divergent trends. While PSU banks' slippages will remain high in the near term, we expect private players to fare well. Gradual improvement in economy coupled with expected uptick in investment cycle is likely to result into pick

up in credit growth in latter half of FY15.

While commercial banks continued to remain dominant source of debt capital in India, NBFC credit also supports credit growth in the country in a large quantum. NBFCs have been growing at a higher rate than banks due to a smaller base and due to their ability to structure transactions to satisfy needs of diverse cross section of clients. While the banking sector was beset with worsening asset quality in FY14, NBFCs could restrict the damage in their portfolios due to their ability to respond quickly as well as availability of a higher collateral cover. As a result, while their asset quality at the end of FY14 was definitely worse than that at the end of FY13, it nonetheless continued to be under control. Non-bank credit availability through the medium of NBFCs will continue to be an effective channel for meeting funding requirements of corporate as well as retail clients going forward and thus presents a large and growing opportunity for NBFCs like ours.

Debt Capital Markets

Debt market had its fair share of ups and downs in a volatile year whereby both global and domestic factors necessitated swift action by policy makers, initially with a view to defend currency volatility and later to fight inflationary pressures. RBI and the government had to step in as currency depreciated sharply on the back of US Fed tapering fears and higher current account deficit. The measures bore fruit with the currency stabilising in last quarter around comfortable levels of ₹60. The rate cycle, which had earlier seen four rate cuts aggregating 125 bps entering into FY14, was now witness to three rate hikes aggregating 75 bps from September 2013 to January 2014. RBI has firmly placed focus on CPI inflation as the primary metric for its policy and hence yields have been subject to an upward bias. The monsoon is a crucial trigger to shaping rate cycle which can be in an extended pause mode till clarity emerges on inflationary impact, if any. As a result, debt markets are likely to maintain cautious mood in first half of FY15 before a potential rate cut cycle is incrementally priced in.

The highlight among debt market reforms has been the launch of cash-settled, exchange-traded Interest Rate Futures (IRF) which is a vital cog in fixed income ecosystem globally. This version of IRF is simplistic with a liquid underlying that addresses most of the concerns of earlier

avatars. Consequently, it has gained market-wide acceptance at launch and volumes / open interest are on the rise as more investor categories participate in this derivative product for purposes of trading, hedging and arbitrage. While current IRF contract is linked to 10Y benchmark as underlying, contracts might be launched across other liquid segments of the curve in due course of time. This can also drive participation in other products like bond repos and credit default swaps which have continued to be in a dormant phase. Introduction of term repos as a liquidity infusion measure is another key reform as it helps address spikes in liquidity tightness and can soon pave the way for a term repo structure.

The currency depreciation in earlier part of FY14 was accompanied by sizeable FII debt outflows that aggravated overall situation. However, with return of stability on currency and macroeconomic fronts, almost two-third of outflows were recouped in last quarter. In a bid to avoid short-term investments that can lead to future volatility and to encourage longer term stable investments, FII investment in T-Bills has been disallowed while investment limit in commercial papers has been curtailed to USD 2 billion. The effort to liberalise the overall FII investment process continues with all limits being available on-tap till 90% of limits are utilised and institution of FPI investor categories to replace FII regime. Attractive India onshore valuations coupled with expectations of greater stability can revive foreign investment appetite and attract flow momentum as observed in FY13.



Edelweiss is a fully diversified financial service group. Our aspiration is to be a large, respected organisation with high quality growth businesses in financial services.

Increasingly, our profits are being contributed by multiple businesses and we have reduced concentration risk in our efforts to make the profits more sustainable.

Edelweiss Overview

A FULLY DIVERSIFIED FINANCIAL SERVICES GROUP

Edelweiss was founded in November 1995 with an aspiration to become one of the leading financial services groups in India. With the economic liberalisation of the early 90s, Edelweiss saw a huge opportunity in intermediating on capital flows from savings into investments. From initially providing advisory and investment banking services, Edelweiss has grown by consciously and strategically investing in expanding services in existing areas as well as adding a presence in adjacent markets. Our entry strategy in every new business has been to find growing but underserved niches in the market. This has allowed the Group to address a larger pool of savings. As Edelweiss moved from wholesale to retail, and financial markets to insurance, the Group also expanded access to the financial savings pool from 5% to nearly 30%. Edelweiss' belief has been that we must add significant value by providing cutting edge products and services by focussing on technology, risk, research, analytics, robust processes and high quality people. This strong focus has helped the Group grow from being an Advisory house into a Credit and Financial Services organisation.

Before the major phase of diversification of businesses until 2008, Edelweiss was earning about 70 to 75% of its revenue and net profit from financial market-related activities and wholesale segment accounted for almost 100% of its revenue and net profit. However, in order to diversify and enter into retail businesses which presented large scalable opportunities, EFSL embarked upon a diversification phase during the period 2008-12. As a result, today financial markets related businesses account for only about 20% of the consolidated revenue of EFSL. We are also gradually achieving the objective of having a healthy mix of revenue from wholesale and retail businesses.

From catering to a few hundred wholesale clients in 2008, Edelweiss Group now has an account base of over 497,000 clients from retail and wholesale segments across businesses. In addition, our Depository Participants maintain over 262,000 DP accounts.

With the diversification phase getting over in FY12, Edelweiss has focussed on improving efficiency and productivity and scaling up newer businesses during the period 2012-14. As a result of this, despite macro-economic environment in the country turning challenging in this period, country witnessing two consecutive years of sub-5% GDP growth, Edelweiss has recorded significant growth in the topline, which has moved up from ₹16,707 million in FY12 to ₹21,840 million in FY13 (31% growth YoY) and to ₹25,555 million in FY14 (17% growth YoY). During the same period, bottomline has moved up from ₹1,277 million in FY12 to ₹1,785 million in FY13 (40% growth YoY) and to ₹2,202 million in FY14 (23% growth YoY).

While diversifying and continually adding newer businesses to its portfolio, EFSL has also demonstrated a strong track record of growth over the last several years with its 11-year CAGR for Revenue at 65% and PAT at 75% till the end of FY14. The Company's phenomenal growth has been powered by strategic vision, strong belief and adherence to its core values and guiding principles, its ability to raise capital and deploy it judiciously, attract talent and build leadership, and a strong focus on technology, corporate governance and risk management.

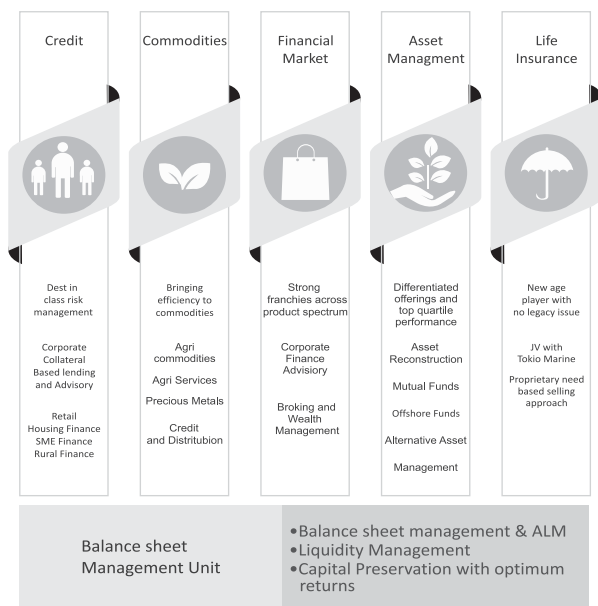
We are happy to share that Edelweiss has been voted "India's Best Managed Company" in the up to \$500 million market cap category by the investors and analysts readers of Hong Kong based Finance Asia, Asia's leading financial publishing house, in its annual poll on India's Top Companies - 2014. It is for second consecutive year that Edelweiss has been ranked in a similar manner in the Finance Asia Poll. This accolade is a recognition of our strategy of growing in a calibrated and cost-efficient manner while concentrating on areas like Risk Management, Governance, Leadership Development and Customer Centricity.

ORGANISATIONAL STRUCTURE

At Edelweiss, we have constantly worked towards building our product lines and managing our growth since inception. As we pursue more business opportunities, and as the Company grows and becomes more complex, we have to ensure that we remain efficient and effective. This requires constant effort towards organisation building, leadership growth and sharpening our backend systems, processes and technologies. Further, as our client base gets more retail and

geographically spread, we must find newer ways of meeting their expectations in an innovative, customer-centric and consistent manner. We also must remain on our toes to identify and control newer risks. This makes it imperative to ensure that our organizational set-up also keeps evolving in line with the changes happening within Edelweiss and outside to take care of the growing needs.

To meet future challenges, we have organised businesses of Edelweiss around five broad business groups – **Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance**. Each of these five business groups is, in turn, organised around Strategic Business Units (SBUs) catering to a specific vertical within the business group, based on commonality of business drivers, client segments, resources and backend support required. Finally, each SBU comprises several lines or sub-lines of businesses (LoBs) to impart greater focus on customer-centricity and performance evaluation of their specific business.



With the scaling up of our fund-based businesses, our borrowing and consequently Balance Sheet size have also grown over the past few years. This also means that the Group has to also increasingly manage its liquidity and liabilities as also to ensure proper asset liability match. The Balance Sheet Management Unit (BMU) manages these vital functions. The five business groups and BMU are controlled and supported by a core of Enterprise groups that provide

consistent quality and rigour to key process functions. These groups focus on improving efficiency and productivity and enhance our ability to deal with increasing complexity. As a part of organisation build out, we have also invested significantly in our risk management systems, HR processes, people and technology so that we are able to build a large efficient organisation and manage its complexities well.

Our organisational structure is nimble and evolving. While all the SBUs will drive synergies as well as address common needs, at an overall Edelweiss level there is oneness on key areas such as core value systems, culture, long-term strategy and allocation of key resources. At the same time, in order to build the SBUs into large independent businesses, some of the enterprise functions are being gradually decentralised so that they resemble, think and function like independent companies. This will align the enterprise functions to specific business requirements of respective SBUs and improve decision-making process. We have achieved significant progress in this direction and continue to work towards achieving further decentralisation.

Taking another vital step towards strengthening the SBUs, we have created internal Board of Directors for each of them with independent members, i.e. senior management persons not directly involved in managing that SBU. The SBU Boards also meet quarterly with a structured agenda and entire proceedings are conducted in the same manner as the Company Board Meetings. This provides an opportunity for independent review of SBUs. Clear benefits of doing this have been seen in better performance of SBUs. SBU Board members are drawn from a diverse skill set and are rotated depending on requirements of SBUs.

Diverse businesses of Edelweiss are conducted through an organisational structure consisting of 48 subsidiaries. These subsidiaries are regulated by various regulators for financial services industry such as RBI, NHB, SEBI, FMC and IRDA depending upon the business handled by them. We have a presence in 118 major cities through 216 offices including six international offices as on March 31, 2014. Together with a nearly 5,700 strong network of Authorised Persons and Sub-brokers, Edelweiss footprint covers nearly every major town or city in India. Edelweiss Group employs 4,001 employees, leveraging a strong partnership and ownership culture.

EDELWEISS STRATEGY

Ever since its inception, Edelweiss has successfully followed the strategy of synergistic diversification in adjacent spaces while focussing on people, processes, products and structure. This approach to growth and diversification means that we have grown steadily and consistently. The Group's approach is also characterised by its willingness to invest in the long term to build long-lasting and sustainable businesses. Edelweiss' diversification has not only demonstrated its capability of entering mature market segments and building successful businesses but also helped mitigate volatility and extreme risk.

Our broad strategy of diversification for long-term growth, which has resulted in our success over the years, is founded on the following eight key pillars:

- Strong Governance & Compliance Culture
- Focus on Risk Management
- Strong and Liquid Balance Sheet
- Commitment to People and Leadership Development
- Leveraging Technology for Strategic Advantage
- Quality Customer Centricity
- Research & Analytics-based decision-making
- Culture of Social Responsibility

These pillars constitute **key strengths** of Edelweiss. They have enabled us to launch new businesses, scale them up, gain market share and achieve a leadership position over the past 18 years. As a result, we have a core leadership team, a broad array of products and services, a strong foundation of large financial capital, a brand that is well recognised, a set of core values and most of all: clients who want to do business with us repeatedly. At its core, the strategy is governed by the aspiration to become a bridge between savers of capital and users of capital, by channelising savings into investments efficiently. Following this broad strategy, despite environment in recent past having been tough, we have grown our share in financial services industry in both relative and absolute terms as well as post perceptible improvement in our financial and business performance.

As a part of the above strategy, during the year under review, we decided to apply to RBI for a **banking license**. The rationale for this decision arises out of our aspiration to be

present in all forms of financial services in the country. Currently, among our businesses credit is the largest business and aligns well with the banking industry. While our lending operations can be sustained easily for some more time through market or debt borrowings and other sources which we have tapped, in the longer run a banking license does give access to low cost deposits by way of savings and current deposits and also makes us part of payment system. Further, at present, out of the Indian household savings channelled through financial intermediaries, nearly 70% flows to the banks and a banking license does help in covering the entire addressable pool of Indian household savings. However, RBI brought the current exercise to a close by granting only two licenses and has said that they will frame fresh guidelines for grant of banking licenses which could also include on-tap license and differentiated licenses. We will examine the new guidelines when issued and take an appropriate decision with the approval of our Board in due course.

At the broader level, our strategy and key business tenets going forward are:

- **Profitability** - taking our Return on Tangible Equity ex-insurance to best in class levels
- **Scalability** - achieving scale and critical mass in all our businesses, especially retail businesses
- **Sustainability** - improving the proportion of sustainable earnings by scaling up stable businesses, further de-risking and eliminating volatility in our performance
- **Management** - improving upon the excellent management quality that we have and build leadership for higher responsibilities in line with future growth
- **Governance** - strengthening the compliance function and ensuring highest governance standards

Financial Performance Highlights

In the post-global financial crisis era, year 2010-11 had witnessed return of growth and higher levels of activity in markets. As a result, most of the corporates had posted slightly better earnings in FY11 compared to previous year and there was a hope and optimism that the worst of the impact of global financial crisis was behind us, at least in

India. However, improvement in business climate was short-lived as towards the end of FY11, environment had again turned challenging on the back of Eurozone sovereign debt crisis and a weak U.S. recovery coupled with a host of domestic governance issues. As a result, the next year i.e. FY12 turned out to be significantly worse. At the same time, we at Edelweiss were nearing the completion of our diversification phase which entailed significant investment. As this investment, which was crucial to our long-term growth and reducing dependence on volatile capital markets businesses, passed through our Profit & Loss account, our profitability reached a trough in FY12 with Q2FY12 witnessing a low PAT of ₹263 million. As a result of these factors, our net profit for FY12 was also low at ₹1,277 million.

However, with investment phase nearing its end and despite no significant improvement in operating conditions, strategy of diversification of businesses started paying out dividend and our financial and business parameters started improving since Q2FY12. While we were focussing on improving our efficiency and productivity FY13 onwards, almost all our newer businesses under Retail Financial Markets and Retail Finance, broke even in FY13. This left only the life insurance business with red ink in its Profit & Loss account at the end of FY13. Contribution from the new businesses and efficiency and productivity improvement resulted in our net profit for FY13 going up to ₹1,785 million, a growth of 40% over FY12.

While we had the momentum generated in FY13 with us, we continued to focus on improving capital and operating efficiencies in FY14, besides scaling up our newer businesses even though the business conditions remained challenging. We therefore continued to post significant improvement in all our business and financial parameters in FY14 and, as mentioned earlier, over the last 11 years, our total revenue has grown at a CAGR of 65% and net profit has increased at a CAGR of 75% as at the end of FY14. Thus, our performance across market cycles demonstrates our ability to withstand impact of external forces and yet be able to build a robust and agile Company that can exploit growth opportunities and turn them into business whenever they appear.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR FY14

A summary of our consolidated FY14 financial highlights is as under:

* **Total Revenue of ₹25,555 million** (₹21,840 million for FY13), up 17%

* **Profit after Tax of ₹2,202 million** (₹1,785 million for FY13), up 23%

* **Diluted EPS of ₹2.85** (₹2.31 for FY13) (FV ₹1)

Dividend

The Board of Directors have recommended a final dividend of ₹0.15 per equity share (on a face value of ₹1) for FY14, subject to approval of members of the Company at the ensuing Annual General Meeting. During the year, the Company had paid interim dividend of ₹0.55 per equity share (on a face value of ₹1). The total dividend for FY14, therefore, works out to ₹0.70 per equity share (FV ₹1), which is equal to 70% Dividend Rate.

Buy-back of Shares

Soon after the close of FY14, Board of Directors at its meeting held on April 23, 2014 have approved the Buy-back of Company's equity shares of ₹1 each in accordance with the applicable regulations. The buy-back will be made from open market through Stock Exchanges at a price not exceeding ₹45 per equity share and for an aggregate amount not exceeding ₹1,350 million. The buy-back from the open market has commenced with effect from May 05, 2014. The Buy-back is intended to lead to better capital reallocation and improve our capital efficiency.

INCOME HIGHLIGHTS

Fund-Based Revenue

Our fund-based businesses earned revenue of ₹20,625 million for FY14 (₹17,811 million for FY13), a growth of 16%. Out of this, interest income was ₹17,760 million (₹15,355 million for FY13), up 16%.

Continuing our efforts since FY11, with scale-up of credit book this year, interest on loans continued to be a major revenue stream for us and accounted for over one-third (38%) of our total revenue for FY14.

Agency Fee & Commission

Our agency businesses recorded a fee & commission revenue of ₹3,556 million for the year, compared to ₹3,194 million in FY13, up 11%. This included Broking Income of ₹1,565

million (₹1,561 million for FY13) and Advisory & Other Fees of ₹1,991 million (₹1,632 million for FY13). Broking income accounted for around 6% of our total revenue for FY14.

The protracted slowdown in capital market activity levels, which began in third quarter of FY11, continued through FY14. Corporate Finance and Advisory services business witnessed low levels of activity with most of the corporates holding back capex investment in view of sluggish economy and uncertain prospects. In addition, secondary market volumes continued to be highly skewed towards options and lack of retail investor interest also persists. Hence, the industry witnessed its revenue pool being static and even lower in some verticals in FY14 compared to previous years. Despite this, we have been able to grow our Agency Fee & Commission revenue due to higher advisory fees.

Premium from Life Insurance Business

Our life insurance business was launched in second quarter of FY12 and it recorded a net premium of ₹1,062 million for the year (₹525 million for FY13 and ₹107 million for FY12) reflecting the planned scale-up of this business. Its gross premium for FY14 was ₹1,109 million.

Insurance industry continues to fare below the potential. We, however, being a new entrant, with no legacy issues, expect the insurance business scale-up to continue and this revenue stream to grow significantly in the years to come.

Net Revenue

With Credit business now being our largest business among the five main businesses, the concept of Net Revenue (net of interest cost) continues to be more appropriate to us. This is because interest cost, as with all Banks and large NBFCs, should reflect above the expenses line. On a net revenue basis, our Agency fee & commission and insurance premium for the year was ₹4,618 million (₹3,719 million for FY13) and Fund-based net revenue, i.e. net of interest cost, all the interest cost being for fund-based revenue, was ₹8,830 million (₹6,988 million for FY13). Thus the total net revenue for FY14 was ₹13,448 million (₹10,707 million for FY13), up by 26%. At the net revenue level, Agency & Insurance revenue and Fund-based net revenue contribute a balanced mix of 34% and 66% respectively.

EXPENSES

Our total costs for FY14 was ₹22,040 million compared to ₹19,247 million in the previous year, up by 15%. Compared to this, total revenue during this period has grown by 17%. Despite economic downturn accentuating in FY14 with the result that the year was second consecutive year of sub-5% GDP growth, we continued to invest in build out of our new and growth businesses and carried on hiring for some of the new businesses like Life Insurance and Retail Finance. We also continued to hire selectively in senior positions as part of our organisation building process. As a result, we added about 100 employees during the year. In addition, full year's impact of having added 800 employees in FY13 was also felt in FY14, contributing partly to the 26% escalation in our employee costs in FY14. We also calibrate the variable compensation to the employees in line with their performance. Our borrowings at the end of FY14 at ₹129.48 billion were higher compared to the previous year by ₹14.15 billion, or up 12%, supporting the scale-up in credit book by ₹20.56 billion. While the increase in borrowings was 12%, our finance cost increasing by 9% only in FY14 over FY13. Our operating expenses grew by 16% in FY14 more or less matching the 17% growth in total revenue in the year.

PROFIT AFTER TAX

Our Profit after Tax and Minority for FY14 was ₹2,202, million compared to ₹1,785 million for FY13, a growth of 23%.

Our Profit before Tax margin for the year was 13.8% and Profit after Tax margin 8.6%. Since a larger share of revenue is now coming from fund-based businesses (82%), the profit margins are aligned with those of the banking and large NBFCs industry.

Analysis of Profitability

Despite the operating environment being tough for second year in a row, we have demonstrated consistent improvement in profitability in each of the past two years because of the diversification strategy that we have consciously implemented through the years. While our profitability is on an upward trajectory, it was still impacted to some extent by the following factors:

- FY14 continued to witness challenging business conditions for Financial Market businesses leading to industry

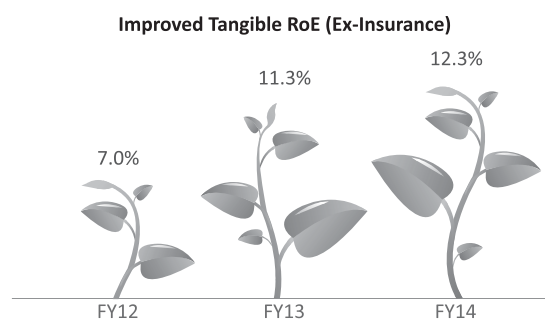
revenue pool remaining static or even shrinking in some verticals. This reflected in our broking and investment banking-related income remaining flat in FY14 compared to FY13.

- The prolonged economic downturn also affected the cash flows of corporate clients to some extent and there were some slippages in our asset quality in the credit book though the overall asset quality continued to be under control. The need to create a sizeable buffer by way of prudential loan loss provisions increased operating expenses to some extent during FY14.
- While our investment phase for building new businesses reached completion in FY12, the new businesses, namely Retail platforms - Housing & SME Finance, Retail Financial Markets and AMC are in the process of building scale. Thus, they are yet to reach an optimum stage where they can meaningfully contribute to the bottomline.
- The life insurance business, which is less than three years old, is still burning cash, as expected due to the inherent nature of insurance business, and pro-rata impact of that passes through our Profit & Loss account as we currently hold 74% equity in the joint venture.
- With our various business groups being in the process of achieving critical scale, it is imperative that we also invest in building appropriate organisation around them and build robust backend to handle increased scale of operations. Accordingly, we continued to invest in organisation building and infrastructure upgrade, technology upgrade, risk management and senior hiring in the organisation were a part of this investment to be future ready. In addition, certain strategic investments such as loan to our employee trust, which are currently non-yielding but are long-term accretive, are also causing a drag on our profitability.

Profitability ex-insurance

All the above factors, therefore, impacted our bottomline and margins for the year, even though we recorded significant improvement in our bottomline in FY14. Since the costs associated with planned scale-up of insurance business will continue to pass through our Profit & Loss account on a pro-rata basis for some more years to come, it would be in the fitness of things to assess the profitability of our core

business operations excluding the impact of life insurance business. Accordingly, our net profit for FY14 would have been around ₹2,715 million compared to ₹2,264 million in FY13, a growth of 20%. With our Tangible Equity at ₹22,060 million as on March 31, 2014 (ex-insurance, minority, deferred tax assets and preference shares), the return on tangible equity ex-insurance thus comes to around 12.3% for FY14, which is around 4% higher than the reported Return on Equity of ~8%. Our cost-to-income ratio ex-insurance which had peaked at 72% in FY12, has come down to 64% in FY14.



Outlook

While we were diversifying our businesses during 2008-12, it impacted our profitability in the short-term. Given our focus on long-term growth of the Company, we opted to suffer short-term pains. With the investment phase complete, we have focussed on improving operating and capital efficiency during 2012-14. Though we have achieved these efficiencies including improvement in our Return on Tangible Equity and Cost-to-Income ratio excluding Insurance in some measures, we need to still push these vectors for the next couple of years to be best in class. Our new businesses along with the mature businesses will continue to improve our overall business and financial performance in the coming years.

The FY14 was thus a year of consolidation and incremental improvements for us in the face of worsening economic scenario in the country. However, with the improvement in our business and financial performance since FY12, we feel confident that we are in right position to garner our share of growth when it returns. At the same time, we are now ready to achieve scale in our various businesses as also improve sustainability of our performance.

Businesswise Analysis of Profitability

Continuing our efforts to constantly enhance our disclosure levels, we have been including an analysis on profitability and capital efficiency of our main business groups in the Annual Investor Presentation since FY12. These presentations are shared with all the stakeholders and are also available on our website. Continuing this endeavour, the businesswise financial data based on Management's estimates for FY14/as on March 31, 2014 is as under :

(₹ in billion)	Revenue	Profit Before Tax	Tangible Network	Total Capital Employed	Pre-tax RoE	Pre-tax RoA
Credit	11.12	2.91	12.00	79.05	24%	3.7%
Financial Markets	4.64	0.30	2.11	13.62	14%	2.2%
Asset Management	0.60	0.15	2.43	7.19	6%	2.1%
Commodities	4.12	0.86	3.62	13.44	24%	6.4%
Balance Sheet Management Unit	3.44	0.40	2.53	29.81	16%	1.4%
Corporate & Unallocated#	-	(0.42)	1.89	10.95	N/A	N/A
Total - Ex Insurance	23.92	4.20	24.58	154.06	17%	2.7%
Insurance	1.64	(0.69)	6.37	6.37	N/A	N/A
Total	25.56	3.51	30.95	160.43	11%	2.2%

*Notes: Numbers are Management Estimates | Capital employed in Financial Markets includes Retail Loans against Securities ₹7.23 billion
#Investments in office building, Strategic Investments and Advance tax paid*

The above Table shows that all our existing businesses, except Life Insurance, are now achieving acceptable profitability and capital efficiency parameters. The Life Insurance business, given its inherent nature, will take a while before it breaks even. **Increasingly our profits are being contributed by multiple businesses and we have reduced concentration risk in this in our efforts to make the profits more sustainable.**

Balance Sheet and Non-Linear Growth

For a financial services company like Edelweiss, financial capital is one of the most important resources, besides human resource. We believe that a strong balance sheet imparts unique ability to our Company to be able to provide growth capital for building and scaling up new businesses, capture any episodic opportunities and be able to undertake larger volumes of transactions. Edelweiss has a total net worth of ₹30.95 billion as at the end of FY14 compared to ₹26.91 billion at the end of FY13, including minority interest. Amount of debt on the Balance Sheet as on March 31, 2014 was ₹129.48 billion (₹115.33 billion as on March 31, 2013), a Gearing Ratio of 4.18 times. However, a part of our borrowings is backed by liquid assets like Bank Fixed Deposits and Government Securities. Excluding such back-to-back borrowings, our Net Gearing Ratio stands at 3.56x times as on March 31, 2014. The comfortable leverage allows us enough headroom to continue to grow and invest in businesses.

As mentioned earlier, it is appropriate to look at our financial parameters ex-insurance as they present a truer picture of the performance of our core business operations. The following Table summarises our financial performance ex-insurance:

Ex-Insurance (₹ in billion)	FY14/as on Mar 31,'14	FY13/as on Mar 31,'13	Change in Amount	% Growth YoY
Revenue	23.91	20.86	3.05	15%
Profit After Tax	2.71	2.26	0.45	20%
Pre-tax Return on Tangible Equity	17%	15%		
Pre-tax RoA	2.7%	2.4%		
Balance Sheet (ex-Ins)	154.06	137.68	16.38	12%
Borrowings	129.48	115.33	14.15	12%
Credit Book	86.28	65.72	20.56	31%

Thus, while our ex-insurance Balance Sheet increased by 12% during FY14, our ex-insurance Net Profit increased by 20% in the same period, clearly indicating the non-linear growth that we have achieved evidencing improvement in capital efficiency in FY14. We had also achieved non-linear growth during FY13 in a similar manner. We hope to continue non-linear growth going forward as well, though may not be at the same percentage. The above Table also indicates that the growth in Balance Sheet size or Borrowings is actually lower than the growth in the Credit book.

Our long-term strategy of diversifying across businesses, asset classes and client segments continues to stand us in good stead as demonstrated by constant improvement in our financial and business indicators as above.

Fortune India 500 Rankings

Based on the Fortune India 500 Rankings as on March 31, 2013, EFSL ranks at 404th largest company in India in terms of Revenues and at 271st largest company in terms of Profit after Tax.

Business Performance Highlights

CREDIT BUSINESS

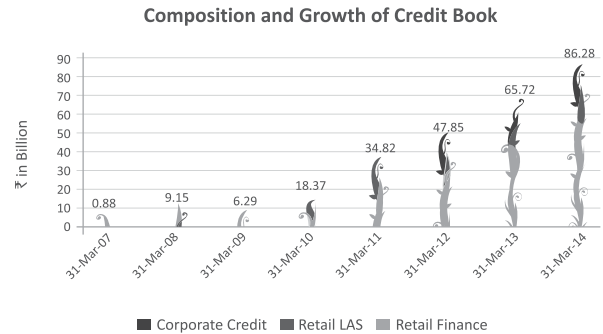
Our Credit business includes Wholesale Finance and Retail Finance. Wholesale Finance comprises collateralised Corporate Finance and Debt Capital business including Fixed Income Advisory (Syndication and Restructuring). Retail Finance encompasses LoBs such as Housing Loans, Loan against Property (LAP), Lease Rental Discounting (LRD), Rural Finance and SME Finance. Mid-to-large corporates, HNI, Retail including small rural borrowers and SME customers constitute key clientele.

The experience of our transition from wholesale to retail highlighted Credit as being the largest and fastest-growing segment in financial services. The large need for Credit underscored the existence of an underserved niche in a high growth economy. Edelweiss' Credit business is anchored in a deep understanding of and investments in underwriting and strong risk management practices. Underwriting is based on a detailed analysis and appraisal of cash flow, collateral and counterparty. Risk management involves establishing robust processes around monitoring, communication and follow-up.

In the business environment, though commercial credit from banks witnessed second consecutive year of subdued growth in FY14, NBFCs were still able to grow their books selectively. In addition, with equity capital raising being on the backburner, debt markets presented ample opportunities for scale-up of Credit business.

Total loans in Edelweiss' Credit book touched ₹86.28 billion as on March 31, 2014 compared to ₹65.72 billion as on March 31, 2013, a growth of 31%. The book comprised

corporate loans of ₹58.15 billion and retail loans of ₹28.13 billion. Retail loans constitute 33% of credit book.



During the five years period from FY09 to FY14, our Credit book has grown at a CAGR of 69%. The credit book scale-up is happening without diluting our risk standards.

Average collateral cover in our loans collateralised with securities, was 2.6 times as on March 31, 2014. 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 composition and growth of Credit Book since inception is as under:

Asset quality of our credit book continued to remain satisfactory. However, economic downturn over the past two years and pressure on corporate earnings resulted in cash flow issues for some of the borrowers and, in sporadic cases, the delinquencies went up. The situation was similar to that of commercial banks where the asset quality came under severe pressure, though the NBFCs in general managed the situation far better. Our Gross non-performing loans thus went up to ₹819 million at the end of FY14 compared to ₹285 million at the end of FY13. The Gross NPA ratio was 0.95% as on March 31, 2014 compared to 0.43% as on March 31, 2013. The Net NPA ratio was 0.25% as on March 31, 2014 compared to 0.11% as on March 31, 2013 indicating a healthy Provision Coverage Ratio of 74%. We provide general loan loss reserve on standard assets as per the RBI guidelines. Including this prudential provision, total provision cover on our Gross NPLs stands at 100%. We hope to maintain asset quality at these levels going forward provided the environment does not worsen significantly.

Retail Finance

As a part of our long-term strategy of diversifying into retail segment, Edelweiss launched Housing Finance as a part of Retail Finance business in the third quarter of FY11. This was soon followed by adding Loans against Property (LAP) and Small and Medium Enterprises (SME) finance in FY12. In FY13, we added Small Ticket Housing Loans to our portfolio and have now further diversified into Rural Finance in December 2013 as a part of our conscious strategy to cover all sections of society.

The business operates in 22 cities via Large Ticket, SME and Small Ticket Home Loans and ~400 villages through the Rural Financing business launched in collaboration with IFMR Rural Channel and Services P. Ltd. We plan to expand our presence to around 28 cities by the end of FY15 as also significantly enlarge our footprint among Indian villages.

Housing Finance

The Indian housing finance market is currently witnessing a very low penetration. To some extent, high interest rates and high inflation, which raises the cost of inputs, during the past couple of years have contributed to this situation. However, housing finance market is expected to grow over four times by the end of this decade given the young demographic and large middle class profile that India enjoys and the fact that it is the aspiration of every Indian to own a home. In addition, migration of working class from rural to semi-urban and urban cities will also drive demand for housing in these cities. This business, therefore, presents vast opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams.

This business, including LAP, is also an integral part of our strategy to diversify our asset classes and cover a larger retail footprint together with significant opportunities to cross-sell our other products to retail clients. Its client base as on March 31, 2014 is over 15,000 including around 11,900 clients under Rural Finance.

SME Finance

SMEs account for a significant portion of India's economic output and employment. The sector is underfinanced and credit plays a crucial role in the growth of this sector. Edelweiss, in 2012, expanded into SME Financing and has till now disbursed around ₹5 billion covering over 1,000 SME

clients. The business currently operates in seven major cities which account for a large part of the addressable SME market. Given the sizeable contribution of SMEs to the Indian Economy, this business presents a significant opportunity to build a highly profitable and scalable business.

Retail Finance Business Performance

Credit industry grew at ~15% in FY14. First half of FY14 was a difficult environment with reduced cash liquidity and rising interest rates. We navigated through this period by actively looking at new and adjacent markets, more profitable products with strong and robust risk management and conservative underwriting approach.

By the end of FY14, the Retail Finance business had built a book of ₹20.89 billion compared to ₹16.27 billion at the end of FY13 and ₹7.76 billion at the end of FY12. The retail book included Housing Loans and LAP of ₹16.86 billion and SME loans ₹4.03 billion at the end of FY14. Retail Finance business' Assets under Management as on March 31, 2014 are higher at ₹22.40 billion as a part of its loan portfolio was securitised in the fourth quarter for the first time. In addition, retail loans against securities were ₹7.23 billion.

The retail businesses of housing and SME finance follow conservative underwriting standards and have healthy asset quality with NPAs at 0.4% as at the end of the year under review.

Debt Capital Business

As mentioned earlier, first half of FY14 witnessed huge concerns regarding current account deficit which led RBI and Government to tighten liquidity in markets followed by three hikes in rates in second half of FY14. These conditions created an upheaval in bond markets which had an impact on fund raising activity as private placement volume dipped sharply in second quarter and could not pick up significantly in second half of FY14. However, higher yields on offer resulted in superior market appetite for tax-free bonds and this segment saw a large uptick in activity, particularly in public issue space. The credit and investment cycle revival is long overdue and the trigger can come by way of revival of economy on the back of a stable and progressive Government at the Centre. Accordingly, debt capital market activity is anticipated to take off from second quarter of FY15 onwards.

Edelweiss Fixed Income Markets platform realigned its efforts in tune with market appetite and focussed on tax-free and public issue segments to keep up our superior market positioning. As a result, we were able to maintain 11%+ share in

private placement space (including tax-free bonds) raising over ₹255 billion. Our performance in public issue of bonds was even more impressive with an almost 50% share as we were managers to 11 issues that accounted for mobilisation worth ₹210 billion. Tax-free issuers that we have been associated with include large and reputed public sector giants like REC, PFC, NHB, NHAI and HUDCO across multiple public issue tranches. We have also been arrangers to private placement of tax-free bonds by NHAI, REC, PFC, IIFCL and IRFC. The key NCD issuers who have mobilised funds via us included REC, PFC, SAIL, EXIM Bank, Mahindra & Mahindra Financial Services, Sundaram Finance and India Infoline Housing Finance etc.

Our sales and broking franchise kept up the momentum despite market volatility and dip in trading volumes. We adopted a nimble, dynamic approach in response to the uncertain environment particularly in second and third quarters, which enabled us to strengthen our counterparty network. We have also been playing an active role as market makers in secondary market for tax-free bonds. With FII flows picking up momentum in last quarter, we have been ramping up our sales efforts on this front and aim to widen our existing client base to capture a greater share of the inflows going forward. The research product portfolio has undergone significant enhancement with the publication of specialised research reports on State Development Loans, Tax-free bonds and IRFs etc. with the objective of enhancing investor awareness and achieving detailed coverage across multiple product categories.

Fixed Income Advisory - Debt Syndication and Restructuring Services

As a part of our overall Credit business, we also offer wide ranging debt syndication and debt restructuring advisory services to our corporate clients. This enables us to offer complete range of solutions to the clients besides fund-based assistance. During the year under review, this line of business scaled up its activities and handled 19 advisory transactions.

Debt Capital Markets and Fixed Income Advisory taken together handled 53 transactions in FY14 compared to 39 in FY13.

COMMODITIES

Edelweiss saw the opportunity in commodity-related financial services as a new emerging need for the economy as bridging the physical with the financial needs of the commodities market. Commodities is now a strategically important business and a relevant asset class for Edelweiss which has helped us diversify our revenue streams as also tap a significant emerging business opportunity. We continue to

build our commodities business across two large verticals - agri commodities and metals.

Agriculture in India

Agriculture remains a key sector of the Indian economy and continues to play a pivotal role in driving economic growth. Also, in terms of volume of produce, India is the second largest agri commodities producer nation in the world.

Government took upon itself to spread know-how, market intelligence and the fruits of agricultural research to the people at large. However, the well intentioned government efforts suffered in execution. The ill-effects of underinvestment and absence of fresh thinking can be easily seen. Public investment in agriculture has stagnated over the past few years as the government's subsidy bill for food, fertiliser and fuel has risen.

Going forward, demand for energy, food, metals, and water should rise as millions of new middle-class consumers emerge. Now, in absence of public investment, Indian agriculture is increasingly dependent on private outlays, which account for three-quarters of total investment in the sector. Private companies are finding alternative ways to help the agri industry find scale and sustainability. In spite of decades of under-investments in agri-related infrastructure, irrigation, logistics, warehousing and food processing, we have come a long way in moving towards self reliance.

Agri Commodities - Edelweiss Approach

We see agri business as a significantly large and untapped opportunity in India. Essentially, we are looking at this from value-creation perspectives - sourcing of commodities through our infrastructure and intermediary network, making credit available to the participants in the value chain; capacity for storage and transit of agricultural produce leading to efficient distribution and lower wastage. We see immense value in creating an integrated business model that can be captured in a statement - from farm to forks.

We believe that what would be visible in the foreground is sourcing and distribution strength; however, the backbone of this business is a deep understanding of value chain from an operations and risk perspective. The entire space is very operationally and logistics intensive and hence fraught with many risks – from price risk to collateral risk to credit risk, and last but not the least of all risks – fraud risk.

We need to build our infrastructure including storage and transit capacity, people strategy, technologies and risk and operations processes around the four vectors of growth -

sourcing, logistics, credit and distribution. We are investing to build a solid and robust backbone.

India imports many commodities - oil seeds, pulses, chana, etc. and we see a large opportunity in the agri commodities space - across the business models - storage/transit, distribution, trading and trade financing. Increasing disposable incomes, rapidly growing urbanisation and demographic and socio-economic changes in India have been pushing demand for agri commodities up and we believe that such a trend is likely to continue.

What began four years ago as a quest to understand better the agri commodities space, has become an area of focus and interest for Edelweiss. We are in the flow business and dealing in physical agri commodities. The flow book aims at running a book with as low as possible price exposure at all times with extremely rigid risk controls and limits. We have access through our own licences in the mandis to our network of brokers and intermediaries and serve end-user clients of most large commodities such as chana, jeera, mustard, pulses etc. We are also sourcing many commodities from producing nations through our supplier tie-ups and people presence in African region, Canada, Australia et al. We intend to scale this part of the business to be able to serve the growing needs of India in commodities where the demand far outweighs local production.

We have also established extensive tie-ups with all large warehousing service providers for the next step which is storage. We, through our insurance cover, have taken measures to mitigate any risk arising out of damage or diminution to goods stored in warehouses. We believe that our long-term edge is through better sourcing and warehousing/logistics infrastructure tie-ups in the short term and building our own expertise and experience in sourcing, and logistics setup and financing business over the long term.

Access to all key commodities exchanges gives us the risk management and hedging platform, a key requirement for this business for minimising the price risk. Strict due diligence on our buyers and adequate risk controls minimise the credit risk.

While there are risks associated with narrow or local commodities, we have chosen to be present in large, globally relevant commodities with significant consumption in India. We also believe that exploring international markets for sourcing and trading could be a next large opportunity for not only us but for the Indian agri industry and we are evaluating such opportunities. As more investment takes place in farm technology, better yielding crops are

developed, and measures to reduce intermediation costs for the industry take place, we are likely to see more opportunities in the market.

Metals: Edelweiss Approach

The precious metals industry in India is undergoing a series of changes - institutionalisation of business which has traditionally been done in a particular way, entry of corporate players in most verticals - import, processing, branding and retailing. Currently, except refining of ore and conversion into metal bars - India has the capability and prowess for all other activities. India has seen a very robust demand for precious metals in all forms - jewellery, medallion, investments and now we are seeing that exchange traded mutual funds are creating impact in a small but meaningful manner to allow investors to access the asset class. We have been closely watching the space for identifying emerging opportunities.

We are currently in the business of procuring/import of metals (gold and silver) and distributing it to our clients who are end-users (jewellers, manufacturers or traders). A group company is an associate member of LBMA the premier industry organisation for precious metals business. We are now one of the largest importers of gold into India with over 4-5% market share in FY14. The year gone by has been a year of regulatory flux and changes in the precious metals space - largely aimed at bringing down import of gold into India to contain ballooning current account deficit. Regulatory changes have also mandated a presence in jewellery export space to be able to import gold for domestic distribution.

Our USP is to ensure door delivery of gold at a time and place of our clients' choice along with ensuring continuous availability of material. Also, we service our clients through the day and our business hours extend beyond traditional banking hours giving clients more flexibility. Clients get to trade with us till the close of trading on international exchanges since price discovery activity extends beyond normal banking hours in India. We distribute precious metals at more than 10 centres to over 400 active customers. We are empanelled with most large bullion suppliers including international banks for a continuous and ready supply of metal.

We have access to key international and domestic commodities exchanges for our hedging and risk management needs. We have business relationships with a number of large domestic and global banks either for supply of metal or for banking lines.

Our edge in the business continues to come from our sourcing tie-ups, door delivery to clients, extended business hours covering international markets timings, our financial strength

that gives us access to lines of credit, ability to hold inventory, and dedicated operations and risk management infrastructure.

We have experienced professionals in both the business teams - agri and metals - and they are supported by a robust backend. We are proactively investing in technology since we believe it to be key determinant of success in both agri commodities and metals businesses. All of this coupled with Edelweiss' financial strength, credit worthiness and reputation will help us build a large and sustainable commodities business.

FINANCIAL MARKETS

Edelweiss began its journey in 1996 with focus on Corporate Finance Advisory and later forayed into Institutional Equities. These two mature businesses continue to form the core of our Financial Markets business comprising two SBUs, namely Wholesale Financial Markets and Retail Financial Markets.

Wholesale Financial Markets

This SBU includes Corporate Finance Advisory and Institutional Equities businesses. We harness natural synergies between these two LoBs while maintaining appropriate Chinese walls to avoid any conflict of interest between them.

Corporate Finance Advisory

Corporate Finance Advisory business includes Equity Capital Markets (ECM) business and Advisory Services supported by Financial Sponsors Group. Our Financial Sponsors Group builds and strengthens relationships with financial sponsors, corporate and business groups. It is a significant part of our strategy to reach a wider range of clients with products and services across asset classes. Our client segments range from the Private to the Public Sector and from Mid-caps to Large caps across industries.

Equity Capital Markets (ECM)

The ECM LoB provides a wide range of services including IPO transaction execution, FPOs, QIPs and Rights Issues.

Advisory Services

Advisory services offer mergers and acquisitions advisory, capital raising advisory, real estate & infrastructure advisory and transaction execution relating to structured finance.

Mergers & Acquisitions Advisory

Our Mergers and Acquisitions (M&A) team provides strategic

and financial advice to our clients in relation to 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

Among our Capital Raising Advisory practice, Structured Finance team provides a range of innovative structured solutions, including acquisition financing and sponsor financing. Our Private Equity Advisory arranges capital from private equity funds for companies across sectors.

With investment in building capacities on backburner, Indian corporates were hardly seen in the equities markets. The industry therefore continued to witness extremely low levels of activity. Despite this, we were able to close eight transactions in FY14 including three PE placement. The deal pipeline, however, continued to be strong and the outlook for this business has improved significantly at the time of going to press. We have successfully handled private equity placements or strategic exits of over ₹50 billion since May '09 and continued to be one of the leading players in PE space.

During the third quarter of FY14, we arranged the third edition of our conference, "**Convergence – The Edelweiss Private Companies Conference**", which witnessed huge response and served as a platform for more than 40 unlisted companies to present their vision and growth outlook to over 110 private and public markets investors. This, we believe, was India's largest unlisted company conference.

Institutional Equities

Institutional Equities business that started in 2001 continued to be a market leader. 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 be among the largest Indian Institutional Broking Houses in the country with a market share of 4 to 4.5% by revenue. The structural shift towards options witnessed in the past three years coupled with increasing competitive intensity in the industry resulted in broking yields continuing to slide for the industry along with a shrinkage of revenue pool for the industry. We continued to be among leaders for Algo trading and have added Smart Order Routing functionality to all our Directional Algos, which allows execution on NSE or BSE wherever the price is better.

Equities Research & Analytics

Edelweiss approach to Research has been part of the very existence - keenly differentiated and many a times lateral in thought. It has a formidable reputation of largest array of research processes - from thematic to fundamental, from primary to empirical, from quantitative to qualitative - at all times providing a holistic view of economy, consumer, sectors and consumption trends covering various sectors. Our fundamental research covers 190 stocks among 20 sectors representing over 75% of total market cap.

Corporate Access

To complement the research effort in building a sustainable Institutional Equities business, it is essential to provide extensive corporate access to clients. Our clients depend on access to management of companies in which they are interested in order to be able to take informed investment decisions. We fulfil this vital need through roadshows to showcase Indian companies to clients and investor trips to meet company managements.

In addition, we provide our clients opportunities to interact with a large number of corporates through hosting of annual Indian and International conferences. During the fourth quarter, we held our **flagship India Conference** in Mumbai with the **“Anti-Fragile”** theme. The conference met with excellent response with participation of over 100 Indian Corporates and over 500 global and Indian institutional investors facilitating over 2,500 meetings among them. As part of the theme, we launched our book **“Thriving in Adversity – Conversation with leaders of India’s Anti-Fragile Companies”** featuring conversation with top 22 iconic Indian business leaders who have guided their companies in uncertain times.

Retail Financial Markets

This SBU comprises Retail Broking and Global Wealth Management (GWM) LoBs. Retail Broking includes the organically built online broking format through our internet portal www.edelweiss.in and offline broking format through acquisition of Anagram in FY11.

Retail Broking

Retail Broking business was launched about five years ago as a part of our articulated strategy of diversification in client segments to include a larger retail footprint. It has continued to gain scale in FY14. The online portal emerged as a popular site among investors with over 10 million unique visitors

viewing over 130 million pages during 64 million visits since its launch. The Retail Broking business offers innovative products along with one of the widest research recommendations for individual clients.

We continue to build scale in this business with the aspiration to emerge as a leading retail broking house.

Global Wealth Management (GWM)

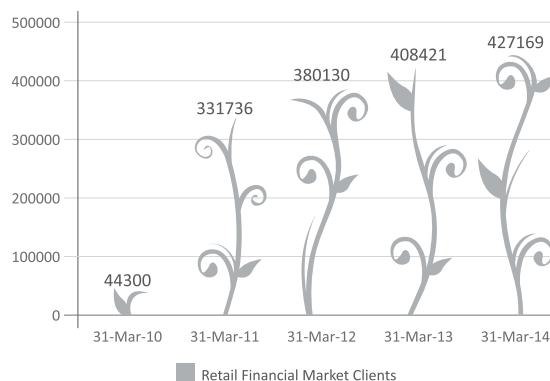
GWM business offers Wealth Management Advisory and investment services to HNI clients with an emphasis on research and analytics. It offers clients customised value-added services and asset allocation strategies with innovative and structured solutions. We continued to be among the largest domestic issuers of structured products with outstandings touching ₹13.60 billion by the end of FY14 compared to ₹10.8 billion at the end of FY13. AuAs for GWM increased to ₹48 billion by the end of FY14 compared to ₹32 billion at the end of FY13.

Financial Planning

GWM offers fee-based **Financial Planning** services for individual clients that enable a client to prioritise financial needs, goals and aspirations and guides to achieve the same. This is part of conscious strategy to provide value-added services to a wider set of clients including the mass affluent.

Including all the LoBs, Retail Financial Markets business had 427,000 clients at the end of FY14 having added over 18,000 clients in the year.

Retail Financial Market Clients



Broking Volumes & Income

Our total clients’ broking average daily volume (ADV) for FY14 (including institutional equities, online & offline retail volumes) was ₹31.3 billion in FY14 compared to

₹29.4 billion in FY13. Our Securities Broking business earned a broking commission of ₹1.41 billion in FY14, almost flat compared to ₹1.39 billion in FY13. Thus, while clients' broking volumes recorded a growth of 7% during FY14, broking income was flat due to higher Options volumes and higher competitive intensity. Our Securities Broking income accounts for 5.6% of our total revenue for FY14 compared to 6.4% in FY13.

ASSET MANAGEMENT

Asset Management business started around seven years ago with Alternative Asset Management SBU and later on diversified to include Retail Asset Management SBU.

Alternative Asset Management

Alternative Asset Management business was launched in 2007 and focusses on mobilising subscriptions from offshore and domestic institutions and HNIs through funds structures to invest in alternative asset classes in India. It also includes our Asset Reconstruction Company (ARC) and related businesses. Our objective in creating this SBU is to offer innovative and differentiated products to institutional and HNI investors. We achieve this by combining Edelweiss platform with investment capabilities to create a superior investment performance.

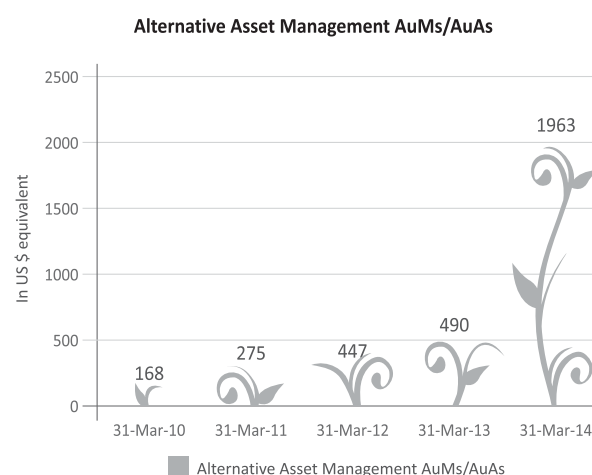
Our product portfolio at the end of FY14 comprised EW Special Opportunities Fund, EW SBIH Crossover Fund in joint sponsorship with SBI Holdings, Inc. of Japan, EW Special Assets Fund, E-STAR - an Asset Reconstruction Fund and a Real Estate Domestic Fund.

With the lingering downturn in Indian economy and corporate earnings coming under pressure, asset quality of banks, especially PSU banks, continued to worsen in FY14. Taken together with the restructured loans, the percentage of troubled assets with some of the banks is now in double digits. While PSU banks were not enthusiastic in the past few years about selling their NPAs to ARCs, incessant rise in bad assets coupled with tightening of regulations by RBI made them once again turn towards ARCs to offload a part of their stressed assets in second half of FY14. Edelweiss ARC was well positioned for this opportunity and acquired assets worth around ₹90 billion to take its total AuMs to ₹92.4 billion as at the end of FY14. Edelweiss ARC is now among the leading ARCs in the country and plans to further scale up its AuMs in FY15 as the banks are expected to continue to resort to ARCs for managing their NPAs.

We are excited about the ARC opportunity as it helps in releasing productive assets for the Nation's economy and assists commercial banks by reducing their burden.

At the same time, scaling up size of the offshore funds has proved to be a challenging task given lack of enthusiasm of offshore investors to commit funds to India for medium-term in view of declining GDP and depreciating currency.

The AUMs/AUAs of this business now stand at about \$1.96 billion or ₹119.76 billion equivalent as on March 31, 2014 compared to \$490 million or ₹26.96 billion equivalent as on March 31, 2013.



This business represents a growth opportunity for Edelweiss and we continue to invest in building this business.

Retail Asset Management

Edelweiss Mutual Fund, aimed at providing differentiated asset management solutions to domestic retail customers, was launched in September 2008. While growth in assets has been muted given the challenges faced by Indian mutual fund industry, various schemes have demonstrated excellent performance. However, given low Indian penetration of MF AuMs, which are just over 10% of bank deposits in India, we are confident that the mutual fund industry has the potential of a sustainable long-term growth.

It manages 10 funds across Equity and Debt Schemes, with AuMs of ₹1.96 billion at the end of FY14. We now have an active base of over 12,300 investors compared to about 9,030 investors at the beginning of this year. The distribution network comprises a force of over 3,200 distributors. The focus of this business continues to be on developing a variety

of products and building investment track record. We will continue to nurture our domestic asset management business, an integral part of our overall retail strategy, and be ready to capture growth when the industry fortunes change for the better.

As a part of our efforts to build scale in this business, we announced on May 1, 2014 acquisition of Forefront Capital Management Pvt. Ltd., a high net worth focussed asset management company that spans the alternative as well as traditional investment space. Asset Management space is slated to grow rapidly with increasing economic prosperity and the move from savings to investment. Forefront's high quality management, innovative and multilayered product portfolio, and deeply ingrained 'process driven' investment philosophy is synergistic to Edelweiss' existing asset management business. With this, we will widen and deepen our presence in Asset Management business and provide additional innovative investment solutions to our clients.

LIFE INSURANCE

Edelweiss Tokio Life Insurance (ETLI), our joint venture with Tokio Marine Holdings Inc. of Japan, one of the oldest and biggest Insurance companies globally, was launched in July 2011 as a part of Edelweiss strategy to diversify its businesses and to cover a larger footprint in the retail segment. ETLI was launched with a capital of ₹5.5 billion - among the highest start-up capital for any Indian life insurer, signifying our commitment to building a long-term sustainable business. The commitment of both the JV partners was further demonstrated during the year under review as they infused fresh capital of ₹2.50 billion taking the paid-up capital to ₹8 billion. Currently, Edelweiss holds 74% equity in this JV with Tokio Marine holding the rest.

ETLI offers diverse products to meet the basic needs of customers on education funding, wealth accumulation, wealth enhancement, income replacement and retirement funding. Currently, ETLI offers a bouquet of 21 products comprising 18 individual products and three group products. ETLI has a well spread out footprint in the country with 58 branches in 48 cities. It opened 13 new branches in different regions of India during FY14. The scale-up of the Agency channel continued with the number of Personal Financial Advisors (PFAs) crossing 7,250 by the end of FY14 compared to around 3,400 as at the end of the previous year. ETLI now has a strength of about 1,401 employees compared to 1,275 at the end of the previous year. ETLI continued to strengthen the senior management team with key senior experienced

hires during the year. During the year, ETLI has also enhanced its Bancassurance tie-up with The Catholic Syrian Bank Limited and has activated 275 branches of the bank for sale of ETLI products.

Its gross premium income for FY14 was ₹1,109 million compared to ₹548 million in FY13 and ₹109 million in FY12. The business had a net loss of ₹690 million in FY14 compared to a net loss of ₹647 million in FY13, which is in line with the plan. Its net worth is ₹6,372 million at the end of FY14. Its Solvency Ratio as on March 31, 2014 is 220% compared to minimum regulatory requirement of 150%. During FY14, ETLI issued about 32,999 policies. It had earlier achieved the milestone of having issued over 50,000 policies within a short period of just over two years of operations.

ETLI's distribution strategy is based on "Need-based Sales" philosophy and the key message in its communication, "Insurance se badhkar hai aapki zaroorat", continues to emphasise the core value of customer centricity.

Tokio Marine Group, Joint Venture partner in ETLI, has actively contributed in various facets of building the insurance business such as actuarial risk management, product development and asset liability management.

ETLI has recently won "The Rising Star Insurer" Award in the Indian Insurance Awards, 2013. This award is given to honour a stand-out young insurer showing promise of becoming a major force to reckon with in the years to come. ETLI has also been adjudged as a winner of "Top 100 Infosec Maestros Awards". This award is given to information security leaders in India.

Life insurance business offers exciting opportunities in India given the current low level of penetration where India ranks 136th in the world. However, given the demographics in India, it is expected to emerge as one of the top three markets in the world by the end of current decade. Rising life expectancy and absence of state social security will also propel demand for insurance products. ETLI aspires to play a major role in meeting the insurance needs of Indian populace in a customer-centric manner in this growing market with its "VijayPath" philosophy which has all its sales force and customers excited about it.

BALANCE SHEET MANAGEMENT UNIT (BMU)

Edelweiss started treasury operations along with setting up of Institutional Equities business in 2001-02 in order to optimally utilise working capital employed in that business. Initial focus of treasury operations was on equity arbitrage which went on to

include special situation arbitrages. However, changes in taxation laws in FY09 coupled with emergence of Options as the dominating component of daily volumes significantly shrank arbitrage opportunities. By this time, our credit and commodities businesses also had started scaling up resulting in increase in capital employed in those businesses. This was followed in last three years with lengthening of asset side duration as our retail finance book also started scaling up. With the resultant increase in our levels of borrowings and assets duration, it became imperative to focus on balance sheet management including assets liabilities management and liquidity management. Accordingly, treasury operations have undergone a significant realignment of priorities in the last three or four years and the treasury has transformed itself into Balance Sheet Management Unit.

BMU now manages our Group's liquidity in a way similar to a commercial bank, while also managing the balance sheet and ensuring that maturing liabilities are repaid smoothly. It also manages key components of assets and liabilities without allowing any mismatches to creep in, monitors interest rate sensitivity in our portfolio and takes preemptive steps to mitigate any potential liquidity and interest rate risks.

Our BMU assets as at the end of FY14 were ₹29.81 billion, which mainly include fixed income securities and bank fixed deposits, compared to ₹29.95 billion as at the end of the previous year. BMU assets form about 19% of our effective Balance Sheet size as on March 31, 2014. BMU assets are structured to maintain sufficient liquidity to address capital needs of our businesses as also to manage interest rate risk. As a result, we ensure that a large part of our book can be liquidated within a short period with minimal impact costs. Our strong focus on enterprise wide risk management ensures optimum returns in this business while preserving our capital.

Asset Liability Management Committee (ALCO)

Edelweiss ALCO primarily manages allocation of capital among businesses along with Asset Liability Management. It also oversees implementation of an effective process for managing the Group's interest rate, liquidity, capital and other market risks relating to the balance sheet and associated activities, including adoption of policies, risk limits and capital levels from time to time. Some of the major functions of ALCO are as under:

- Monitoring of various macro-economic indicators and using them to take decisions regarding liquidity situation, borrowing plans and deployment strategies.
- Monitoring of liquidity GAP and recommending appropriate financing and asset deployment strategies,

depending on whether the GAP is a Net Asset position or a Net Liability position respectively.

- Monitoring interest rate GAP and recommending re-pricing options for asset and liability portfolios.
- Reviewing various "what-if" scenarios and preparing contingency plans.
- Approving liquidity risk and interest rate risk tolerance levels by reviewing how these risks may adversely affect the Group's earnings and capital.
- Monitoring capital management of the Group to ensure that capital levels are maintained in accordance with regulatory requirements and our policy.
- Considering product pricing for advances, desired maturity profile and mix of incremental assets and liabilities taking into account all available data.
- Deciding source and mix of liabilities or sale of assets, by developing a view on future direction of interest rate movements.
- Deciding on funding mixes between fixed vs. floating rate funds, wholesale vs. retail funding, money market vs. capital market funding, etc.

Balance Sheet Management

For any financial services firm, its capital is the bedrock on which the entire edifice is constructed. From its earliest days, Edelweiss has recognised this and has always focussed its energies in creating a strong and liquid balance sheet. This enables us to deploy capital for launching and scaling up new businesses, which are integral to our core strategy of risk-mitigation by diversification. A strong balance sheet also enables us easier access to market borrowings on the back of a strong credit rating. A liquid balance sheet simultaneously permits Edelweiss to redeploy capital efficiently towards business opportunities that appear at short notice. It also helps in confidence building exercise with our lenders. At the same time, a growing balance sheet like ours requires us to be constantly on our toes to identify and manage newer risks and adopt newer strategies.

In order to manage Balance Sheet actively, we prepare a daily balance sheet for real time monitoring and adopt a process of projecting a balance sheet rolling monthly, for end of the quarter and year-end, which eliminates any surprises. Any abrupt change in assets or liabilities is closely monitored and situation rectified in time.

In order to manage liquidity, we employ a Liquidity Scenario

Model to monitor environmental liquidity conditions based on various market indicators. We also quantify our consolidated liquidity position for all buckets, which gives us a broad idea of our liquidity scenario for the next 90 days. We take care to ensure an adequate liquidity cushion is maintained by way of unencumbered assets and undrawn bank lines to take care of immediate requirements of next seven days. Thus, pro-active balance sheet and liquidity management covers various possible scenarios in the short-term and medium-term with a back-up plan.

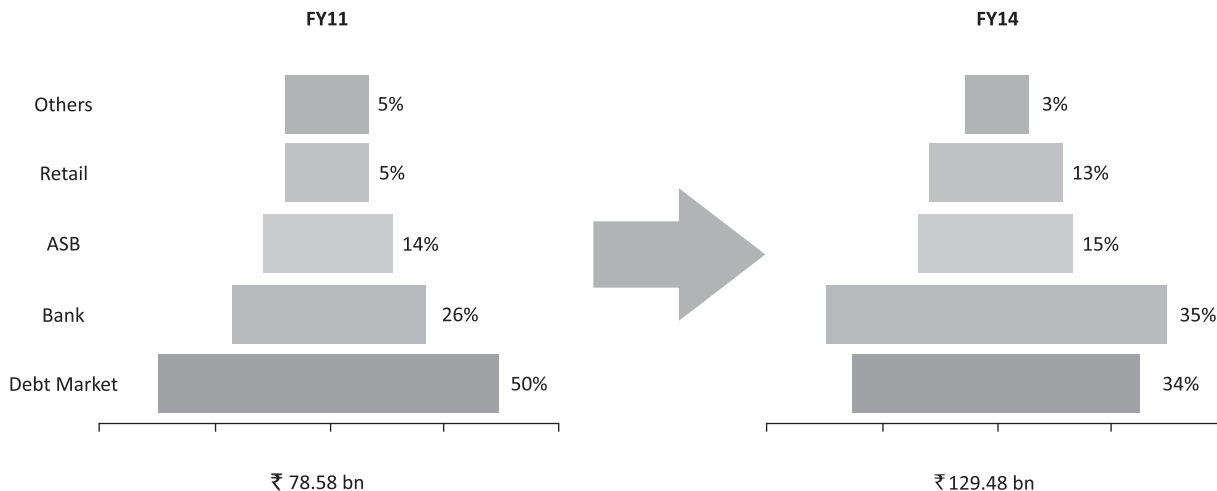
Edelweiss has not only continued to maintain a liquid balance sheet, but over the last three years has embarked on a strategy of diversifying its sources of borrowings, reducing dependence on market borrowings and adding liabilities that match the lengthening duration of assets. We have also contracted stable bank lines of funding and increasing liabilities in the six months to five years bucket thereby bringing down dependence on short-term borrowings to within acceptable limits.

issue of retail bonds which mobilised ₹5 billion in maturities varying from three to five years in January 2014. This issue provided us stable medium term funds in a cost effective manner. We plan to tap the alternative of public issue of retail bonds including subordinated debt going forward too as it provides a platform to grow our capital based businesses with confidence.

During the year, two of our subsidiaries also raised Tier 2 capital by way of non convertible redeemable Preference Shares amounting to ₹770 million which also strengthens the balance sheet by providing medium term liabilities from a new source besides providing Tier 2 capital.

Our Retail Finance business also securitised a part of its book amounting to ₹1.48 billion for the first time during FY14 to diversify its sources of funding and to release a part of its resources for future growth. Securitisation also helps us in managing risk.

Diversified Sources of Borrowings



As a result of conscious efforts, we have reduced the dependence on short-term money market borrowings over the last three years as shown in the above chart.

Diversification of Sources of Funding

Continuing our efforts to diversify sources of borrowings and reduce short-term market borrowings, ECL Finance, our main NBFC subsidiary, accessed public markets through its maiden

Outlook & Strategy

The year FY13 was beset with problems of stubborn inflation, high fiscal and current account deficit, slow pace of reforms, sluggish recovery of US economy and continued Eurozone crisis. As a result, Indian GDP growth nosedived to below 5% in FY13. While the beginning of FY14 offered a ray of hope for

economic activities picking up, ballooning CAD led to a free fall of rupee with the rupee dollar rate touching ₹69 in the month of August 2013. This, on the one hand, compelled RBI to suck out liquidity and raise policy rates, on the other forced the Government to impose severe restrictions on import of gold and to rein back expenditure. While, the CAD no doubt came under control and rupee dollar rate settled around a comfortable level of ₹60-61, these measures worsened the already struggling economy and FY14 is the second consecutive year of sub-5% GDP growth. While the WPI inflation has moderated in recent times, RBI has indicated that scope for reversing the rising rates cycle is limited as CPI inflation is still above its comfort zone. The ensuing monsoon and the likely impact of El Nino effect will be keenly watched by both the weathermen and the economists to gauge its impact, if any, on our economy.

The results of the recently held elections to the Indian Parliament gave a clear mandate to the NDA which is positive as India needs to get back to growth. The capital markets have also rallied since February 2014 on the hope of a stable and decisive government at the Centre. With a secure and progressive government at the Centre, the conditions are ripe for gradual return of growth. Thus, FY15 promises to be a turning point in our economic history.

At Edelweiss, all our business Groups have responded well to the tough and changing conditions during the past two years. All the businesses have scaled up and shown significant growth. In addition to scaling up, we have focussed on improving operating efficiency and productivity besides ensuring that most of our new businesses launched in the last five years have broken even. Thus our established businesses of Credit, Commodities and Financial Markets are at a mature level, with only Life Insurance business remaining to break even. Given the long gestation period required by insurance companies, this anyway will take a few more years. Apart from this, the corporate initiatives undertaken to strengthen the organisation include making careful investment in infrastructure & technology, risk management, governance, customer centricity and leadership development and all the SBUs are looking at FY15 with renewed optimism.

Edelweiss strategy focusses on long-term growth and sustained value creation. We retain our long-term vision while achieving short-term targets. At the same time, while taking decisions which are ultimately in the long-term interest of the

stakeholders and the Company, we are also prepared to make short-term sacrifices. Continuing to invest in building new businesses despite challenging environment, which impacted our short-term profitability during the diversification phase, is a typical example of our long-term growth strategy.

With a lot of expectations going into FY15, starting with the Indian Parliamentary elections, the building blocks of our organisation, viz. people, technology, processes, risk management and governance are expected to shift gears and position themselves to garner our share of growth. In other words, from a period of consolidation to a period of growth and pace. Along with the above, our other organisational priorities for FY15 include rigorous balance sheet management, continue non-linear growth in assets and profitability, instil customer centricity, gradual decentralisation of decision-making and enterprise functions to SBUs, organisational structure strengthening with leadership development, institutionalisation of culture and strengthening our risk and compliance functions. Through this, what will remain unchanged are the Edelweiss value system and the belief that our greatest assets are not the ones in the balance sheet, but those forming the human capital of the organisation.

Our aspiration is to be a large, respected organisation with quality high growth businesses in financial services. Our core is in identifying new exciting long-term opportunities in every material segment of financial services and building great and differentiated businesses in these areas based on the Edelweiss value system. We will choose and enter new segments slowly and carefully, as we have done in the past.

With the long-term India growth story intact and given the diversified model of Edelweiss and various initiatives undertaken, Edelweiss is a stronger, leaner organisation; better poised to benefit from a cyclical uptick. We are confident of capturing our share of growth and build Edelweiss as per the aspiration that we have. For Edelweiss, FY15 promises to be a key inflexion point.

OPPORTUNITIES

While we were predominantly a capital market-led company till 2008, the diversification phase during 2008-12 has expanded the size of our addressable revenue pool by around 20 times. We firmly believe that long-term Indian economic growth story is intact notwithstanding declining growth in the

past year or two and the market size for our diversified businesses is expected to grow by around 5 times by the year 2020 over the size in 2012. Thus, our addressable revenue pool is likely to be around 100 times larger compared to what we were present in the year 2008. The expected growth of financial services sector thus presents exciting opportunities as under:

- India's long-term growth story presents exciting and large opportunities for us to grow our various businesses in the medium to long term.
- Our retail businesses are scaling up well and we have also forayed into large and underserved segments like small ticket housing loans and rural finance. These along with our mature wholesale businesses ensure that we are strategically placed to garner our share of growth in all client and market segments.
- Increasing use of internet or mobile-based technologies for financial transactions presents vast opportunities for techsavvy companies like ours to offer convenient solutions to customers. Our online options in Life Insurance and online & mobile options in retail broking aim to capture this opportunity.
- With nearly 70% of Indian household financial savings currently flowing to banks, potential for channelising savings to other modes like mutual funds or insurance and through diversification in other asset classes like equities, bonds and commodities is enormous.
- We believe the policy liberalisation, much awaited structural reforms and forward-looking regulatory changes will help markets grow in size, thus making available newer opportunities for all participants in financial services.
- While the current run up in the markets in FY15 is due to cyclical upturn, we believe the next wave of growth will be unleashed by structural reforms in the days to come, and as said earlier, FY15 promises to be an inflexion point for Edelweiss.

THREATS

At the same time, we perceive following threats for growth of financial services sector in India:

- Macroeconomic environment including headline inflation being above the threshold of RBI, limited scope

to reverse the rising interest rates cycle in short term and high fiscal deficit can derail the return of growth. The investment cycle is going through a prolonged downturn and corporate cash flows are under strain resulting in subdued credit growth and worsening asset quality of commercial banks. Monsoon is predicted to be below normal this year and a larger than expected impact of El Nino effect can cause a few worries for the Indian economy.

- Though we have a stable government at the Centre, delay in taking action from Government to jump-start investment cycle and carry on the reforms may continue to affect the financial services sector.

Enterprise Groups

The five business groups of Edelweiss and BMU are controlled and supported by a core of Enterprise Groups that provide consistent quality and rigour to key process functions. Following discussion highlights some of the initiatives taken by us to improve efficacy of Enterprise functions.

RISK MANAGEMENT

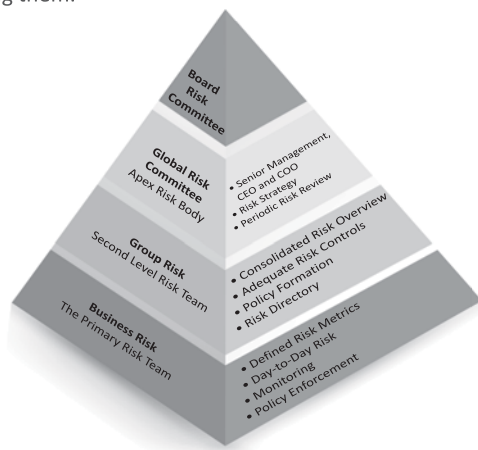
With our presence in almost all the segments of financial services and having more than 497,000 clients across institutional, HNI and retail client segments, our business activities expose us to a variety of risks in virtually all aspects of our operations. The Group's approach to risk is practical and proactive. The core philosophy in risk management centres on the identification and quantification of risk - defining limits, monitoring them actively and taking swift action when required. Risk management is an ongoing, dynamic and integral part of our genetic make-up. We manage risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risk assumed and remain within our risk appetite. Our management of risk is supported by sound risk management practices and effective enterprise risk management frameworks. The cornerstone of these frameworks is a strong risk management culture, supported by a robust enterprise-wide set of policies, procedures and limits.

The importance of risk management in our operations and

our risk philosophy is aptly emphasised by its inclusion in our Business Guiding Principles as **“We will respect risk”**. The basic tenets of our risk culture are ingrained in our employees as they are trained to ask the following questions every time they are faced with a risk decision:

- Is it worth it?
- Can we afford it?

The employees need to answer both these questions in the affirmative before they can proceed with the transaction facing them.



The risk team at each business unit of Edelweiss ensures implementation of risk practices and philosophy at business level. The enterprise risk team, also known as Global Risk Group, is focussed towards policy formation and managing risk at the consolidated level. The enterprise risk team also ensures that necessary action is taken to make certain that identified risks are adequately addressed. The Board of Directors oversees the risk management process at Edelweiss by way of committees, specifically the Risk Management Committee, which ensures execution of responsibilities of risk management for the entire Group.

With an endeavour to strengthen risk culture and incentivise proactive risk behaviour, we initiated annual Risk Reward and Recognition programme to acknowledge and felicitate performance in the area of Risk Management across organisation. We continued to work towards bridging the gaps identified in Tower Watson survey which was conducted in the previous year.

Edelweiss follows a four-tiered Risk Management and Oversight Structure:

Key Risks

Edelweiss deals in multiple asset classes and all client segments across the financial markets and is thus exposed to various risks that can be broadly classified as credit risk, market risk and operational risk.

Credit Risk

The credit risk framework of Edelweiss ensures prior and periodic comprehensive assessment of every client and collateral. Exposure limits are sanctioned to counter-parties based on their credit worthiness. Credit risk monitoring mechanism ensures that exposure to clients is diversified and remains within stipulated limits. Careful selection of collateral is key for a client limit. Effective credit risk management has enabled us to steer through environmental stress conditions without any major impact.

Market Risk

Edelweiss deals in multiple asset classes which gives us an edge in diversifying concentration risk. However, it has its own associated complexities. These asset classes may move in diverse directions due to a multiple of macroeconomic factors, global developments and policy framework.

In order to monitor such market risk, a comprehensive framework of reports and limits has been put in place that track positions, value at risk and duration of assets. Limits at various levels are defined to capture early warning signals. The risk framework makes certain that the risks are monitored and necessary timely action is taken for every single instance of violation, in case they occur.

Additionally, the asset liability mismatch and margin utilisations are regularly assessed. Liquidity requirements are closely monitored and necessary care is taken to maintain sufficient liquidity cushion for maturing liabilities and for any unforeseen requirements. We also ensure diversification in source of borrowing to reduce dependence on a single source. We have diversified our borrowings by raising capital through public offer of NCDs mainly targeting retail investors in January 2014. We also pro-actively modify our liabilities profile in sync with the changing assets profile to ensure that we do not carry any material asset liability mismatch.

Operational Risk

Operational risk arises from the failure of systems, people

and processes through which we operate. Operational risk covers several sub-categories of risks such as fraud risk, legal risk, reputational risk, environmental risk and physical risk among others.

Operational risk framework of Edelweiss is designed to balance and check operational risk at key manifestation points. In addition to defining new processes, we have initiated an ongoing review of all critical processes to proactively identify weak controls and strengthen the same.

All of the above will also help us in ensuring our compliance with Companies Act 2013 requirement of **“adequate internal financial controls system and operating effectiveness of such controls”**.

Edelweiss has state-of-the-art Data Centre at Edelweiss House to ensure uninterrupted and reliable service to our clients and businesses. We continue to have a comprehensive Business Continuity Plan that is periodically tested.

TECHNOLOGY

Edelweiss has been able to create strategic competitive advantage by leveraging technology. Technology has emerged from being computation intensive (i.e. powering tasks and transactions alone) to collaboration intensive (i.e. powering organisational processes and relationships). This has helped drive efficiency and growth, build robust risk management systems, deliver accurate and timely MIS as well as foster greater customer connect.

Technology initiatives are focussed towards bringing about Business and digital transformation, providing robust and scalable IT infrastructure, efficient service delivery, automation for straight through processing and provide information security.

Over the years, Edelweiss has constantly invested in building and upgrading its technological infrastructure. Our current technology capabilities include:

- Mission critical trading infrastructure Trading set-up with connectivity to all major stock exchanges - NSE, BSE, MCX, MCX-SX, NCDEX and USE
- ITIL framework based centralised service desk for incident and service request handling
- Tier 3+ Energy efficient Green Data centre facility at Edelweiss House that is built for 99.99+% availability

- Secondary Tier 2 Business Continuity Plan (BCP) data centre that offers infrastructure for continuous data replication and operations encompassing availability, reliability and scalability
- Fully Functional BCP seating Site setup leveraging virtualisation and cloud technology
- Highly Resilient 3 Tier state-of-the-art and low latency network infrastructure and connectivity
- Software applications across different lines of business that cover Core Solutions, Risk Management, Customer Relationship, Web Initiatives, Reporting & Business Analytics, Servicing and Integration
- ISO 27001 certified Infrastructure and processes

Edelweiss technology infrastructure supports a network of about 4,001 users across over 118 locations. On an average, this infrastructure handles approximately 300,000 transactions a day and at its peak has handled about 1.3 million transactions a day.

New Digital technologies are transforming every aspect of our lives and also creating exciting opportunities in the financial services industry. It has been continuous endeavour at Edelweiss to leverage technologies and create a digital edge for our business growth, improve productivity and enhance customer experience.

We believe that data analytics and mobility are the two biggest game changing new technologies that will have impact on BFSI business models. Edelweiss Mobile Trader solution offering mobile app for retail transactions has been received very well by the investor community. The ensuing focus will be to use innovative mobility solutions for improving stakeholder productivity and enhancing customer experience.

Data-driven insights are also becoming a priority for financial services organisations. We aim to leverage analytics and big data technologies to understand customer preferences and needs with a view to increasing the value of each customer interaction and also for building insights and decision support for Risk Management.

Edelweiss will continue with its IT investment strategy that encourages innovation to achieve customer-focussed business objectives and drive future growth.

GOVERNANCE

Corporate Governance simply put means that a corporate should always act in the best interest of stakeholders. Edelweiss believes in adopting global best practices in corporate governance in letter and spirit. Strong corporate governance and an ethical culture facilitate effective management and control of businesses while achieving constant growth. It also ensures that the Company maintains highest levels of business ethics and creates value for all stakeholders.

Among the ten Edelweiss Guiding Principles, one is **“Our Reputation is more important than any financial reward”** and another is **“We will obey and comply with all the rules of the land”**. These guiding principles have always ensured that we follow the best-in-class standards of governance at all times. Given the multiplicity of regulators governing Edelweiss, there is a greater need for ensuring high quality oversight and highest standards of corporate governance. This makes it imperative for us to conduct our business in a manner which meets with strict regulatory oversight in all fields. Strict adherence to the laws of the land is the key to our clean track record on which we at Edelweiss take pride.

Edelweiss complies with all the provisions of Corporate Governance as per Clause 49 of the Listing Arrangement with the Stock Exchanges. The current Board of EFSL comprises **11 directors out of which seven directors are independent**. All of the seven external directors are **persons of eminence in their field** and come with a wealth of experience in financial services. The strength of independent directors vis-à-vis management directors provides the much desired **independence to the Board**.

Though Edelweiss is a listed company since December 2007, the Company has always valued the immense contribution brought in by the independent directors to the Company. The concept of a Board as a body imposing independent oversight and acting as a sounding board of third party objective experts has been a part of Edelweiss structure and DNA even before listing. Hence, even as far back as FY01, Edelweiss had a Board of Directors consisting of three independent and two management directors even though such was not a statutory requirement for an unlisted Company.

The Edelweiss Board plays a vital role as:

- Policy maker
- Sounding board for strategic initiatives and strategy formulation
- An oversight body for corporate activities
- Body for protection of minority investors and other stakeholders
- Body to ensure highest standards of corporate governance and ethics
- Mentor for Management Committee members and Senior Leadership Group of Edelweiss

With their diverse and rich background, the independent directors' contribution to Board deliberations is immense and meaningful. Besides the Board meetings, the independent directors are also actively involved in various Board Committees and other initiatives including social responsibility.

Given the strong track record of corporate governance, **Edelweiss has won the award for “Best Corporate Governance, India 2013” from the London-based Capital Financial International Jury.**



CUSTOMER CENTRICITY

While Edelweiss was predominantly handling wholesale clients till 2008, the diversification phase since then has seen addition of a large number of retail clients with the result that by now we service over 497,000 clients across

Institutional, HNI and Retail client segments. For all of these segments and all our businesses, we believe that customer centricity is going to be the key differentiator. Further, as all our businesses are heavily regulated, scope for innovation either in terms of products or marketing is limited. Even if any innovation is introduced, India being such a hyper-competitive market, it would be copied, blunting the competitive edge in no time.

The only way, therefore, we can build a competitive advantage is by enhancing customer experience. Customer centricity goes to the heart of how we think and manage our businesses and our relationships with the clients. It is about how we design our products, how we build our internal systems and processes, how we sell and finally how we service our customers. Customer Centricity also builds a long-lasting relationship with the clients based on trust and fair play.

We feel that in Edelweiss we truly differentiate on Customer Centricity. Great customer service transcends experience and becomes a memory, which clients associate with a brand. If we are able to provide each customer of Edelweiss a unique experience that translates into a happy memory, we have the potential to turn customers into brand ambassadors.

Three big insights that have helped us in enhancing customer centricity are:

- Customer experience is not only about Retail businesses! While retail businesses need a higher level of customer experience, wholesale businesses have similar challenges; customer feedback is usually immediate and the tendency of wholesale customers to walk away at the slightest instance is high if we are not focussed on their needs.
- Customer centricity starts with enterprise groups within a company as they have “internal customers”. They too need to provide great customer experience by aligning their internal systems and support mechanism to this.
- Customer centricity must become a way of life. It is core to everything we do internally and externally.

We have set up a central LoB to focus on Customer Centricity which works with various SBUs on specific projects to measure and enhance the customer experience. A system of measuring customer feedback - internal as well as external customers - has been developed using the Net Promoter Score (NPS)

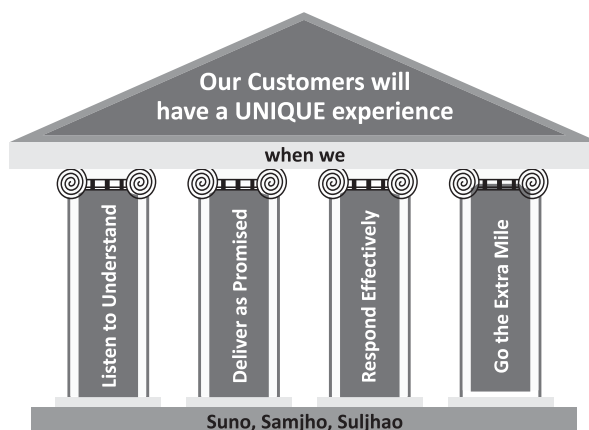
Methodology and improving upon the scores based on this feedback is an integral part of the KRAs of each LoB.

Customer Vision Statement

We have a simple Customer Service promise:

“Edelweiss Customers will have a unique experience”

Four Pillars of Customer Centricity at Edelweiss help us in enhancing the customer experience:



Our Motto to the Customer: **“Listen to Understand. Respond to Solve”**

In Hindi, this motto is aptly stated as “सुनो, समझो, सुलझाओ”

The above has also been produced in the form of a jingle to spread the message in a popular way.

Some of the recent initiatives to institutionalise customer centricity are as under:

- “Common Service Language” is a set of concepts that are universally understood across an organisation and frequently used by all employees. We have defined common service language for six broad customer experience points at organisation level to be used as benchmark by all SBUs to define their own service levels.
- An organisation-wide Reward and Recognition programme for Customer Centricity has been rolled out and exemplary customer centricity stories are circulated to motivate all employees.
- A centralised customer feedback calling system has been put in place for Retail businesses using NPS methodology.

HUMAN RESOURCES

At Edelweiss, we believe that our human capital is our greatest strength and is the driver of growth, efficiency and productivity. Year-on-year, we continue to deepen our philosophy by investing in developing our talent and leadership through a number of well designed measures.

Through the year 2013-14, the defined structures of Wholesale and Retail clusters were further strengthened and each SBU under them further scaled up to create a New and Improved Edelweiss. The year has seen us grow in size and reach both. The Group strength at the end of the year stands at 4,001 employees with over 100 net new hires during FY14. The attrition level among seniors remained stable around 11% during FY14. The diversification of our businesses has presented a new challenge – need for high quality leadership at senior and middle levels. Despite economic slowdown in India in the past two years, we have continued to hire employees for our new businesses as well as in senior positions in enterprise functions to strengthen the organisation and to be future ready. We also continued to decentralise the HR function to the SBUs.

Continuing our focus on training and development of our people and building bench strength of leaders, we strengthened the Edelweiss Leadership Program (ELP) and provided structured inputs through engagement, communication and development. The Leadership group underwent coaching on communication and strategic thinking. 'Fountainhead', our Leadership Centre at Alibaug, was used extensively during the year to build employee connect and teamwork across various levels in the organisation covering base of 3,253 employees (13,692 participant man-days).

As the organisation continues to diversify and spread geographically in India and abroad, weaving the organisation with common Edelweiss Business Guiding Principles became imperative. This year through experiential activities and skits, our people were enrolled into the Guiding Principles of Edelweiss. Launch of Learning Management System (LMS) further propelled the learning culture and empowered employees to take charge of their learning initiatives. "EdelHealth" platform expanded and brought additional focus to Women Health through "BizDiva" initiatives. Our Edelweiss Level Reward and Recognition programme "E-Titan" culminated with the celebrations where the winners

were recognised and honoured by the senior management. This programme was attended by over 1,000 employees in person and 2,500 through a webcast.

Automation of Survey for Employee Engagement (SEE) and launch of new HRMIS will further strengthen the backend and employee database. We also continued the required efforts to deliver a 100% HR compliance on all statutory audits and inspections.

CORPORATE FINANCE & ACCOUNTS

The business environment of today has brought lots of opportunities to Edelweiss businesses and with it challenges too. To cope with these challenges and give a robust platform to all financial and regulatory reporting, Edelweiss has built a core Finance & Accounts team to cater to dynamic business environment requirements. This team functions as an enabler to businesses by providing real time information for decision-making, planning and reporting at zero tolerance level.

Corporate Finance & Accounts group (F&A) in Edelweiss comprises various functions and/or processes viz. Reporting, Financial Control, Accounts Payable and Receivable, Audit, Banking Transactions Control & Monitoring across all the Group entities and Group Financial Consolidation. The F&A group has professionally qualified members with considerable experience. The function is further divided into entity clusters based on business verticals. The team manages accounting, auditing (internal & statutory) and regulatory reporting for all group entities as a central unit. The structure of our diversified varied businesses & legal entities and various regulators requires the teams to have a high quotient of synergy amongst them. The function caters to the ever changing regulatory environment in India with a proactive enabling approach.

The F&A group is also entrusted with regulatory compliance responsibilities complementing the classic finance and accounting controllership roles. The thrust has been on improving the process efficiency by leveraging various technologies available. As a port through which pass all business transactions for reporting, it is at a vantage point to be able to identify potential control risks and threats and enable businesses to institutionalise robust controls around them on a continual basis. It also is a valued contributor to group-wide strategic projects.

INTERNAL CONTROL SYSTEMS

Edelweiss has robust internal audit and control systems across the Group. They are responsible for independently evaluating the adequacy of internal controls and provide assurance that operations and business units adhere to internal policies, processes and procedures as well as regulatory and legal requirements. Internal Audit and Control team defines and reviews scope, coordinates and conducts Risk-based Internal Audits with quarterly frequency across Edelweiss through external audit firms as well as an in-house team. Certain operational activities are also subject to concurrent audit. Existing audit procedures are reviewed periodically to enhance effectiveness, usefulness and timeliness. The Internal Control Procedures include proper authorisation and adherence to authorisation matrix, segregation of roles and responsibilities, third party confirmations, physical verification, checks and balances and preventive checks on Compliance Risk and overseeing of periodical financials etc.

The internal audit follows Generally Accepted Audit Practices, Internal Audit Standards and Analytical procedures. It entails risk assessment and detailed verification of processes, adequacy of maintenance of accounting records, documentations and supporting, authorisations, review of internal controls, compliance with management policies and laid down procedures, compliance with applicable accounting standards etc. and to verify adherence with applicable statutes, rules, regulation, byelaws and circulars of the relevant statutory and regulatory authorities. It includes consideration of Laws and Regulations in an audit of Financial Statements, system audit, control over assets of the Company, review of related party transactions and reporting them to the Audit Committee, among other things.

Edelweiss has institutionalised a strong compliance culture across the Group recognising that transparency and trust amongst all its stakeholders can be achieved only through this. We have a centralised Compliance Department that ensures compliance with all the applicable laws. It also provides advice on general regulatory matters including formulating policies on the Prevention of Insider Trading with the help and guidance of the Board of Directors.

Edelweiss has formulated Conflicts of Interest Policy as per SEBI circular for SEBI registered intermediaries, which will

guide Intermediaries for fair treatment of clients and elimination of conflicts of personal interest with the client's interest and not to deal in securities, in case of availability of client's material non published information.

Edelweiss believes in conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. To this end, Edelweiss has put in place a strong **Whistleblower Policy** that not only encourages employees to report wrongdoing within the organisation, but also ensures that their identity is protected so that they do not face any adverse repercussions. Edelweiss was one of the first Indian financial services companies to sign up for Corporate Whistleblower Initiative (CWI), via a portal (www.cwiportal.com) that facilitated complete anonymity of whistleblower and aimed at encouraging and protecting whistleblowers in the corporate sector.

Know Your Client Process

Edelweiss group provides diversified financial services to a wide cross section of clients. The individuals/entities desiring to become clients of Edelweiss Group open an account to carry out those specific activities. The clients are registered separately for separate activities. These individuals/clients are required to complete the **Know Your Client (KYC) process** including the KYC compliant application form and submission of required proof of identity & address and other documentary requirement before opening their account. In-Person Verification (IPV) of these clients is carried out to verify the actual identity of the client. IPV process is aligned to the regulatory requirements.

Politically Exposed Persons (PEPs) are also identified at the time of account opening and monitored subsequently. A more rigorous checking process is carried out for identification of clients coming under this category. Additionally, the clients are also scanned through (1) List of SEBI debarred clients and (2) Financial Action Task Force (FATF) list issued by RBI. If the client name appears in any of these lists, further scrutiny is carried out before taking a call to register them as per instructions of the regulators/Government. In the event of the clients being registered for availing credit services, these clients are also scanned through various lists such as CIBIL list, Watch-out Investor list and other data available in public domain to

ascertain their credit worthiness.

The KYC details of clients are also uploaded to KYC Registration Agency (KRA), which has a centralised database to avoid hassles of clients going through same KYC registrations again.

To sum up, Edelweiss group of entities follow very stringent client registration process with zero tolerance before any individual/entity is accepted as a client by any of Edelweiss Group of entities.

Prevention of Money Laundering

The Prevention of Money Laundering Act, 2002 (PMLA) and its relevant Circulars issued by the regulators / exchanges from time to time has imposed certain responsibilities on various financial institutions and intermediaries with regard to preventing terrorist financing and money laundering.

Edelweiss has put in place required internal controls for preventing and impeding money laundering and terrorist financing as per the guidelines of regulators.

Credit Ratings

Edelweiss Financial Services Limited (EFSL) and five subsidiaries, namely Edelweiss Securities Limited (ESL), ECL Finance Limited (ECLF), Edelweiss Housing Finance Limited (EHFL), Edelweiss Commodities Services Limited (ECSL) and Edelweiss Finance and Investments Limited (EFIL) enjoy the highest short-term credit rating of "Crisil A1+".

EFSL has a long-term debt rating of "CARE AA".

ECLF has a long-term debt and bank facilities rating of "CARE AA". It also has a long-term debt rating of "BWR AA" and "Crisil AA-/Crisil AA-r".

EHFL has a long-term debt rating of "CARE AA" and long-term debt and bank facilities rating of "Crisil AA-".

ESL and ECSL have a long-term bank facilities rating of "Crisil AA-". ECSL also has a Preference Shares rating of "Crisil AA-".

All the long-term ratings from Crisil have a Stable outlook. All the above ratings are current as on March 31, 2014.

Stakeholder Relations

Stakeholders Relations at Edelweiss is an integral aspect of our business as we believe in building a transparent, honest and open channel of communication with all our stakeholders. As a listed company, we consider it to be our duty to provide our investors, analysts, lenders, rating agencies and other stakeholders with a complete and accurate picture of the Company's past and current performance and the prospects and strategies for the future. We continue to build upon a foundation of accurate and consistent communication with them. It will play an important role in our future success, as we scale up our businesses and expand our reach to the investment community, enabling them to understand and appreciate our business model fully and the long-term strategy in true perspective.

Our Stakeholder Relations efforts include frequent interaction with institutional investors, analysts, lenders and rating agencies through one-on-one meetings and attendance at investor conferences. These efforts are complemented by the earnings conference call, dissemination of quarterly performance updates via Press Release and Investor Presentation and constant and immediate updating of information useful to stakeholders on our corporate website. Following the best practices, we keep archives of transcripts from all our earlier Earnings Calls on our website. Our website www.edelweissfin.com provides a facility to Investors and other stakeholders to subscribe to receive quarterly updates automatically. During the year, we held more than 200 interactions with our stakeholders.

We continued to consciously enhance our disclosure levels in respect of our business performance metrics and will continue to work towards achieving greater transparency about our operations. For the past three years, we have been focussing on more discussion on businesses which are growing and are more relevant in the current context to Edelweiss. The informal feedback from investors and other stakeholders in this regard has been quite encouraging. We are committed to engaging with all the stakeholders in an open and transparent manner to enable them to understand and appreciate our diverse businesses and our long-term strategy for value creation.

Regulatory Structure

Edelweiss Group has 56 companies including EFSL, 48 subsidiaries and seven associate companies as at March 31, 2014 spread across various business lines in India as well as outside India.

EFSL (formerly Edelweiss Capital Limited) commenced operations in 1996 as a Merchant Banker governed by SEBI (Merchant Banking) Regulations, 1992. Over the next 18 years, the Company has diversified into a number of financial services businesses run by separate subsidiaries and a JV, which are regulated by different regulators.

The non-banking financing activities are mainly conducted through subsidiaries ECL Finance Limited, Edelweiss Finance & Investments Limited and Edel Finance Company Limited. These entities are registered with RBI as Non-Banking Financial Companies not accepting public deposits. Housing finance business is conducted through subsidiary Edelweiss Housing Finance Limited, registered with National Housing Bank as a non deposit accepting housing finance company.

The business of commodities broking and trading is mainly carried out through subsidiaries Edelweiss Commodities Services Limited, EC Commodity Limited and Edelweiss Comtrade Limited, governed by Forward Contracts (Regulation) Act, 1952 under the oversight of FMC.

The stock broking activities are mainly conducted through subsidiaries Edelweiss Securities Limited (ESL), Edelweiss Broking Limited (EBL) and Edelweiss Financial Advisors Limited (EFAL), governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. While ESL is a SEBI registered Depository Participant with CDSL, EBL is SEBI registered participant with NSDL. The wealth management business is mainly carried out through Edelweiss Global Wealth Management Limited and the custodial services business through Edelweiss Custodial Services Limited, both governed by SEBI.

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

Edelweiss Tokio Life Insurance Company Limited, the life insurance Joint Venture with Tokio Marine Holdings, is regulated by IRDA. Insurance advisory business is conducted

through subsidiary Edelweiss Insurance Brokers Limited, which is also regulated by IRDA.

Edelweiss Asset Reconstruction Company Ltd., an associate company, is regulated by RBI.

REGULATORY CHANGES POSING CHALLENGES AND OPPORTUNITIES

We are constantly aware of regulatory changes and related challenges and opportunities that affect our business environment. We are also proactive in aligning ourselves in terms of adherence to compliance requirements and to make the most of opportunities that arise from regulatory changes.

Regulation/Act	Changes	Implication
Reserve Bank of India	<ul style="list-style-type: none"> In June 2013, RBI issued guidelines on raising debt through Private Placement by NBFCs. In July 2013, RBI allowed NBFCs, categorised as Asset Finance Companies (AFCs) to avail of ECB under automatic route subject to certain conditions. In January 2014, RBI issued revised guidelines on Restructuring of Advances by NBFCs. In January 2014, RBI issued guidelines to NBFCs on “Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy”. 	<ul style="list-style-type: none"> The step has brought clarity on issuance of debentures on private placement basis by NBFCs. This step provides an additional avenue for NBFC–AFCs to raise funds. This brings clarity with respect to restructuring of various advances by NBFCs, asset classification and NPL provisioning. This requires NBFCs to give periodic and time bound disclosures of Special Mention Accounts (SMA) and formation of Joint Lenders’ Forum (JLF) for collective and timely resolution of SMA-2 accounts. This will bring more transparency and greater discipline in credit management by NBFCs.
RBI	In April 2014, RBI issued guidelines on Uniform Accounting Standards at ARCs.	This will bring in uniformity in the preparation of accounts of ARCs.
The Interim Union Budget 2014-15 Direct Taxes	The Interim Budget presented in February 2014 did not contain any major announcements.	
The Interim Union Budget 2014-15 Indirect Taxes	The Interim Budget presented in February 2014 did not contain any major announcements.	
US - Foreign Account Tax Compliance Act (FATCA)	Registration of entities for US FATCA compliance is required to be done.	Indian Govt. has consented to sign Model 1 Inter Government Agreement and this will be implemented through CBDT.
The Companies Act, 2013	The Companies Act, 2013 has come into force and several sections have been notified to be effective from April 01, 2014.	While it is a welcome revision, several grey areas remain posing a number of questions.

Regulation/Act	Changes	Implication
SEBI	In October 2013, SEBI issued notification under the Securities Contract (Regulation) Act, 1996 (SCRA) on contracts for call or put option, pre-emption rights including right of first refusal, or tag-along or drag-along rights etc.	This step brings in more clarity on the put and call options etc. in Securities.
SEBI	<ul style="list-style-type: none"> • PMLA Act and PMLA Rules are modified to cover Risk Assessment, reliance on third party for carrying out Client Due Diligence, Record Keeping requirements and Designated Director. • SEBI introduced SCORES system for Redressal of complaints. • Guidelines are provided by SEBI for dealing with Conflicts of Interest of SEBI registered Intermediaries. 	<ul style="list-style-type: none"> • Designated Director's appointment and intimation to FIU is required. Intermediary can rely on third party for due diligence of client. Record keeping period reduced to 5 years. • Reduced the period of Redressal of Investor complaints to 30 days. • SEBI registered Intermediaries will now have a more detailed policy in place to address any Conflicts of Interest situation.
SEBI	<ul style="list-style-type: none"> • SEBI introduced regulatory framework for public issuance of non-convertible redeemable preference shares and for listing of privately placed non-convertible redeemable preference shares. • SEBI has made IPO grading optional for public issues. 	<ul style="list-style-type: none"> • This creates a new business opportunity for Merchant Bankers. • This reduces cost for Issuers.
SEBI/Exchanges	Participation in Simulated session has been introduced instead of Compulsory Mock session for certain categories of changes in testing of software.	This will facilitate faster approval process from Exchanges.
SEBI/Custodian	SEBI has issued Foreign Portfolio Investor (FPI) Regulations to put in place a framework for registration and procedures with regard to foreign investors.	Regulation will simplify the process for foreign portfolio investment in India and help in faster registration process for foreign clients.
SEBI/Depositories	SEBI has introduced simplification of Demat account opening process and strengthen the supervisory and monitoring role of the depositories and their participants with respect to Delivery Instruction Slips (DIS).	This will harmonise the account opening process for Demat accounts and will ensure DIS is standardised across all DPs.

Regulation/Act	Changes	Implication
FMC/Exchanges	<ul style="list-style-type: none"> As per FMC directive, all the Commodities Exchanges shall keep their trading platform closed on Saturdays for all the futures contracts with effect from April 01, 2014. As per FMC directive, the trade timings in the future contracts of selective commodities will be extended till 11.55 PM. 	<ul style="list-style-type: none"> This is welcome step bringing commodity markets at par with global markets and is in the interest of investors and members. This will align domestic futures prices better with international prices in internationally linked agricultural commodities.
IRDA	IRDA issued directive to all insurers that they should not accept any business from insurance brokers who do not hold a valid license.	This restricts Insurance brokers from booking business between expiry of their broking license till the date of renewal of license.
IRDA	<ul style="list-style-type: none"> IRDA has amended Reinsurance Regulations which amongst others prescribe the insurers retention limits. The Regulation permits opening of new branches in Tier 2 cities and below centres without prior approval of IRDA. Design of a Standard Format is mandated for filing of Policy documents with IRDA at the time of product approval. 	<ul style="list-style-type: none"> Insurance companies are required to retain more mortality risk which may now be factored in pricing of products. It will facilitate easier expansion with deeper penetration of the Business. Standardisation of Policy Document would make it convenient for speedy clearance of the products at IRDA.

Edelweiss voted a winner two years in a row!



Cautionary Statement

Statements made in this Management Discussion and Analysis 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. The discussion relating to financial performance of various businesses of Edelweiss contains some data, which may be based on Management estimates or internal Management Information System.



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 enhancing 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 2013-14 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, 2014 are as under:-

Name of the Directors	Category	Relationship with other Directors	No. of Board Meetings		Attendance at the last AGM held on July 26, 2013	No. of directorships in other public limited companies	Committee Position*	
			Held	Attended			Member	Chairman
Mr. Rashesh Shah [Chairman, Managing Director & CEO]	Executive (Promoter)	None	5	5	Yes	4	1	-
Mr. Venkat Ramaswamy	Executive (Promoter)	None	5	5	Yes	4	1	-
Mr. Himanshu Kaji	Executive	None	5	5	Yes	2	-	-
Mr. Rujan Panjwani [^]	Executive	None	4	4	Yes	6	3	-
Mr. Kunnasagaran Chinniah [#]	Independent	None	5	3	Yes	-	-	-
Mr. Narendra Jhaveri	Independent	None	5	3	Yes	6	2	1
Mr. P. N. Venkatachalam	Independent	None	5	5	Yes	6	2	2
Mr. Berjis Desai	Independent	None	5	3	No	7	4	1
Mr. Sanjiv Misra	Independent	None	5	4	Yes	-	-	-
Mr. Sunil Mitra	Independent	None	5	5	Yes	6	1	3
Mr. Navtej S. Nandra [§]	Independent	None	5	2	Yes	-	-	-

[^] Mr. Rujan Panjwani was appointed as an Additional Director and Executive Director by the Board on June 24, 2013.

[§] Mr. Navtej S. Nandra was appointed as an Additional Director by the Board on May 15, 2013.

[#] With effect from October 1, 2013, Mr. Kunnasagaran Chinniah was appointed as an Additional Director designated as an Independent Director. The Table includes the meetings attended by him as Non-Executive Non-Independent Director.

* Only Audit Committee and Shareholders'/Investors' Grievance Committee, in other public limited companies, have been considered for the Committee positions.

The Board met five times on the following dates during the financial year 2013-14:-

May 15, 2013; June 24, 2013; July 26, 2013; October 30, 2013 and January 24, 2014.

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)) of the Listing Agreement, across all the public limited companies in which he is a Director. All the Directors have made the requisite disclosures regarding the 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 a 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 the 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 Annual Report.

Committees:

Audit Committee

Composition as at March 31, 2014:-

Mr. Narendra Jhaveri	-	Chairman
Mr. P. N. Venkatachalam	-	Member
Mr. Berjis Desai	-	Member
Mr. Sanjiv Misra	-	Member
Mr. Sunil Mitra	-	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 177 of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement which will come into effect from October 1, 2014.

Brief Description of the Terms of Reference

1. Oversight of the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management, the annual, half yearly and the quarterly financial statements before submission to the Board for approval.
3. Discussion with the Internal Auditors any significant finding and follow-up there on.
4. Review of the matters listed in Clause 49 of the Listing Agreement.

Meetings held

During the financial year 2013-14, four meetings were held on May 15, 2013; July 25, 2013; October 30, 2013 and January 24, 2014.

Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Narendra Jhaveri	4	3
Mr. P. N. Venkatachalam	4	4
Mr. Berjis Desai	4	2
Mr. Sanjiv Misra	4	3
Mr. Sunil Mitra*	2	2

*Mr. Sunil Mitra was inducted as a member of the Committee w.e.f July 26, 2013.

The Statutory Auditors, Internal Auditors, Chief Financial Officer and the Sr. Vice-President (Finance) 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, the Chairman of the Committee, was present at the last Annual General Meeting (AGM) held on July 26, 2013.

Remuneration Committee (now known as Nomination and Remuneration Committee)

Composition as at March 31, 2014:-

Mr. Berjis Desai	-	Member
Mr. Sanjiv Misra	-	Member
Mr. Kunnasagaran Chinniah	-	Member
Mr. Navtej S. Nandra	-	Member

The Board of Directors of the Company at their Meeting held on May 17, 2014, had re-christened the Remuneration Committee as the Nomination and Remuneration Committee, to comply with the provisions of Section 178 of the Companies Act, 2013 (the Act) and the Companies (Meetings of Board and its Powers) Rules, 2014 (the Rules).

Meetings held

During the financial year 2013-14, three meetings were held on May 15, 2013; June 24, 2013 and July 26, 2013.

Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Berjis Desai	3	2
Mr. Sanjiv Misra	3	2
Mr. Kunnasagaran Chinniah	3	2
Mr. Navtej S. Nandra*	1	1

* Mr. Navtej S. Nandra was inducted as a member of the Committee w. e. f. July 26, 2013.

The terms of reference of the Committee is in accordance with the Act and includes identification of the persons who can become Directors; to ensure 'fit and proper' status and credentials of proposed/existing Directors; formulate the criteria for determining the qualifications, positive attributes etc. and independence of a Director; recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel, for the approval of the Board.

Remuneration to the Directors

Non- Executive Directors

The Company pays sitting fees of ₹ 20,000/- per meeting to the Independent Directors for attending the meetings of the Board and Committees thereof. The members of the Company have authorised the payment of Commission of upto 1% of the net profits of the Company to the Non-Executive Directors of the Company. The Commission is distributed amongst the Non-Executive Directors inter alia based on their attendance and contribution at the Board and various Committee Meetings.

The details of sitting fees, Commission paid and the ESOPs granted to the Independent Directors during the year ended March 31, 2014 are as under:-

Name of the Director	Sitting fees (₹)	Commission (for the financial year 2012-13) (₹)	No. of Options granted under ESOP 2011
Mr. Narendra Jhaveri	2,20,000	12,50,000	50,000
Mr. P. N. Venkatachalam	2,60,000	12,50,000	50,000
Mr. Berjis Desai	2,40,000	12,50,000	50,000
Mr. Sunil Mitra	1,40,000	12,50,000	50,000
Mr. Sanjiv Misra	2,40,000	--	50,000
Mr. Navtej S. Nandra	40,000	--	--
Mr. Kunnasagaran Chinniah	40,000	--	--

Executive Directors

The details of the remuneration paid to the Managing Director and the Executive Directors during the financial year ended March 31, 2014 are as under:-

(in ₹)

Particulars	Mr. Rashesh Shah, Chairman, MD & CEO	Mr. Venkat Ramaswamy Executive Director	Mr. Himanshu Kaji Executive Director	Mr. Rujan Panjwani* Executive Director
Basic Salary	79,30,525	53,40,152	77,86,739	32,09,332
Perquisites	54,383	8,750	1,21,355	41,720
Bonus	2,83,00,000	68,00,000	1,28,00,000	--
Total	3,62,84,908	1,21,48,902	2,07,08,094	32,51,052
Service Contract	April 1, 2014 to March 31, 2017	April 1, 2014 to March 31, 2017	November 1, 2011 to October 31, 2014	June 24, 2013 to June 23, 2016
No. of Stock Options granted	NIL	NIL	8,00,000	2,00,000
Notice period	N.A.	N.A.	N.A.	N.A.
Severance fee	N.A.	N.A.	N.A.	N.A.

* For the period June 24, 2013 to March 31, 2014.

The shareholding of the Directors in the Company as on March 31, 2014 is as under:-

Sr. No.	Name of the Director	No. of Equity Shares*	% of the paid up capital
1.	Mr. Rashesh Shah	13,43,01,730	17.46
2.	Mr. Venkat Ramaswamy	5,30,26,560	6.90
3.	Mr. Himanshu Kaji	-	-
4.	Mr. Rujan Panjwani	1,01,61,380	1.32
5.	Mr. Kunnasagaran Chinniah	-	-
6.	Mr. Narendra Jhaveri	78,000	0.01
7.	Mr. P. N. Venkatachalam	20,000	0.00
8.	Mr. Berjis Desai	-	-
9.	Mr. Sanjiv Misra	-	-
10.	Mr. Sunil Mitra	-	-
11.	Mr. Navtej S. Nandra	7,924,180	1.03

* Shares held singly or as a first shareholder are only considered

Shareholders' /Investors' Grievance Committee (now known as Stakeholders' Relationship Committee)**Composition as at March 31, 2014:-**

Mr. Berjis Desai	-	Member
Mr. Kunnasagaran Chinniah	-	Member
Mr. Venkat Ramaswamy	-	Member

The Board of Directors of the Company at their Meeting held on May 17, 2014, had re-christened the Shareholders'/Investors' Grievance Committee as the Stakeholders' Relationship Committee, to comply with the provisions of Section 178 of the Companies Act, 2013 (the Act) and the Companies (Meetings of Board and its Powers) Rules, 2014 (the Rules).

Meetings held

During the financial year 2013-14, two meetings of the Committee were held on May 15, 2013 and October 30, 2013.

Attendance:

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

Mr. B. Renganathan is the Company Secretary & Compliance Officer of the Company.

Based on the Report received from Link Intime India Private Limited, the Registrar & Share Transfer Agent, the Company has received 24 requests/complaints during the financial year ended March 31, 2014 which were satisfactorily resolved/replied to. As on March 31, 2014, there were no pending requests/complaints.

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
2012-13	July 26, 2013	3.00 p.m.	Edelweiss House, Off C.S.T. Road, Kalina, Mumbai - 400 098.	5
2011-12	July 26, 2012	3.00 p.m.	Edelweiss House, Off C.S.T. Road, Kalina, Mumbai - 400 098.	2
2010-11	July 25, 2011	3.00 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai - 400 021.	2

Postal Ballot

The following two Postal Ballots were conducted during the financial year 2013-14:-

1. Resolutions passed through Postal Ballot on August 26, 2013

The following resolutions were passed on August 26, 2013 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011, in respect of the following items:

- Special Resolution for alteration of the Main Objects Clause of the Memorandum of Association of the Company under Section 17 of the Act; and
- Ordinary Resolution for transfer of the Merchant Banking business of the Company to a subsidiary.

Mr. Keyoor Bakshi, Partner, KBNT Associates, Practicing Company Secretary, was appointed as the Scrutinizer to conduct the postal ballot process.

The Notice dated June 24, 2013 was sent to the members and the last date for receipt of postal ballot forms was August 20, 2013. According to the Scrutinizer's report, the Resolutions were passed as under:-

Sr. No.	Business	Postal Ballot forms received (Physical + Electronic)		Valid votes casted (Physical + Electronic)		
		Total	Valid	Total	In favour	Against
1.	Special Resolution for alteration of the Main Objects Clause of the Memorandum of Association of the Company.	362	331	331	39,28,58,668 (99.999%)	3,484 (0.001%)
2.	Ordinary Resolution for transfer of the Merchant Banking business of the Company to a subsidiary.	361	325	325	39,28,56,673 (99.999%)	4,544 (0.001%)

The result of the postal ballot was declared on August 26, 2013 and published on August 27, 2013 in an English daily and a Marathi daily for the information of the members.

2. Resolution passed through Postal Ballot on February 20, 2014

A special resolution was passed on February 20, 2014 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011, to enable Foreign Institutional Investors (FIIs) registered with the Securities and Exchange Board of India (SEBI) to acquire and hold, on their own account and on behalf of their SEBI approved sub-accounts, Equity Shares of the Company, upto 28% of the total paid-up Equity Share Capital of the Company.

Mr. Keyoor Bakshi, Partner, KBNT Associates, Practicing Company Secretary, was appointed as the Scrutinizer to conduct the postal ballot process.

The Notice dated January 6, 2014 was sent to the members and the last date for receipt of postal ballot forms was February 14, 2014. According to the Scrutinizer's report, the Resolution was passed as under:-

Business	Postal Ballot forms received (Physical + Electronic)		Valid votes casted (Physical + Electronic)		
	Total	Valid	Total	In favour	Against
Special Resolution to increase the limit for investment by FIIs in the paid up share capital of the Company from 24% to 28%	461	432	432	45,40,05,669 (99.998%)	7,826 (0.002%)

The result of the postal ballot was declared on February 20, 2014 and published on February 22, 2014 in an English daily and a 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 the related parties are disclosed in the Notes to 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 the Company had submitted an offer of settlement with Securities and Exchange Commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings, in relation to their charges of non registration as a broker dealer while acting as a Book Running Lead Manager/Co lead manager in the private placement/initial public offering/ further public offering of Indian issuers, wherein shares were sold or marketed and also for providing brokerage services to U.S. investors during the period 2008-2011.
- 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 (now known as Nomination and 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 and confirms that no personnel have been denied access to the Audit Committee.
- 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**

Pursuant to Clause 49 of the Listing Agreement, a certificate from a Practising Company Secretary, certifying the compliance by the Company with the provisions of the 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 the Stock Exchanges in accordance with the Listing Agreement and published in an English daily and a 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.edelweissfin.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 prepared in accordance with 'Accounting Standard – 21' forms part of this Annual Report.

iv. **General Shareholder Information**

- i. AGM : Date, time and venue Friday, July 25, 2014 at 3:00 p.m. at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400098.
- ii. Financial Year April 1, 2013 to March 31, 2014
- iii. Book Closure dates July 15, 2014 to July 25, 2014 (both days inclusive)
- iv. Dividend payment date between August 5, 2014 and August 12, 2014

v. **Listing of Equity Shares on Stock Exchanges**

The Equity Shares of the Company are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company has paid the listing fees, to these Stock Exchanges for the financial year 2014-15.

vi. **Stock Codes (Equity Share)**

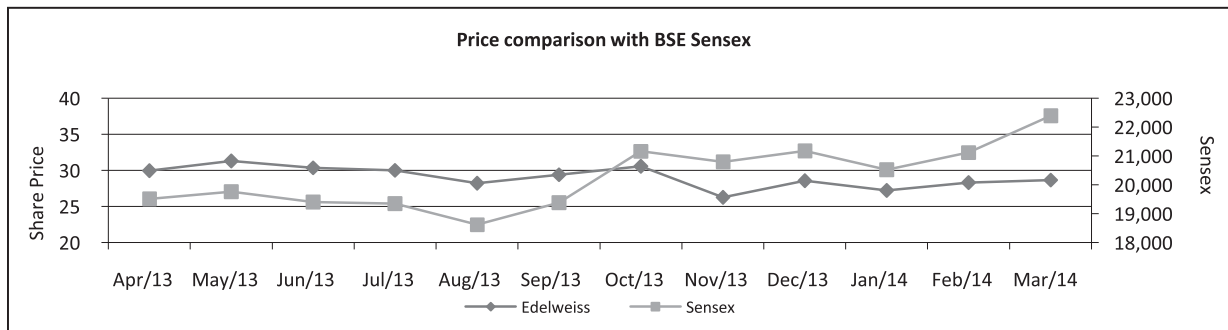
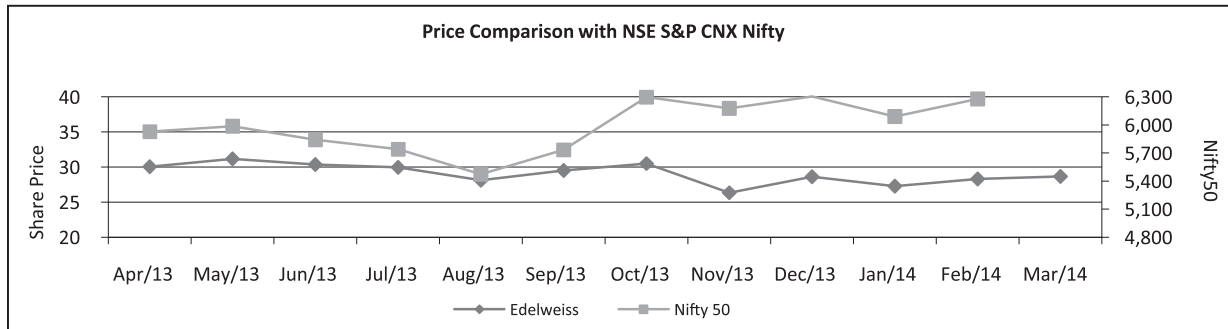
Trading Symbol

BSE Limited	532922
National Stock Exchange of India Limited	EDELWEISS
ISIN with NSDL and CDSL	INE532F01054

- vii. **Market Price Data:** Stock Market price data for the financial year 2013-14. High/ Low of daily closing market price of the Company's shares traded at BSE and NSE during each month in the financial year ended March 31, 2014 are as under:-

Month	BSE			NSE		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
Apr-13	31.25	29.95	1,96,976	31.20	29.95	16,42,881
May-13	33.15	29.55	9,61,014	33.20	29.50	37,56,413
Jun-13	32.00	30.05	15,82,515	32.00	29.95	45,17,398
Jul-13	30.75	29.75	5,37,129	30.65	29.75	18,82,238
Aug-13	30.40	27.95	45,49,441	30.35	28.00	36,67,229
Sep-13	33.30	28.05	28,80,542	33.65	28.21	21,87,321
Oct-13	32.30	29.85	59,04,472	32.40	29.75	53,51,027
Nov-13	31.05	25.25	3,95,448	31.10	25.00	19,63,420
Dec-13	29.80	26.55	10,38,240	29.70	26.70	27,06,639
Jan-14	29.40	27.00	5,95,546	29.40	27.05	22,52,661
Feb-14	28.50	26.75	3,00,714	28.60	26.80	10,06,661
Mar-14	30.60	27.30	9,00,304	30.60	27.25	34,23,923

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



- ix. **Registrar and Share Transfer Agent:** Link Intime India Private Limited is the Registrar and Share Transfer Agent of the Company. The Registrar and Share Transfer Agent acknowledges and executes the transfer of shares and arranges for issue of dividend warrants and also undertakes the dematerialisation/rematerialisation of Equity Shares. The Registrar and Share Transfer Agent also accepts, deals with and resolves complaints of the 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 15 days. With a view to expediting the process of share transfers, transmissions etc., the Managing Director, Executive Directors and the Company Secretary, have been severally empowered to approve the same.
- xi. **Distribution of shareholding as on March 31, 2014**

No. of Equity Shares	No. of Shareholders	% of Total Shareholders	Total No. of Shares held	% of Total Shares
1 - 500	1,23,975	94.73	1,25,76,806	1.64
501 - 1000	3,574	2.73	29,11,652	0.38
1001 - 2000	1,587	1.21	24,00,285	0.31
2001 - 3000	554	0.42	14,05,803	0.18
3001 - 4000	235	0.18	8,46,502	0.11
4001 - 5000	254	0.20	12,20,103	0.16
5001 - 10000	300	0.23	21,82,811	0.28
10001 and above	388	0.30	74,55,01,368	96.94
Total	1,30,867	100.00	76,90,45,330	100.00

SHAREHOLDING PATTERN AS ON MARCH 31, 2014

Sr. No.	Category	No. of Shares	% of Shareholding
1.	Promoters & Persons acting in Concert	32,33,10,960	42.04
2.	Mutual Funds / Fls / Banks / Insurance Companies	1,71,045	0.02
3.	FII's / QFI's	17,36,55,134	22.58
4.	NRIs / Foreign Nationals / Foreign Bodies Corporate	14,18,93,668	18.45
5.	Public and Others	13,00,14,523	16.91
Total		76,90,45,330	100.00

xii. **Dematerialisation of shares:** As on March 31, 2014, 76,76,58,120 Equity Shares representing 99.82% of the issued share capital of the Company were held in dematerialised form and 13,87,210 Equity Shares representing 0.18 % of the issued share capital were held in physical form. At the end of each quarter, reconciliation of share capital audit is conducted by a Practising Company Secretary to reconcile the total issued capital, listed capital and capital held by the 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	112	8,970
2.	Number of shareholders who approached the Company for transfer of shares from the suspense account during the year	1	80
3.	Number of shareholders to whom shares were transferred from the suspense account during the year	1	80
4.	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	111	8,890

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

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, 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 Financial Services Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai – 400078, India
Tel: +91 22 2594 6970 Fax: +91 22 2594 6969
e-mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

The Company Secretary
Edelweiss Financial Services Limited
Edelweiss House, Off C.S.T. Road,
Kalina, Mumbai – 400 098, India.
Tel: +91 22 4009 4400
Fax: +91 22 4019 4890
E-mail: efsl.shareholders@edelweissfin.com

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

Mr. Shailendra Maru
Associate Director - Investor Relations
Edelweiss Financial Services Limited
Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400 098, India. Tel: +91 22 4009 4400 Fax: +91 22 4019 4890
E-mail: ir@edelweissfin.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 for the financial year ended March 31, 2014 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 Edelweiss Financial Services Limited

Rashesh Shah

Chairman, Managing Director & CEO

May 17, 2014

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

To the members of

Edelweiss Financial Services Limited,

We have examined the compliance of conditions of Corporate Governance by **Edelweiss Financial Services Limited ("the Company")**, for the financial year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. 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 statements 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 **Manish Ghia & Associates**
Company Secretaries

Manish L. Ghia
Partner

M. No. FCS 6252, C.P. No. 3531

Place: Mumbai

Date: 17th May, 2014

Abridged Consolidated Financial Statements

Independent Auditors' Report on Abridged Consolidated Financial Statements

To the Board of Directors of Edelweiss Financial Services Limited

The accompanying abridged consolidated financial statements, which comprise the abridged consolidated balance sheet as at 31 March 2014, the abridged consolidated statement of profit & loss, and abridged consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Edelweiss Financial Services Limited and its subsidiaries and associates (collectively referred to as 'the Group') for the year ended 31 March 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 17 May 2014.

The abridged consolidated financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") applied in the preparation of the audited consolidated financial statements of the Group. Reading the abridged consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Group.

Management's Responsibility for the Abridged Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 and are based on the audited consolidated financial statements for the year ended 31 March 2014, prepared in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 – Financial Reporting of Interest in Joint Ventures, prescribed by the Companies (Accounting Standards) Rules, 2006.

Auditor's Responsibility

Our responsibility is to express an opinion on the abridged consolidated financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the abridged consolidated financial statements, prepared in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 are derived from the audited consolidated financial statements of the Group for the year ended 31 March 2014 and are a fair summary of those consolidated financial statements.

Other Matter

We did not audit the financial statements and other financial information of certain subsidiaries whose financial statements reflect total assets of ₹ 59,143 million as at 31 March 2014; total revenues of ₹ 5,804 million and net cash inflow of ₹ 1,542 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 did not audit the financial statements and other financial information of certain associates which have been audited by other auditors and whose reports have been furnished to us, and our opinion, in so far as it relates to share of profit of ₹ 81 million for the year ended 31 March 2014 to the amounts included in respect of these associates is based solely on the report of the other auditors.

The actuarial valuation of insurance liabilities is the responsibility of the Group's life insurance subsidiary's appointed actuary ('the Appointed Actuary'). The actuarial valuation of these liabilities as at 31 March 2014 has been duly certified by the Appointed Actuary. The Appointed Actuary has certified to the life insurance subsidiary that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Institute of Actuaries of India in concurrence with IRDA. The statutory auditors of Edelweiss Tokio Life Insurance Company Limited have relied upon Appointed Actuary's certificate in this regard.

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

N Sampath Ganesh
Partner
Membership Number: 042554

Mumbai
17 May 2014

Independent Auditors' Report

To the Board of Directors of
Edelweiss Financial Services Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Edelweiss Financial Services Limited ('the Company') and its subsidiaries and associates (collectively referred to as 'the Group') which comprise the consolidated balance sheet as at 31 March 2014, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the 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 2014;
- (ii) in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements and other financial information of certain subsidiaries whose financial statements reflect total assets of ₹ 59,143 million as at 31 March 2014; total revenues of ₹ 5,804 million and net cash inflow of ₹ 1,542 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 did not audit the financial statements and other financial information of certain associates which have been audited by other auditors and whose reports have been furnished to us, and our opinion, in so far as it relates to share of profit of ₹ 81 million for the year ended 31 March 2014 to the amounts included in respect of these associates is based solely on the report of the other auditors.

The actuarial valuation of insurance liabilities is the responsibility of the Group's life insurance subsidiary's appointed actuary ('the Appointed Actuary'). The actuarial valuation of these liabilities as at 31 March 2014 has been duly certified by the Appointed Actuary. The Appointed Actuary has certified to the life insurance subsidiary that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Institute of Actuaries of India in concurrence with IRDA. The statutory auditors of Edelweiss Tokio Life Insurance Company Limited have relied upon Appointed Actuary's certificate in this regard.

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

N Sampath Ganesh
Partner
Membership Number: 042554

Mumbai
17 May 2014

Abridged Consolidated Balance Sheet as at 31 March 2014

(Statement containing salient features of consolidated Balance Sheet as per section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	As at 31 March 2014	As at 31 March 2013
I EQUITY AND LIABILITIES		
1 Shareholders' funds		
(a) Share capital (refer note 2.14)		
Equity	724.15	718.94
(b) Reserves and surplus		
(i) Capital reserves	3,682.39	2,359.53
(ii) Securities premium account (refer note 2.14)	10,442.73	10,504.80
(iii) Statutory reserves	1,860.53	1,440.56
(iv) General reserves	749.23	559.46
(v) Surplus in statement of profit and loss	9,834.22	8,969.97
	27,293.25	24,553.26
2 Minority interest	3,656.99	2,333.10
3 Share application money pending allotment (refer note 2.4)	0.08	22.50
4 Non-current liabilities		
(a) Long-term borrowings	35,503.48	19,800.83
(b) Other long-term liabilities	269.33	135.45
(c) Long-term provisions	1,401.94	722.18
	37,174.75	20,658.46
5 Current liabilities		
(a) Short-term borrowings	87,256.81	89,737.45
(b) Trade payables	8,722.85	10,230.31
(c) Other current liabilities	14,827.12	14,186.25
(d) Short-term provisions	1,363.65	570.21
	112,170.43	114,724.22
TOTAL - EQUITY AND LIABILITIES (1+2+3+4+5)	180,295.50	162,291.54
II ASSETS		
6 Non-current assets		
(a) Fixed assets		
(i) Tangible assets (original cost less depreciation)	4,507.54	4,808.76
(ii) Intangible assets (original cost less depreciation/amortisation)	305.20	151.80
(iii) Capital work-in-progress	504.13	17.16
(iv) Intangible assets under development	27.04	4.35
(b) Non-current investments	8,724.14	8,086.57
(c) Deferred tax assets (net)	517.62	359.64
(d) Long-term loans and advances	39,570.70	27,163.50
(e) Other Non-Current assets	3,557.89	3,051.82
	57,714.26	43,643.60
7 Current assets		
(a) Current investments	12,538.98	4,026.00
(b) Stock-in-trade	37,909.94	31,520.81
(c) Trade receivables	4,203.00	1,583.23
(d) Cash and cash equivalents	19,637.06	37,089.79
(e) Short-term loans and advances	43,151.12	39,566.12
(f) Other current assets	5,141.14	4,861.99
	122,581.24	118,647.94
TOTAL ASSETS (6+7)	180,295.50	162,291.54

See accompanying accounting policies and notes to the financial statements.

Compiled from the audited consolidated financial statements of the Company referred to in our report dated 17 May 2014.

Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Revised Schedule VI to the Companies Act, 1956 are available at the Company's website - www.edelweissfin.com

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

S Ranganathan
B Ranganathan

Mumbai
17 May 2014

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

Chief Financial Officer
EVP & Company Secretary

Abridged Consolidated Statement of Profit and Loss for the year ended 31 March 2014
(Statement containing salient features of consolidated Statement of Profit and Loss as per section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	For the year ended 31 March 2014	For the year ended 31 March 2013
I Income		
Revenue from operations		
(a) Fee and commission income	3,556.28	3,193.71
(b) Income from treasury	2,865.02	2,456.36
(c) Interest income	17,759.67	15,354.56
(d) Premium from life insurance business	1,062.08	524.77
(e) Other operating revenue	219.05	243.35
Net Revenue from operations	25,462.10	21,772.75
II Other income	93.22	67.49
III Total income (I+II)	25,555.32	21,840.24
IV Expenditure		
(a) Employee benefits expense	4,580.20	3,639.13
(b) Finance costs	12,106.70	11,133.29
(c) Depreciation and amortisation expenses	524.10	514.26
(d) Change in life insurance policy liability	608.73	314.87
(e) Other expenses	4,220.60	3,645.44
Total expenditure	22,040.33	19,246.99
V Profit before tax (III-IV)	3,514.99	2,593.25
VI Tax expense		
(a) Current tax	1,748.95	1,094.95
(b) Minimum alternate tax	(245.35)	(117.82)
(c) Deferred tax	(157.53)	(95.62)
VII Profit for the year	2,168.92	1,711.74
VIII Share of minority interest in profit for the year	(33.54)	(72.87)
IX Profit for the year after minority interest	2,202.46	1,784.61
X Earnings per equity share: (refer note 2.3)		
(a) Basic	2.86	2.35
(b) Diluted	2.85	2.31

See accompanying accounting policies and notes to the financial statements.

Compiled from the audited consolidated financial statements of the Company referred to in our report dated 17 May 2014.

As per our report of even date attached.

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

N Sampath Ganesh
Partner
 Membership No.: 042554

Mumbai
 17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

S Ranganathan
B Ranganathan

Chief Financial Officer
EVP & Company Secretary

Mumbai
 17 May 2014

Abridged Consolidated Cash Flow Statement for the year ended 31 March 2014

(Currency: Indian rupees in millions)

	For the year ended 31 March 2014	For the year ended 31 March 2013
I Cash flow generated from operating activities	5,562.22	2,740.03
II Cash flow (used in)/generated from investing activities	(10,204.87)	1,548.68
III Cash generated from/(used in) financing activities	5,511.64	(30.80)
IV Net increase in cash and cash equivalents (I + II + III)	868.99	4,257.91
V Cash and cash equivalents at the beginning of the year	7,250.88	2,992.97
VI Cash and cash equivalents at the end of the year (refer note 2.15)	8,119.87	7,250.88

See accompanying accounting policies and notes to the financial statements.

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

S Ranganathan
B Renganathan

Chief Financial Officer
EVP & Company Secretary

Mumbai
17 May 2014

Notes to the abridged consolidated financial statements for the year ended 31 March 2014

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 and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements are presented in Indian Rupees in millions.

1.2 Principles of consolidation

- a) The consolidated financial statements relate to Edelweiss Financial Services 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 there from, 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 subsidiaries is recognised in the consolidated financial statements as Goodwill. The excess of Company's share in equity and reserves of the subsidiaries over the cost of acquisition is treated as Capital Reserve.
 - 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 Standards) 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 2014
Subsidiaries			
1	Edelweiss Securities Limited	India	100.00%
2	Edelweiss Finance & Investments Limited ⁵	India	100.00%
3	ECL Finance Limited	India	92.20%
4	Edelweiss Global Wealth Management Limited	India	100.00%
5	EC Global Limited ²	Mauritius	100.00%
6	Edelweiss Insurance Brokers Limited	India	100.00%
7	Edelweiss Trustee Services Limited	India	100.00%
8	Edelweiss Web Services Limited ³	India	100.00%
9	Edelcap Securities Limited ⁴	India	100.00%
10	Edelweiss Asset Management Limited	India	100.00%
11	ECap Equities Limited	India	100.00%
12	Edelweiss Broking Limited	India	100.00%
13	Edelweiss Trusteeship Company Limited	India	100.00%
14	Edelweiss Alternative Asset Advisors Limited	India	100.00%
15	Edelweiss Housing Finance Limited ⁵	India	100.00%
16	Edelweiss Investment Adviser Limited (formerly known as Edelweiss Investment Advisors Limited)	India	100.00%
17	EC Commodity Limited	India	100.00%

Notes to the abridged consolidated financial statements (*Continued*)1. Significant accounting policies (*Continued*)1.2 Principles of consolidation (*Continued*)

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2014
18	Edel Commodities Limited ⁵	India	100.00%
19	Edel Land Limited	India	100.00%
20	Edelweiss Custodial Services Limited ¹	India	100.00%
21	EC International Limited	Mauritius	100.00%
22	Edelweiss Capital (Singapore) Pte. Limited	Singapore	100.00%
23	Edelweiss Alternative Asset Advisors Pte. Limited ⁶	Singapore	100.00%
24	Edelweiss International (Singapore) Pte. Limited ⁶	Singapore	100.00%
25	Aster Commodities DMCC ⁷	United Arab Emirates	100.00%
26	ECap International Limited ⁷	Mauritius	100.00%
27	EAAA LLC ⁷	Mauritius	100.00%
28	EW Special Opportunities Advisors LLC ⁸	Mauritius	67.00%
29	EW India Special Assets Advisors LLC ⁸	Mauritius	90.00%
30	Edel Investments Limited	India	100.00%
31	Edelweiss Tokio Life Insurance Company Limited	India	74.00%
32	Edelweiss Investment Advisors Private Limited ⁶	Singapore	100.00%
33	Edelweiss Commodities Services Limited	India	100.00%
34	Edelweiss Financial Advisors Limited ³	India	100.00%
35	Edelweiss Comtrade Limited ¹	India	100.00%
36	Edel Finance Company Limited ⁹	India	100.00%
37	Edelweiss Capital Markets Limited ⁵	India	100.00%
38	EW SBI Crossover Advisors LLC ⁸	Mauritius	60.00%
39	EFSL Commodities Limited ¹⁰	India	100.00%
40	Edel Commodities Trading Limited ¹⁰	India	100.00%
41	EFSL Comtrade Limited ¹⁰	India	100.00%
42	Edelweiss Retail Finance Limited ¹² (formerly known as Affluent Dealcom Private Limited)	India	100.00%
43	Edelweiss Securities (Hong Kong) Private Limited ¹	Hong Kong	100.00%
44	Edelweiss Metals Limited ⁵ (formerly known as Edelweiss Metals Private Limited)	India	100.00%
45	Edelweiss Financial Services Inc ¹	United States of America	100.00%
46	Edelweiss Commodities Pte. Limited ¹⁴	Singapore	100.00%
47	Edelweiss Commodities Nigeria Limited ¹⁴	Nigeria	100.00%
Associates			
48	Allium Finance Private Limited ⁵	India	46.13%
49	Edelweiss Asset Reconstruction Company Limited ¹¹	India	49.91%
50	Edelweiss Fund Advisors Private Limited	India	40.00%
51	Dahlia Commodities Services Private Limited ¹ (formerly known as Dahlia Financial Services Private Limited)	India	50.00%
52	Magnolia Commodities Services Private Limited ¹ (formerly known as Magnolia Financial Services Private Limited)	India	50.00%
53	Arum Investments Private Limited ¹	India	39.39%
54	Aeon Credit Services India Private Limited ¹³	India	25.00%

¹ held through Edelweiss Securities Limited² held through Edelweiss Finance & Investments Limited³ held through Edelweiss Broking Limited⁴ held through ECap Equities Limited⁵ held through Edelweiss Commodities Services Limited⁶ held through Edelweiss Capital (Singapore) Pte. Limited⁷ held through EC International Limited⁸ held through EAAA LLC⁹ held through Edelweiss Financial Advisors Limited¹⁰ held through Edel Commodities Limited¹¹ held through Edelweiss Custodial Services Limited¹² held through Edelcap Securities Limited¹³ held through ECL Finance Limited¹⁴ held through EFSL Comtrade Limited

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.2 Principles of consolidation (*Continued*)

- d) 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.
- e) With effect from 29 May 2013, Edelweiss Financial Services Inc became a subsidiary of the Company and has been consolidated from the said date.
- f) With effect from 1 July 2013, Edelweiss Metals Limited (formerly known as Edelweiss Metals Private Limited) became a subsidiary of the Company and has been consolidated from the said date.
- g) With effect from 20 September 2013, Edelweiss Commodities Pte. Limited became a subsidiary of the Company and has been consolidated from the said date.
- h) With effect from 17 December 2013, Edelweiss Commodities Nigeria Limited became a subsidiary of the Company and has been consolidated from the said date.

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 Current/non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is expected to be realized within 12 months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the company's normal operating cycle.
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within 12 months after the reporting date; or
- d. The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.5 Revenue recognition

- a) Fee income including investment banking, advisory fees, syndication fees, processing fees (other than on housing loans and loans against property) 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 reflected net of related sub-brokerage expenses, service tax and stock exchange expenses. Brokerage income on insurance broking business is recognised on an 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 comply with the Securities and Exchange Board of India (Mutual Funds) Regulations based on average Assets Under Management ('AUM') confirmed by the mutual fund.
- d) Portfolio management fees are recognised on an accrual basis in accordance with portfolio management agreement entered with respective clients.
- e) 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.
- f) 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.
- g) In case of housing loans and loans against property, processing fees is amortised over a pre-determined tenor arrived on an industry average 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. The unamortised balance is disclosed under "Other current liabilities" and "Other long-term liabilities" based on amortisable tenor.
- h) Income from treasury comprises of profit/loss on sale of securities and commodities and profit/loss on 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.
 - iii) In respect of currency forward contracts entered with banks, the premium or discount arising at the inception of the contract is amortised over the life of the contract in the statement of profit and loss. The difference in the opening and closing exchange rate as on the Balance Sheet date rates (mark to market) is recognised in the statement of profit and loss. Any profit or loss arising on cancellation or renewal of such contracts is recognised in the statement of profit and loss.
 - iv) In respect of interest rate derivatives, realised profit/loss on maturity/termination of contract is recognised as 'Profit on interest rate derivatives' in the statement of profit and loss and the realised profit/loss on settlement during contract period is recognised as 'Interest income on interest rate derivatives' in statement of profit and loss.
- i) 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 Reserve Bank of India (RBI) and National Housing Bank (NHB) guidelines. In case of commercial papers, deep discount bonds and certificate of deposits, the difference between the acquisition cost and redemption value is apportioned on time basis and recognised as interest income.
- j) 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.
- k) Dividend income is recognised when the right to receive payment is established.
- l) As per RBI guidelines the interest spread under par structure of securitization/direct assignment of loan receivables is recognized on realization over the tenure of securitized/direct assigned loan.
Unrealised gain on securitisation comprises of future interest receivable under par structure of securitisation/assignment.

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.5 Revenue recognition (*Continued*)

Securitisation deferred consideration receivable comprises of Company's share of future interest strip receivables in case of a par structure securitised/assigned deals.

- m) Profit/loss on error trades in broking business is included in "Income from treasury".
- n) 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.
- o) In case of Life Insurance business:
 - i) Premium income from traditional policies is recognised when due from policyholders, if there is no uncertainty of collectability. For Unit linked business, premium income is recognised as when the associated units are created. Premium income on lapsed policies is recognised as and when such policies are reinstated. Income from Unit linked policies, which include asset management fees and other charges, if any, is recovered from the linked funds in accordance with the terms and conditions of the policies and is recognised as and when due.
 - ii) Reinsurance premium ceded is accounted in accordance with the treaty or in principle arrangement with the reinsurer.
 - iii) Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred.
 - iv) For claim and benefit paid, claim costs consist of the policy benefit amount and claim settlement costs, where applicable. Death, rider and surrender claims are accounted for on receipt of intimation. Maturity and survival claims are accounted when due. Surrenders/withdrawals under unit linked policies are accounted when the associated units are cancelled/redeemed. Surrenders under traditional policies are accounted on the receipt of consent from the insured to the quote provided by the company. Reinsurance claims receivable are accounted for in the same period as the related claim.
 - v) The policyholders' liabilities are determined by the Company's Appointed Actuary in accordance with the accepted actuarial practices, requirements of the Insurance Act, 1938 and Actuarial standard issued by the Institute of Actuaries of India.

1.6 Loan origination costs

In case of housing loans and loans against property, origination costs directly attributable to disbursed loans are amortised over a pre-determined tenor arrived on an industry average or original contractual tenor, whichever is shorter. Where the loan is foreclosed or written off, the unamortised portion of such loan origination costs is recognised as a charge in the statement of profit and loss at the time of such foreclosure or write-off. The unamortized balance is disclosed as part of "Long-term Loans and advances" and "Short-term loans and advances" based on amortizable tenor.

1.7 Benchmark linked debentures

The Group has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debentures. 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 statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

1.8 Securitisation

The Company enters into securitization transactions and assets are derecognized upon sale only if the Company surrenders control over the contractual rights that comprise in the financial assets.

In case of ECL Finance, the Company adopted the accounting policy for securitization transactions, as notified by RBI in its circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012.

In case of Edelweiss Housing Finance, the Company adopted the accounting policy for securitization transactions based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

Notes to the abridged consolidated financial statements (Continued)

1. Significant accounting policies (Continued)

1.9 Fixed assets and depreciation

Tangible fixed assets

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 for its intended use or put to use whichever is earlier. In respect of assets sold, depreciation is provided up to 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.

Intangible fixed assets

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

Jewellery Designing are amortised on a straight-line basis over 5 years or its estimated useful life whichever is shorter.

All fixed assets, tangible and intangible, individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

1.10 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 statement of profit and loss. 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.

1.11 Stock-in-trade

- a) The securities acquired with the intention of short-term holding and trading positions 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.
- 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. 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.

1.12 Investments

a) Investments of Life Insurance Business

In case of Life Insurance business, investments are made in accordance with the Insurance Act, 1938, the IRDA (Investment) Regulations, 2000, and various other circulars/notifications/amendments issued by the IRDA in this context from time to time.

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.12 Investments (*Continued*)

Investments are recorded on trade date at cost, which includes brokerage and related taxes, if any and excludes pre-acquisition interest, if any.

Any impairment loss is recognized as an expense in the revenue/statement of profit and loss to the extent of the difference between the re-measured fair value of the security/investment and its acquisition cost as reduced by any previous impairment loss recognized as an expense in the revenue/statement of profit and loss. Any reversal of impairment loss, earlier recognized in revenue/statement of profit and loss, is recognized in the revenue/statement of profit and loss.

Broken period interest paid/received is debited/credited to interest receivable account and is not included in the cost of purchase/sale Value.

Debt securities

i) Non linked, non unit reserve investments and shareholders' investments

Debt securities are considered as "held to maturity". Debt securities are stated at amortised cost. Discount or premium on purchase of debt securities is amortised over the remaining period to maturity on straight line basis and is recognised in the revenue account or the profit and loss account, as applicable.

ii) Linked business

All debt securities, including government securities under linked businesses are valued at market value, using CRISIL Bond Valuer/ CRISIL Gilt Prices, as applicable. The discount or premium on money market instruments which is the difference between the purchase price and the redemption amount is amortized and recognized in the revenue account on a straight line basis over the remaining period to maturity of these securities. Unrealised gains or losses arising on such valuation are recognised in the revenue account.

Equity Shares

i) Non linked, non unit reserve investments and shareholders' investments

Listed equity shares are stated at fair value, being the last quoted closing prices on National Stock Exchange (in case it is not traded on National Stock Exchange then last quoted closing price on the Bombay Stock Exchange is used) as at the balance sheet date. Unrealised gains/losses arising due to change in fair value are recognised under the head 'Fair Value Change Account' in the balance sheet.

Unlisted equity shares and other than actively traded equity shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment determined separately for each individual investment.

ii) Linked business

Listed equity shares are valued and stated at fair value, being the last quoted closing prices on National Stock Exchange (in case it is not traded on National Stock Exchange then last quoted closing price on the Bombay Stock Exchange is used) as at the balance sheet date. Unrealised gains or losses arising on such valuation are recognised in the revenue account.

Unlisted equity shares and other than actively traded equity shares are stated at historical cost subject to provision for diminution, if any, in the value of such Investment determined separately for each individual investment.

Mutual Funds

i) Non linked, non unit reserve investments and shareholders' investments

Mutual Fund units as at balance sheet date are valued at previous day's net asset values. Unrealised gains/losses arising due to changes in the fair value of mutual fund units are recognized under the head 'Fair Value Change Account' in the balance sheet.

ii) Linked business

Mutual Fund units are valued at previous day's net asset values and unrealised gains/losses arising due to changes in the fair value of mutual fund units are recognised in revenue account.

b) Investments other than Life Insurance Business

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 non-current investments and investments which are intended to be held for less than one year are classified as current investments.

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.12 Investments (*Continued*)

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.

1.13 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 statement of profit and loss for 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 statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

1.14 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 statement of profit and loss.

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 arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

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 statement of profit and loss 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.

1.15 Tax

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

Income 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 and minimum alternate tax.

Notes to the abridged consolidated financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.15 Tax (*Continued*)

Deferred tax

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 Alternative Tax (MAT) Credit

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

1.16 Operating leases

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

1.17 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.

1.18 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.

1.19 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 and NHB.

Provision for standard assets is made on the basis of prudential norms laid down by RBI and NHB.

1.20 Mutual Fund expenses

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

1.21 Employee stock option plans (ESOPs)

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.

1.22 Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amounts are presented in the Balance Sheet where the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Such legal rights are by virtue of a binding legal contract or by an irrevocable undertaking executed by the Company. The aforesaid policy is generally applied to offset receivables from and payables to same counterparties; to offset fixed deposits specifically pledged with banks against the borrowings availed from them; to offset receivables against payables in the case of the same broking clients in multiple segments and other such similar qualifying arrangements.

Notes to the abridged consolidated financial statements (*Continued*)

(Currency: Indian rupees in millions)

2.1 Segment reporting (*refer note 2.30 of the consolidated financial statements*)

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, investment income and financing
Life Insurance	Represents results of Edelweiss Tokio Life Insurance Company Limited

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

Based on such allocations, segmental balance sheet as at 31 March 2014 and segmental profit and loss account for the year ended 31 March 2014 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.

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.1 Segment reporting (refer note 2.30 of the consolidated financial statements) (Continued)

Particulars	Agency business		Capital based business		Life Insurance		Un-allocated		Total	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Segment revenue										
Income from customers	5,074.73	4,941.30	18,847.61	15,905.50	1,598.38	981.69	34.60	11.75	25,555.32	21,840.24
Total	5,074.73	4,941.30	18,847.61	15,905.50	1,598.38	981.69	34.60	11.75	25,555.32	21,840.24
Segment result	788.13	422.90	3,644.26	3,072.45	(678.15)	(647.25)	(239.25)	(254.85)	3,514.99	2,593.25
Income tax							1,748.95	1,094.95	1,748.95	1,094.95
Minimum alternate tax credit entitlement							(245.35)	(117.82)	(245.35)	(117.82)
Deferred tax							(157.53)	(95.62)	(157.53)	(95.62)
Profit after tax									2,168.92	1,711.74
Other information										
Carrying amount of segment assets	14,079.04	20,707.20	152,798.65	130,302.70	7,587.99	5,300.70	5,829.82	5,980.94	180,295.50	162,291.54
Carrying amount of segment liabilities	7,040.74	16,171.60	140,737.95	117,590.20	1,293.59	742.40	3,929.89	3,211.58	153,002.17	137,715.78
Capital expenditure	121.78	174.55	664.54	167.44	-	-	12.75	21.04	799.07	363.03
Depreciation	142.86	118.52	325.03	287.65	43.49	81.87	12.72	26.22	524.10	514.26
Other non cash expenditure	57.07	133.03	528.64	150.20	43.49	-	3.38	76.53	632.58	359.76

Notes to the abridged consolidated financial statements (*Continued*)

(Currency: Indian rupees in millions)

2.2 Related parties (*refer note 2.31 of the consolidated financial statements*)

(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

Vidya Shah

Aparna T.C.

(B) Relatives of individuals exercising significant influence

Kaavya Venkat

Shilpa Mody

A V Ramaswamy

Sejal Premal Parekh (With effect from 9 July 2012)

Meena Subramanian (With effect from 30 January 2013, upto 29 May 2013)

Sneha Sripad Desai (With effect from 30 January 2013)

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

Edelweiss Employee Welfare Trust

Edelweiss Asset Reconstruction Company Limited

Edelweiss Fund Advisors Private Limited

Dahlia Commodities Services Private Limited (formerly known as Dahlia Financial Services Private Limited)

Magnolia Commodities Services Private Limited (formerly known as Magnolia Financial Services Limited)

Arum Investments Private Limited

Allium Finance Private Limited

Aeon Credit Service India Private Limited

(D) Subsidiary Companies

Edelgive Foundation

(E) Enterprises which exercise significant influence over subsidiary, with whom transactions have taken place

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

(F) Enterprises which exercise significant influence over group, with whom transactions have taken place

Oak Holdings Private Limited

Spire Investment Advisors LLP

(G) Key Management Personnel

Himanshu Kajji

Rujan Panjwani (with effect from 24 June 2013)

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.2 Related parties (refer note 2.31 of the consolidated financial statements) (Continued)

(H) 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	Key Management Personnel and relatives of KMP
Capital account transactions							
<i>Investment in Equity shares</i>							
Edelweiss Asset Reconstruction Company Limited			124.77 (277.93)				
Aeon Credit Service India Private Limited			- (102.50)				
<i>Investment in Preference shares</i>							
Allium Finance Private Limited			- (105.85)				
<i>Equity share capital issued by subsidiary (including securities premium)</i>							
Tokio Marine & Nichido Fire Insurance Co. Limited					1,939.70 (-)		
<i>Disinvestment in Equity shares</i>							
Allium Finance Private Limited			- (0.79)				
<i>Share Application Money received by subsidiary</i>							
Edelweiss Asset Reconstruction Company Limited			- (124.77)				
<i>Debentures subscribed by</i>							
Arum Investments Private Limited			275.00 (308.71)				
<i>Loans given to</i>							
Edelweiss Asset Reconstruction Company Limited			4,582.95 (773.65)				
Magnolia Commodities Services Private Limited			1,174.35 (143.88)				
Others			188.97 (378.62)				
<i>Loans repaid by</i>							
Edelweiss Asset Reconstruction Company Limited			3,830.33 (827.15)				
Magnolia Commodities Services Private Limited			1,126.91 (68.99)				
Edelweiss Metals Limited			165.30 (259.16)				
<i>ICD given to</i>							
Arum Investments Private Limited			1,500.00 (-)				
<i>ICD repaid by</i>							
Arum Investments Private Limited			1,500.00 (-)				
<i>Reimbursement paid</i>							
Edelgive Foundation				- (0.01)			
<i>Reimbursement recovered</i>							
Arum Investments Private Limited			36.79 (17.57)				

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.2 Related parties (refer note 2.31 of the consolidated financial statements) (Continued)

(H) Transactions and balances with related parties (Continued) :

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	Key Management Personnel and relatives of KMP
Allium Finance Private Limited			9.20 (5.28)				
Others			10.51 (19.69)	0.08 (-)		0.01 (0.02)	
<i>Dividend paid</i>							
Rashesh Shah	87.30 (116.88)						
Venkat Ramaswamy	34.47 (45.07)						
Spire Investment Advisors LLP						27.27 (32.94)	
Edelweiss Employee Welfare Trust			24.44 (31.96)				
Others	26.88 (35.16)	9.80 (12.51)					6.61 (-)
<i>Advisory Fee received</i>							
Edelweiss Asset Reconstruction Company Limited			7.34 (2.14)				
Others			0.00* (-)				
<i>Rental Income</i>							
Arum Investments Private Limited			5.73 (5.81)				
Edelweiss Asset Reconstruction Company Limited			3.90 (-)				
Allium Finance Private Limited			0.78 (-)				
<i>Interest income</i>							
Edelweiss Asset Reconstruction Company Limited			24.41 (23.27)				
Dahlia Commodities Services Private Limited			12.02 (8.53)				
Magnolia Commodities Services Private Limited			12.21 (6.17)				
Others			0.01 (18.24)				
<i>Interest income on debentures</i>							
Arum Investments Private Limited			89.80 (-)				
<i>Interest income on ICD</i>							
Arum Investments Private Limited			5.53 (-)				
<i>Amount paid/debits with broker</i>							
Vidya Shah	1,340.19 (144.31)						
Aparna T. C.	296.72 (43.09)						
Others	127.65 (110.24)	22.39 (2.21)	- (0.01)			0.39 (-)	

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.2 Related parties (refer note 2.31 of the consolidated financial statements) (Continued)

(H) Transactions and balances with related parties (Continued) :

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	Key Management Personnel and relatives of KMP
<i>Amount received/credits with broker</i>							
Vidya Shah	1,338.01						
	(144.57)						
Aparna T. C.	297.37						
	(43.09)						
Others	128.69	82.69	-			0.39	
	(110.24)	(2.21)	(0.00)*			(96.17)	
<i>Purchase of Commodities</i>							
Dahlia Commodities Services Private Limited			132.06				
			(-)				
Magnolia Commodities Services Private Limited			132.36				
			(-)				
<i>Sale of Commodities</i>							
Dahlia Commodities Services Private Limited			77.14				
			(54.68)				
Magnolia Commodities Services Private Limited			77.15				
			(54.98)				
<i>Loss on forward contracts (net)</i>							
Magnolia Commodities Services Private Limited			-				
			(22.59)				
Dahlia Commodities Services Private Limited			49.51				
			(22.56)				
<i>Brokerage earned</i>							
Vidya Shah	1.14						
	(0.59)						
Aparna T. C.	0.75						
	(0.21)						
Others	0.01	0.01	-			0.00*	
	(0.07)	(0.00)*	(0.00)*			(0.06)	
<i>Remuneration</i>							
Rashesh Shah	60.47						
	(21.27)						
Venkat Ramaswamy	18.30						
	(14.75)						
Himanshu Kaji							27.83
							(20.29)
Rujan Panjwani							20.90
							(-)
<i>Donations given</i>							
Edelgive Foundation				18.50			
				(31.40)			
<i>Cost reimbursements recovered</i>							
Arum Investments Private Limited			42.97				
			(0.31)				
Others			2.10				
			(1.92)				

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.2 Related parties (refer note 2.31 of the consolidated financial statements) (Continued)

(H) Transactions and balances with related parties (Continued) :

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	Key Management Personnel and relatives of KMP
Balances with related parties							
<i>Investments</i>							
Edelweiss Asset Reconstruction Company Limited			529.75 (402.71)				
Arum Investments Private Limited			1,072.44 (797.44)				
Others			250.06 (250.11)	0.10 (0.10)			
<i>Advances</i>							
Edelweiss Asset Reconstruction Company Limited			850.00 (105.58)				
Edelweiss Employee Welfare Trust			1,323.85 (1,348.35)				
Others			331.50 (403.09)				
<i>Trade Receivables</i>							
Edelweiss Asset Reconstruction Company Limited			1.73 (-)				
Others			0.00* (68.41)				
<i>Accrued interest on loans given</i>							
Edelweiss Asset Reconstruction Company Limited			6.25 (-)				
Others			0.93 (1.19)				
<i>Accrued interest on debt instruments</i>							
Arum investments Private Limited			49.04 (2.94)				
<i>Bonus payable</i>							
Rashesh Shah	37.50 (13.30)						
Venkat Ramaswamy	10.00 (6.80)						
Himanshu Kaji							20.00 (12.80)
Rujan Panjwani							15.00 (-)
<i>Trade Payables</i>							
Edelweiss Asset Reconstruction Company Limited			0.99 (0.21)				
Arum Investments Private Limited			- (0.00)*				
Dahlia Financial Services Private Limited			49.51 (-)				

Amounts in brackets represent previous year numbers

* Amount is less than ₹ 0.01 million

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.3 Earnings per share (refer note 2.32 of the consolidated financial statements)

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:

	2014	2013
a) Shareholders earnings (as per statement of profit and loss)	2,202.46	1,784.61
b) Calculation of weighted average number of equity shares of ₹ 1 each:		
– Number of shares at the beginning of the year	763,842,280	756,799,280
– Number of shares issued during the year	5,203,050	7,043,000
Total number of equity shares outstanding at the end of the year	769,045,330	763,842,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	767,977,731	760,388,845
c) Number of dilutive potential equity shares	3,911,331	13,015,804
d) Basic earnings per share (in ₹) {a/b}	2.86	2.35
e) Diluted earnings per share (in ₹) {a/(b+c)}	2.85	2.31

2.4 Share Application money pending allotment (refer note 2.38 of the consolidated financial statements)

The Company has received ₹ 0.08 million (Previous year: ₹ 22.50 million) towards share application on exercise of ESOPs which will result in an issue of 10,500 shares (Previous year: 2,929,800 shares). Of the total receipts, ₹ 0.07 million (Previous year: ₹ 19.57 million) has been received towards share premium. These shares have since been allotted.

2.5 Capital commitment (refer note 2.39 of the consolidated financial statements)

Uncalled liabilities on non-current investments ₹ 1,623.75 million as at balance sheet date (Previous year: ₹ 1,882.23 million).

Undrawn committed credit lines ₹ 3,012.94 million as at balance sheet date (Previous year: ₹ 1,767.52 million).

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 198.19 million (Previous year ₹ 25.03 million).

2.6 Contingent liability (refer note 2.40 of the consolidated financial statements)

i. Edelweiss Financial Services Limited (EFSL)

- Taxation matters in respect of which appeal is pending ₹ 115.15 million (Previous year: ₹ 52.61 million).
- EFSL has issued corporate guarantees to the extent of ₹ 41,366.38 million (Previous year: ₹ 38,268.76 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, Edelweiss Commodities Services Limited, ECL Finance Limited, Edelweiss Housing Finance Limited, Aster Commodities DMCC, EC Global Limited and Edelweiss International Singapore Pte Limited (subsidiary companies) and ₹ 14,757.20 million (Previous year: ₹ 13,735.90 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited and Edelweiss Housing Finance Limited (subsidiary companies) and ₹ 470.70 million (Previous year: ₹ Nil) in favour of Edelweiss Finance & Investments Limited for the Preference shares issued by it against due discharge of debt.

ii. Edelweiss Securities Limited (ESL)

- ESL has provided bank guarantees aggregating to ₹ 3,000 million (Previous year: ₹ 6,950 million) as on 31 March 2014 to The National Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating ₹ 1,500 million (Previous year: ₹ 3,475 million) for obtaining the above bank guarantees.

ESL has provided bank guarantees aggregating to ₹ 100 million (Previous year: ₹ 400 million) as on 31 March 2014 to The Bombay Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating ₹ 50 million (Previous year: ₹ 200 million) for obtaining the above bank guarantees.
- Taxation matters in respect of which appeal is pending ₹ 459.93 million (Previous year: ₹ 95.53 million).

iii. Edelweiss Commodities Services Limited (ECSL)

- Taxation matters in respect of which appeal is pending ₹ 208.27 million (Previous year: ₹ 4.63 million).
- ECSL has provided stand-by letter of credit aggregating to ₹ Nil (Previous year: ₹ 250 million) as on 31 March 2014 to The Bank of Nova Scotia for meeting margin requirements for buying bullion. ECSL has pledged fixed deposit with banks amounting to ₹ Nil (Previous year: ₹ 62.50 million) for obtaining the above stand-by letter of credit.

Notes to the abridged consolidated financial statements (*Continued*)

(Currency: Indian rupees in millions)

2.6 Contingent liability (refer note 2.40 of the consolidated financial statements) (*Continued*)

ECSL has provided bank guarantee aggregating to ₹ 500 million (Previous year: ₹ 400 million) as on 31 March 2014 to The Multi Commodity Exchange of India Limited for meeting margin requirements. ECSL has pledged fixed deposit with bank amounting to ₹ 250 million (Previous year: ₹ 200 million) for obtaining the above bank guarantee.

Corporate Guarantee has been given by ECSL to bank for ₹ 2,350 million (Previous year: ₹ 1,650 million) for availing Fund based Banking facilities by its subsidiary company Edelweiss Housing Finance Limited.

ECSL has provided bank guarantee aggregating to ₹ 0.20 million (Previous year: ₹ Nil) as on 31 March 2014 to VAT authorities for meeting statutory requirements. ECSL has pledged fixed deposit with bank amounting to ₹ 0.20 million (Previous year: ₹ Nil) for obtaining the above bank guarantee.

ECSL has provided bank guarantee aggregating to ₹ 49.90 million (Previous year: ₹ Nil) as on 31 March 2014 to Custom authorities for meeting statutory requirements. ECSL has pledged fixed deposit with bank amounting to ₹ 49.90 million (Previous year: ₹ Nil) for obtaining the above bank guarantee.

ECSL has provided bank guarantee aggregating to ₹ 3.71 million (Previous year: ₹ Nil) as on 31 March 2014 to Reliance Infra Ltd. ECSL has pledged fixed deposit with bank amounting to ₹ 3.71 million (Previous year: ₹ Nil) for obtaining the above bank guarantee.

iv. ECL Finance Limited (ECLF)

- a. Taxation matters in respect of which appeal is pending ₹ 0.54 million (Previous year: ₹ 0.54 million).
- b. Litigation pending against ECLF amounting to ₹ 10.76 million (Previous year: ₹ 0.51 million).

v. Edelweiss Broking Limited (EBL)

- a. EBL has provided Corporate guarantee ₹ Nil (Previous year: ₹ 500 million) to banks on behalf of ESL.
- b. Taxation matters in respect of which appeal is pending ₹ 7.67 million (Previous year: ₹ 0.26 million).
- c. Claims not acknowledged as debt ₹ 11.11 million (Previous year: ₹ 0.65 million).

vi. Edelweiss Comtrade Limited (Edel Com)

- a. Edel Com has provided bank guarantees aggregating to ₹ Nil (Previous year: ₹ 50 million) to The Multi Commodity Exchange of India Limited for meeting margin requirements. Edel Com has pledged fixed deposits with banks aggregating to ₹ Nil (Previous year: ₹ 25 million) for obtaining the above bank guarantees.
- b. Claims not acknowledged as debt ₹ 2.86 million (Previous year: ₹ 0.19 million).
- c. Taxation matters in respect of which appeal is pending ₹ 3.55 million (Previous year: ₹ 8.16 million).

vii. Edelweiss Financial Advisors Limited (EFAL)

- a. Corporate guarantee ₹ Nil (Previous year: ₹ 50 million) given to banks on behalf of Edelweiss Comtrade Limited.
- b. Claims not acknowledged as debts ₹ 11.08 million (Previous year: ₹ 17.58 million).
- c. Taxation matters in respect of which appeal is pending ₹ 112.76 (Previous year: ₹ 113.77 million).

viii. Edelweiss Global Wealth Management Limited

- a. Taxation matters in respect of which appeal is pending ₹ 19.70 million (Previous year: ₹ 19.69 million).

ix. Edel Finance Company Limited

- a. Taxation matters in respect of which appeal is pending ₹ 0.03 million (Previous year: ₹ 0.03 million).

2.7 Provision on standard assets (refer note 2.41 of the consolidated financial statements)

In accordance with the accounting policy set out on paragraph 1.19 of significant accounting policies, provision for standard assets created in the books as at 31 March 2014, is ₹ 215.51 million (Previous year: ₹ 168.30 million).

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.8 Movement of NPAs (refer note 2.42 of the consolidated financial statements)

With regard to the financing business of the Group in subsidiaries regulated by RBI and NHB, the following table sets forth, for the periods indicated, the details of movement of Gross Non-Performing Assets (NPAs), net NPAs and provisions:

		(₹ in millions)	
Particulars		2014	2013
i)	Gross NPAs		
a)	Opening Balance	284.78	226.18
b)	Additions during the year	602.58	138.23
c)	Reductions during the year *	68.07	79.63
d)	Closing balance	819.29	284.78
ii)	Net NPAs		
a)	Opening Balance	74.55	68.19
b)	Additions during the year	196.28	50.34
c)	Reductions during the year*	56.60	43.99
d)	Closing balance	214.23	74.55
iii)	Provisions for NPAs		
(excluding provision on standard assets)			
a)	Opening Balance	210.23	157.99
b)	Additions during the year	406.31	87.88
c)	Reductions during the year *	11.47	35.64
d)	Closing balance	605.07	210.23

* Includes NPA written off during the year amounting to ₹ Nil (Previous year: ₹ 30.54 million).

2.9 Capital to Risk Assets Ratio (CRAR) (refer note 2.43 of the consolidated financial statements)

The CRAR for the key NBFC of the Group namely ECL Finance Limited is as follows:

Items	2014	2013
i. CRAR (%)	16.06%	18.40%
ii. CRAR - Tier I capital (%)	15.56%	18.17%
iii. CRAR - Tier II Capital (%)	0.50%	0.23%

2.10 Details of Single Borrower Limit and Group Borrower Limit by the NBFCs' within the Group (refer note 2.44 of the consolidated financial statements)

During the years ended 31 March 2014 and 31 March 2013, all the NBFCs credit exposure to single borrowers and group borrowers were within their respective limits prescribed by RBI.

2.11 Policy Liabilities – Insurance Business (refer note 2.48 of the consolidated financial statements)

(Forming part of the Policyholders' Funds)

Particulars	As at 31 March 2014				As at 31 March 2013			
	Par	Non Par	Unit Linked	Total	Par	Non Par	Unit Linked	Total
At start of the year	90.67	136.66	145.12	372.46	1.81	30.96	24.82	57.59
Add: Change in valuation against policies in force (Mathematical reserves excluding cost of bonus)	212.45	238.48	129.83	580.76	83.09	105.70	120.30	309.09
Add: Bonus to policyholders	27.98	-	-	27.98	5.78	-	-	5.78
At end of the year	331.10	375.14	274.95	981.20	90.67	136.66	145.12	372.46

Notes to the abridged consolidated financial statements (Continued)

(Currency: Indian rupees in millions)

2.12 Long-term bank borrowings secured by charge on loans receivable (refer note 2.49 of the consolidated financial statements)

Following is the repayment terms of term loans:

Term Loans from Banks – Secured				(₹ In millions)
Maturities	1-3 years	3-5 years	> 5 years	TOTAL
Rate of interest				
10.00-10.99%	1,926.00	803.00	-	2,729.00
11.00-11.99%	8,214.00	4,116.00	1,657.00	13,987.00
12.00-13.00%	-	250.00	-	250.00
Debentures – Secured				(₹ In millions)
Maturities	1-3 years	3-5 years	> 5 years	TOTAL
Rate of interest				
8.00-8.99%	1,579.06	-	-	1,579.06
11.00-11.99%	5,351.16	-	-	5,351.16
12.00-12.99%	300.00	1,425.85	-	1,725.85
Various (benchmark linked)	13,394.47	-	-	13,394.47
	20,624.69	1,425.85	-	22,050.54

2.13 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 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. (refer note 2.50 of the consolidated financial statements)

2.14 The Company has provided loans to its employees' welfare trusts aggregating to ₹ 1608.15 million as at 31 March 2014. The trusts have utilised this fund in the acquisition of shares of the Company with the objective of utilising the same to allocate shares to employees on exercise of employee stock options and for other employee welfare activities. The Company has, in accordance with the Expert Advisory Committee of the Institute of Chartered Accountants of India's published opinion in March 2014, presented the investment in shares of the Company underlying the loan as a deduction from share capital and securities premium Account. Previous year's figures have also been regrouped to conform to the above presentation. (refer note 2.51 of the consolidated financial statements)

2.15 Details of Cash and Cash Equivalents (refer note 2.52 of the consolidated financial statements)

(₹ in millions)

Particulars	As at 31 March 2014	As at 31 March 2013
Cash in hand	24.17	12.11
Cheques in hand	84.30	85.41
Balances with banks	5,548.67	6,233.36
Short-term deposits with bank	2,462.73	920.00
Total	8,119.87	7,250.88

2.16 Details of quoted investments (refer note 2.53 of the consolidated financial statements)

(₹ in millions)

Particulars	As at 31 March 2014	As at 31 March 2013
Book value of quoted current investments	11,406.10	3,410.92
Market value of quoted current investments	11,445.26	3,520.90
Book value of quoted non-current investments	2,485.85	2,078.71
Market value of quoted non-current investments	2,495.82	2,048.52

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

S Ranganathan
B Ranganathan

Chief Financial Officer
EVP & Company Secretary

Mumbai
17 May 2014

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	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited	Edelweiss Global Wealth Management Limited	Edelweiss Trustee Services Limited	Ecap Equities Limited	Edelcap Securities Limited	Edelweiss Broking Limited	EC Global Limited	Edelweiss Asset Management Limited
Paid-up Equity Share Capital	262.14	26.55	1,891.85	6.95	42.27	10.00	0.50	2.40	3.00	48.81	1.10	450.00
Paid-up Preference Share Capital	2.60	313.80	-	-	-	-	-	36.00	-	18.91	1,862.19	-
Reserves of the Subsidiary	4,153.43	3,256.83	13,689.71	111.56	(140.59)	208.51	8.99	1,666.14	588.15	2,034.22	135.63	249.01
Total Assets of the Subsidiary	18,258.36	23,387.39	78,270.05	153.60	117.30	528.81	10.00	11,149.47	622.17	3,762.19	12,520.52	740.87
Total Liabilities of the Subsidiary	13,840.10	19,790.21	62,688.50	35.09	215.62	310.30	0.50	9,444.94	31.01	1,660.25	10,521.59	41.86
Investments (other than in Subsidiary Companies)	1,604.81	1,713.99	5,044.18	-	-	33.74	-	19.54	241.66	1,640.16	10,609.77	136.79
Total Turnover	3,817.40	2,900.39	8,122.76	143.84	54.62	390.04	1.73	1,131.50	137.98	644.48	(1,317.44)	88.68
Profit/(Loss) before taxation	527.32	611.25	2,285.63	50.51	(55.68)	220.83	1.50	230.84	109.40	(4.64)	(1,474.10)	(38.27)
Provision for taxation (including Deferred Tax and MAT credit entitlement)	107.94	190.75	685.18	17.05	4.87	36.08	0.47	5.07	34.89	0.22	5.46	(0.25)
Profit/(Loss) after taxation	419.38	420.50	1,600.45	33.46	(60.55)	184.75	1.03	225.77	74.51	(4.86)	(1,479.56)	(38.02)
Proposed dividend	-	183.53	-	-	-	-	-	-	-	-	-	-

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 Trusteeship Company Limited	Edel Commodities Limited	EC Commodity Limited	Edelweiss Housing Finance Limited	Edelweiss Alternative Asset Advisors Limited	Edelweiss Investment Adviser Limited	Edel Land Limited	Edelweiss Custodial Services Limited	Edelweiss Capital (Singapore) Pte. Limited	Edelweiss Alternative Asset Advisors Pte. Limited	Edelweiss International (Singapore) Pte. Limited	EW SBI Crossover Advisors LLC
Paid-up Equity Share Capital	1.00	0.50	9.58	378.50	22.56	0.50	1.35	50.00	13.47	101.00	102.88	30.64
Paid-up Preference Share Capital	-	-	-	-	-	4.25	1.25	-	-	-	-	-
Reserves of the Subsidiary	2.16	(930.90)	6.85	1,479.95	192.13	192.82	116.17	587.40	(12.75)	(86.68)	(54.25)	7.62
Total Assets of the Subsidiary	3.33	3,097.66	1,069.05	12,178.14	317.86	1,891.57	216.64	744.95	331.75	17.24	208.85	39.69
Total Liabilities of the Subsidiary	0.17	4,028.06	1,052.63	10,319.68	103.17	1,694.00	97.87	107.55	331.04	2.91	160.21	1.43
Investments (other than in Subsidiary Companies)	2.87	2.69	-	-	7.50	-	-	529.75	-	-	-	-
Total Turnover	1.04	1,509.94	353.16	1,163.43	213.37	94.77	5.28	19.79	-	1.77	16.50	89.01
Profit/(Loss) before taxation	0.69	(120.59)	17.68	73.05	70.86	(115.52)	(7.25)	(8.48)	(3.81)	(56.90)	(44.52)	9.49
Provision for taxation (including Deferred Tax and MAT credit entitlement)	0.20	(0.17)	93.21	25.63	22.43	(37.91)	-	(0.14)	-	5.42	-	0.08
Profit/(Loss) after taxation	0.49	(120.42)	(75.53)	47.42	48.43	(77.61)	(7.25)	(8.34)	(3.81)	(62.32)	(44.52)	9.41
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	EC International Limited	Aster Commodities DMCC	Edelweiss Metals 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	Edelweiss Commodities Services Limited	Edelweiss Financial Advisors Limited
Paid-up Equity Share Capital	6.20	133.73	0.50	1,802.87	8.70	30.52	32.97	14.74	1.71	297.75	60.64
Paid-up Preference Share Capital	-	-	-	-	-	-	-	-	-	272.90	-
Reserves of the Subsidiary	29.89	2,229.65	(7.71)	4,568.80	6.63	(19.30)	0.35	(88.33)	(12.96)	4,358.08	622.25
Total Assets of the Subsidiary	2,923.81	6,636.05	338.14	7,896.28	60.62	168.24	33.32	93.29	90.76	35,464.13	2,043.18
Total Liabilities of the Subsidiary	2,887.73	4,272.67	345.35	1,524.61	45.29	157.02	-	166.88	102.00	30,535.39	1,360.29
Investments (other than in Subsidiary Companies)	1,862.19	-	-	4,724.20	-	-	-	-	0.01	5,069.88	-
Total Turnover	70.68	65,381.66	-	1,641.92	28.98	39.32	0.58	(38.08)	107.52	163,360.18	404.94
Profit/(Loss) before taxation	5.71	836.04	(0.18)	(692.83)	(8.89)	0.20	0.14	(75.33)	26.44	758.47	20.83
Provision for taxation (including Deferred Tax and MAT credit entitlement)	0.17	-	(0.05)	(0.26)	-	-	-	-	0.60	14.29	6.54
Profit/(Loss) after taxation	5.54	836.04	(0.13)	(692.57)	(8.89)	0.20	0.14	(75.33)	25.84	744.18	14.29
Proposed dividend	-	-	-	-	-	-	-	-	-	186.64	-

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 Comtrade Limited	Edel Finance Company Limited	Edelweiss Capital Markets Limited	Edelweiss Investment Advisors Private Limited (Singapore)	EFSL Commodities Limited	Edel Commodities Trading Limited	EFSL Comtrade Limited	Edelweiss Retail Finance Limited	Edelweiss Securities (Hong Kong) Private Limited	Edelweiss Financial Services Inc	Edelweiss Commodities Pte Limited	EdelGive Foundation
Paid-up Equity Share Capital	50.00	4.00	1.80	0.34	2.70	1.70	1.70	29.99	46.51	-	48.44	0.10
Paid-up Preference Share Capital	-	-	-	-	-	-	-	-	-	-	-	-
Reserves of the Subsidiary	123.25	34.54	33.84	(3.88)	(138.54)	44.43	45.85	179.40	(5.98)	(9.26)	(0.61)	10.21
Total Assets of the Subsidiary	678.43	795.65	36.41	0.15	158.01	408.24	792.10	641.52	41.22	54.07	48.42	10.61
Total Liabilities of the Subsidiary	505.18	757.11	0.76	3.69	293.85	362.11	744.55	432.13	0.68	-	0.59	0.30
Investments (other than in Subsidiary Companies)	-	-	-	-	-	-	-	-	-	-	-	-
Total Turnover	163.14	96.83	1,112.58	-	120.79	2,047.05	517.72	20.33	-	-	(0.32)	34.21
Profit/(Loss) before taxation	46.89	16.46	27.28	(1.74)	(119.35)	143.41	54.57	1.50	(3.89)	(5.73)	(0.61)	(3.42)
Provision for taxation (including Deferred Tax and MAT credit entitlement)	15.27	5.30	0.70	-	7.26	19.61	9.83	0.53	-	-	-	-
Profit/(Loss) after taxation	31.62	11.16	26.58	(1.74)	(126.61)	123.80	44.74	0.97	(3.89)	(5.73)	(0.61)	(3.42)
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-

For and on behalf of the Board of Directors

Rashesh Shah

Chairman & Managing Director

Venkat Ramaswamy

Executive Director

Himanshu Kaji

Executive Director

Rujan Panjwani

Executive Director

S Ranganathan

Chief Financial Officer

B Ranganathan

EVP & Company Secretary

Mumbai

17 May 2014

Abridged Standalone Financial Statements

Independent Auditors' Report on abridged financial statements

To the Members of Edelweiss Financial Services Limited

The accompanying abridged financial statements, which comprise the abridged balance sheet as at 31 March 2014, the abridged statement of profit & loss, and abridged cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Edelweiss Financial Services Limited ('the Company') for the year ended 31 March 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 17 May 2014.

The abridged financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") applied in the preparation of the audited financial statements of the Company. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Management's responsibility for the abridged financial statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 and are based on the audited financial statements for the year ended 31 March 2014, prepared in accordance with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") and accounting principles generally accepted in India.

Auditor's responsibility

Our responsibility is to express an opinion on the abridged financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the abridged financial statements, prepared in accordance with Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 read with Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2012 are derived from the audited financial statements of the Company for the year ended 31 March 2014 and are a fair summary of those financial statements.

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

Mumbai
17 May 2014

N Sampath Ganesh
Partner
Membership No.: 042554

Independent Auditors' Report

**To the Members of
Edelweiss Financial Services Limited**

Report on the financial statements

We have audited the accompanying financial statements of Edelweiss Financial Services Limited ('the Company') which comprise the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2014;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

- 1 As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 As required by section 227(3) of the Act, 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the balance sheet, statement of profit and loss 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 on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as director in terms of clause (g) of sub section (1) of section 274 to the Act.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

Annexure to Independent Auditor's Report – 31 March 2014

(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 primarily engaged in the business of rendering merchant banking services. 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 ₹ 9.81 million and the year-end balance of such loans was ₹ Nil.
- (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 ₹ 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 ₹ 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 2014 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of Provident Fund, Income-tax, Service tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- (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.

Annexure to Independent Auditor's Report – 31 March 2014 (*Continued*)

- (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 LLP**
Chartered Accountants
Firm's Registration No.: 116231W

Mumbai
17 May 2014

N Sampath Ganesh
Partner
Membership No.: 042554

Abridged Balance Sheet as at 31 March 2014

(Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	As at 31 March 2014	As at 31 March 2013
I EQUITY AND LIABILITIES		
1 Shareholders' funds		
(a) Share capital (refer note 9)		
Equity	724.15	718.94
(b) Reserves and surplus		
(i) Stock options outstanding	5.03	13.12
(ii) Securities premium account (refer note 9)	10,725.06	10,646.36
(iii) General reserve	397.16	323.86
(iv) Surplus in statement of profit and loss	326.20	205.29
	12,177.60	11,907.57
2 Share application money pending allotment (refer note 5)	0.08	22.50
3 Non-current liabilities		
(a) Long-term borrowings	3,057.09	2,304.06
(b) Long-term provisions	3.06	13.53
	3,060.15	2,317.59
4 Current liabilities		
(a) Short-term borrowings	5,431.85	6,728.54
(b) Trade payables	65.42	65.79
(c) Other current liabilities	156.63	398.55
(d) Short-term provisions	249.31	150.16
	5,903.21	7,343.04
TOTAL - EQUITY AND LIABILITIES (1+2+3+4)	21,141.04	21,590.70
II ASSETS		
5 Non-current assets		
(a) Fixed assets		
(i) Tangible assets (original cost less depreciation)	40.49	45.90
(ii) Intangible assets (original cost less depreciation/amortisation)	19.04	18.86
(b) Non-current investments	13,639.55	14,297.98
(c) Deferred tax assets (net)	75.32	27.55
(d) Long-term loans and advances	1,417.67	536.73
(e) Other non-current assets	4.14	-
	15,196.21	14,927.02
6 Current assets		
(a) Trade receivables	213.71	122.88
(b) Cash and cash equivalents (refer note 10)	146.31	193.93
(c) Short-term loans and advances	5,225.47	6,062.56
(d) Other current assets	359.34	284.31
	5,944.83	6,663.68
TOTAL ASSETS (5+6)	21,141.04	21,590.70

See accompanying accounting policies and notes to the abridged financial statements.

Compiled from the audited financial statements of the Company referred to in our report dated 17 May 2014.

Complete Balance Sheet, Statement of Profit and Loss, other statements and notes thereto prepared as per the requirements of Revised Schedule VI to the Companies Act, 1956 are available at the Company's website - www.edelweissfin.com.

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

S Ranganathan
B Ranganathan

Mumbai
17 May 2014

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

Chief Financial Officer
EVP & Company Secretary

Abridged Statement of Profit and Loss for the year ended 31 March 2014

(Statement containing salient features of Statement of Profit and Loss as per Section 219(1)(b)(iv) of the Companies Act, 1956)

(Currency: Indian rupees in millions)

	For the year ended 31 March 2014	For the year ended 31 March 2013
I Income		
Revenue from operations		
(a) Revenue from services provided	1,279.00	931.33
(b) Income from investments and dividend	794.73	542.17
(c) Other operating revenue	75.36	94.58
Net revenue from operations	2,149.09	1,568.08
II Other income	1.73	0.61
III Total income (I+II)	2,150.82	1,568.69
IV Expenditure		
(a) Employee benefits expense	311.19	388.94
(b) Finance costs	611.79	390.35
(c) Depreciation and amortisation expense	27.14	19.49
(d) Other expenses	397.93	298.81
Total expenditure	1,348.05	1,097.59
V Profit before tax (III-IV)	802.77	471.10
VI Tax expense		
(a) Current tax	143.88	10.76
(b) Minimum alternate tax	(26.29)	-
(c) Deferred tax	(47.78)	(7.57)
VII Profit for the year	732.96	467.91
VIII Earnings per equity share (₹) (Face value ₹ 1 each) (refer note 4):		
(a) Basic	0.95	0.62
(b) Diluted	0.95	0.60

See accompanying accounting policies and notes to the abridged financial statements.

Compiled from the audited financial statements of the Company referred to in our report dated 17 May 2014.

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

S Ranganathan
B Ranganathan

Mumbai
17 May 2014

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

Chief Financial Officer
EVP & Company Secretary

Abridged Cash Flow Statement for the year ended 31 March 2014

(Currency: Indian rupees in millions)

	For the year ended 31 March 2014	For the year ended 31 March 2013
I Cash flow from operating activities	449.14	15,216.17
II Cash flow from investing activities	1,328.69	884.22
III Cash used in financing activities	(1,825.45)	(15,918.68)
IV Net (decrease)/increase in cash and cash equivalents (I + II + III)	(47.62)	181.71
V Cash and cash equivalents at the beginning of the year	193.93	12.22
VI Cash and cash equivalents at the end of the year (refer note 10)	146.31	193.93

See accompanying accounting policies and notes to the abridged financial statements.

As per our report of even date attached.

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

N Sampath Ganesh
Partner
Membership No.: 042554

Mumbai
17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

S Ranganathan
B Renganathan

Mumbai
17 May 2014

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

Chief Financial Officer
EVP & Company Secretary

Notes to the abridged financial statements for the year ended 31 March 2014

1. Significant accounting policies

1.1 Basis of preparation of abridged financial statements

The accompanying abridged financial statements have been prepared pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the annual accounts for the year ended 31 March 2014. The abridged financial statements are presented in Indian Rupees in millions.

1.2 Use of estimates

The preparation of the abridged 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 abridged financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.3 Current/non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is expected to be realized within 12 months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the Company's normal operating cycle.
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within 12 months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

1.4 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. Guarantee commission and other fees for services rendered to group companies is recognised on an accrual basis.
- 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.

Notes to the abridged financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.5 Benchmark linked debentures

The Company had 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 statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

1.6 Fixed assets and depreciation

Tangible fixed assets

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 for its intended 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 Act, 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.

Intangible fixed assets

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

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

1.7 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 recognised in the statement of profit and loss. 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.

1.8 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.

1.9 Foreign currency transactions and currency derivatives

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 statement of profit and loss for 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 statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

Notes to the abridged financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.9 Foreign currency transactions and currency derivatives (*Continued*)

The Company enters into currency derivative transactions to economically hedge its foreign exchange exposure. These derivative transactions 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.

In respect of currency forward contracts entered with banks, the premium or discount arising at the inception of the contract is amortised over the life of the contract in the statement of profit and loss. The difference in the opening and closing exchange rates (mark to market) is recognised in the statement of profit and loss. Any profit or loss arising on cancellation or renewal of such contracts is recognised in the statement of profit and loss.

1.10 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 statement of profit and loss.

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 discount 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 arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

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 statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

1.11 Taxation

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

Income tax

Provision for income 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 tax

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 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 reasonably/virtually certain, as the case may be, to be realised.

Minimum Alternate Tax (MAT)

MAT credit asset is recognised where there is convincing evidence that the asset can be realised in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

Notes to the abridged financial statements (*Continued*)

1. Significant accounting policies (*Continued*)

1.12 Operating leases

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

1.13 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.

1.14 Employee stock option plans (ESOPs)

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.

1.15 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 abridged 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.

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

2. Segment reporting (*refer note 2.26 of the financial statements*)

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, segment disclosures relating to revenue, results, assets and liabilities have been prepared.

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

The following table gives information on segment assets and liabilities as at 31 March 2014 and the segment revenue, expenses and result for the year ended on that date:

Notes to the abridged financial statements (Continued)

(Currency: Indian rupees in millions)

2. Segment reporting (refer note 2.26 of the financial statements) (Continued)

Particulars	Agency business		Holding company activities		Unallocated		Total	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Segment revenue								
Income	649.60	311.10	1,501.22	1,257.59	-	-	2,150.82	1,568.69
Total	649.60	311.10	1,501.22	1,257.59	-	-	2,150.82	1,568.69
Segment result	375.36	75.11	513.60	518.83	(86.19)	(122.84)	802.77	471.10
Current tax					143.88	10.76	143.88	10.76
Minimum alternate tax					(26.29)	-	(26.29)	-
Deferred tax					(47.78)	(7.57)	(47.78)	(7.57)
Profit after tax							732.96	467.91
Other information								
Carrying amount of segment assets	102.99	120.22	20,103.29	20,568.91	934.76	901.57	21,141.04	21,590.70
Carrying amount of segment liabilities	60.88	61.39	8,589.97	9,356.64	312.51	242.60	8,963.36	9,660.63
Capital expenditure	15.56	16.72	9.07	7.73	3.34	3.58	27.97	28.03
Depreciation/amortisation	15.10	11.63	8.80	5.37	3.24	2.49	27.14	19.49
Other non cash expenditure	39.86	0.55	149.60	70.69	0.29	1.71	189.75	72.95

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*)

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

Edelweiss Securities Limited
Edelweiss Insurance Brokers Limited
Edelweiss Finance & Investments Limited
Edelweiss Commodities Services Limited
Edelweiss Trustee Services Limited
ECL Finance Limited
Edelweiss Custodial Services Limited (*through Edelweiss Securities Limited*)
ECap Equities Limited
Edelcap Securities Limited (*through ECap Equities Limited*)
EC Commodity Limited
Edel Commodities Limited (*through Edelweiss Commodities Services Limited*)
Edelweiss Global Wealth Management Limited
Edelweiss Trusteeship Company Limited
Edelweiss Asset Management Limited
Edelweiss Broking Limited
Edelweiss Investment Adviser Limited (*formerly known as Edelweiss Investment Advisors Limited*)
Edel Land Limited
Edelweiss Web Services Limited (*through Edelweiss Broking Limited*)
EC International Limited, Mauritius
EdelGive Foundation
Edelweiss Alternative Asset Advisors Limited
Edelweiss Housing Finance Limited (*through Edelweiss Commodities Services Limited*)
Edelweiss Tokio Life Insurance Company Limited
Edel Investments Limited
Edel Finance Company Limited (*through Edelweiss Financial Advisors Limited*)
Edelweiss Comtrade Limited (*through Edelweiss Securities Limited*)
Edelweiss Capital (Singapore) Pte. Limited
Edelweiss Financial Advisors Limited (*through Edelweiss Broking Limited*)
EFSL Commodities Limited (*through Edel Commodities Limited*)
EFSL Comtrade Limited (*through Edel Commodities Limited*)
Edel Commodities Trading Limited (*through Edel Commodities Limited*)
Edelweiss Capital Markets Limited (*through Edelweiss Commodities Services Limited*)
Allium Finance Private Limited (upto 21 August 2012) (*through Edelweiss Commodities Services Limited*)
EC Global Limited (*through Edelweiss Finance & Investments Limited*)
Aster Commodities DMCC (*through EC International Limited, Mauritius*)
Edelweiss International (Singapore) Pte. Limited (*through Edelweiss Capital (Singapore) Pte. Limited*)

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(A) Subsidiaries which are controlled by the Company and with which transactions have taken place (*Continued*):

Edelweiss Retail Finance Limited (*formerly known as Affluent Dealcom Limited*) (with effect from 19 July 2012) (*through Edelcap Securities Limited*)

Edelweiss Metals Limited (*formerly known as Edelweiss Metals Private Limited*) (with effect from 1 July 2013) (*through Edelweiss Commodities Services Limited*)

(B) Subsidiaries which are controlled by the Company and with which no transactions have taken place:

ECap International Limited (*through EC International Limited, Mauritius*)

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*)

Edelweiss Investment Advisors Private Limited (*through Edelweiss Capital (Singapore) Pte. Limited*)

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

Edelweiss Securities (Hong Kong) Private Limited (with effect from 6 February 2013) (*through Edelweiss Securities Limited*)

Edelweiss Financial Services Inc (with effect from 11 June 2013) (*through Edelweiss Securities Limited*)

Edelweiss Commodities Pte. Ltd (with effect from 20 September 2013) (*through EFSL Comtrade Limited*)

Edelweiss Commodities Nigeria Limited (with effect from 17 December 2013) (*through EFSL Comtrade Limited*)

(C) Associates:

Edelweiss Asset Reconstruction Company Limited (*through Edelweiss Custodial Services Limited*)

Edelweiss Fund Advisors Private Limited

Dahlia Commodities Services Private Limited (*formerly known as Dahlia Financial Services Private Limited*) (*through Edelweiss Securities Limited*)

Magnolia Commodities Services Private Limited (*formerly known as Magnolia Financial Services Private Limited*) (*through Edelweiss Securities Limited*)

Arum Investments Private Limited (*through Edelweiss Securities Limited*)

Edelweiss Metals Limited (*formerly known as Edelweiss Metals Private Limited*) (upto 30 June 2013) (*through Edelweiss Commodities Services Limited*)

Edelweiss Retail Finance Limited (*formerly known as Affluent Dealcom Limited*) (upto 18 July 2012) (*through Edelcap Securities Limited*)

Allium Finance Private Limited (with effect from 22 August 2012) (*through Edelweiss Commodities Services Limited*)

Aeon Credit Service India Private Limited (with effect from 25 June 2012) (*through ECL Finance Limited*)

(D) 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

Vidya Shah

Aparna T. C.

(E) Key managerial personnel (KMP):

Himanshu Kaji

Rujan Panjwani (with effect from 24 June 2013)

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(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 and relatives of KMP:

Kaavya Venkat

Shilpa Mody

Sharmishta Chandrakant Shah (upto 11 May 2012)

A V Ramaswamy

Sejal Premal Parekh (with effect from 9 July 2012)

Meena Subramanian (with effect from 30 January 2013 and upto 29 May 2013)

Sneha Sripad Desai (with effect from 30 January 2013)

Shabnam Panjwani (with effect from 24 June 2013)

(G) Enterprise over which significant influence is exercised:

Edelweiss Employees Welfare Trust

(H) Enterprises which exercise significant influence over the Company:

Spire Investment Advisors LLP

Oak Holdings Private Limited

Note: With effect from 1 April 2013 (being the appointed date):

- a) the Derivatives Business of EC Commodity Limited (“Demerging Company”) has been merged with Edelweiss Securities Limited (“Resulting Company”) vide an order of the Hon. High Court of Andhra Pradesh. The effective date of the order is 11 May 2014;
- b) the Derivatives Business of Edel Commodities Limited (“Demerging Company”) has been merged with Edelweiss Commodities Services Limited (“Resulting Company”) vide an order of the Hon. High Court of Andhra Pradesh. The effective date of the order is 11 May 2014;
all related party outstanding balances as at the end of the year relating to these demerged businesses have been disclosed as being outstanding to/from the respective Resulting Companies. All related party transactions other than that of revenue nature from the Appointed Date in relation to the demerged business accounted in the Balance Sheet have been disclosed to have been transacted with the respective Demerging Companies.
- c) the Demerged Business of Edelcap Securities Limited has been merged with Ecap Equities Limited (Ecap) vide an order of the Hon. High Court of Andhra Pradesh. The effective date of the order is 11 May 2014. All related party transactions transacted during the year and the outstanding balances thereof as at the end of the year relating to the Demerged Business have accordingly been disclosed to have been transacted by Ecap.

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
Capital account transactions						
<i>Investments in equity shares</i>						
Edelweiss Tokio Life Insurance Company Limited	560.30					
	(-)					
Others	0.85					
	(13.03)					
<i>Investments in preference shares</i>						
EC International Limited	9,184.90					
	(-)					
ECap Equities Limited	18.00					
	(-)					
<i>Redemption of preference shares</i>						
EC International Limited	9,184.90					
	(-)					
<i>Disinvestment in equity shares</i>						
Edelweiss Asset Management Limited	-					
	(229.35)					
<i>Purchase of investments from</i>						
Rashesh Shah				0.98		
				(-)		
Venkat Ramaswamy				0.98		
				(-)		
<i>Sale of investments to</i>						
Edelweiss Commodities Services Limited	840.50					
	(-)					
Edelweiss Securities Limited	517.50					
	(-)					
ECap Equities Limited	13.00					
	(-)					
<i>Long-term non convertible debentures redeemed to</i>						
ECap Equities Limited	-					
	(78.10)					
<i>Commercial papers subscribed by</i>						
Edelweiss Commodities Services Limited	109,752.73					
	(111,635.58)					
<i>Commercial papers redeemed to</i>						
Edelweiss Commodities Services Limited	28,750.00					
	(44,200.00)					
Edelweiss Global Wealth Management Limited	253.00					
	(-)					

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Commercial papers redeemed by</i>						
Edelweiss Commodities Services Limited	1,000.00					
	(-)					
<i>Long-term loans given to</i>						
Edelweiss Commodities Services Limited	700.00					
	(-)					
Edelweiss Retail Finance Limited	150.00					
	(-)					
<i>Long-term loans taken from</i>						
ECL Finance Limited	1,510.00					
	(-)					
Edelweiss Comtrade Limited	104.60					
	(-)					
<i>Long-term loans repaid to</i>						
ECL Finance Limited	2,010.00					
	(-)					
ECap Equities Limited	300.00					
	(-)					
Current account transactions						
<i>Loans repaid by</i>						
Edelweiss Securities Limited	338,244.45					
	(214,009.69)					
Edelweiss Commodities Services Limited	610,939.97					
	(472,609.38)					
ECL Finance Limited	291,208.77					
	(168,574.55)					
Others	279,323.66	24.50	0.29			
	(163,152.25)	(32.10)	(0.50)			
<i>Loans given to</i>						
Edelweiss Securities Limited	336,972.82					
	(214,842.70)					
Edelweiss Commodities Services Limited	610,722.84					
	(469,465.54)					
ECL Finance Limited	290,807.14					
	(168,346.98)					
Others	280,498.23		0.29			
	(150,994.56)		(0.50)			

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities/ controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Short-term loans taken from</i>						
Edelweiss Commodities Services Limited	- (2,000.00)					
<i>Short-term loans repaid to</i>						
Edelweiss Commodities Services Limited	- (2,000.00)					
Secondary market transactions with broker						
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	1,092.08 (2,154.45)					
<i>Margin withdrawn from broker</i>						
Edelweiss Securities Limited	1,134.55 (2,243.60)					
<i>Reimbursements recovered</i>						
Edelweiss Finance & Investments Limited	227.76 (136.74)					
Edelweiss Commodities Services Limited	232.46 (163.73)					
ECL Finance Limited	335.77 (218.49)					
ECap Equities Limited	174.50 (71.14)					
Others	348.09 (398.20)	- (0.00)*	57.78 (42.47)			0.01 (0.02)
<i>Reimbursements paid</i>						
Edelweiss Web Services Limited	51.16 (-)					
Others	0.19 (0.70)					
<i>Dividend paid</i>						
Rashesh Shah				87.30 (116.88)		
Venkat Ramaswamy				34.47 (45.07)		
Edelweiss Employees Welfare Trust		24.44 (31.96)				
Spire Investment Advisors LLP						27.27 (32.94)
Others				33.49 (35.16)	9.81 (12.51)	

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Remuneration</i>						
Rashesh Shah				35.47		
				(21.27)		
Venkat Ramaswamy				5.34		
				(14.75)		
Himanshu Kaji				17.83		
				(20.29)		
Rujan Panjwani				3.25		
				(-)		
<i>Dividend income</i>						
Edelweiss Commodities Services Limited	311.15					
	(110.17)					
Edelweiss Finance & Investments Limited	151.34					
	(450.03)					
<i>Advisory fee/commission received</i>						
ECL Finance Limited	76.80					
	(42.34)					
Aster Commodities DMCC	71.32					
	(38.49)					
Edelweiss Tokio Life Insurance Company Limited	50.00					
	(-)					
Others	32.58					
	(16.32)					
<i>Rating support fee received</i>						
ECL Finance Limited	215.50					
	(315.30)					
Edelweiss Securities Limited	66.15					
	(88.13)					
Edelweiss Commodities Services Limited	88.05					
	(115.13)					
Others	70.80					
	(46.88)					
<i>Interest income on short-term loan</i>						
Edelweiss Commodities Services Limited	824.81					
	(1,844.57)					
ECL Finance Limited	367.64					
	(549.08)					
Edelweiss Securities Limited	332.89					
	(326.56)					
ECap Equities Limited	306.18					
	(182.57)					
Others	565.78					
	(1,361.55)					
				0.00*		
				(0.00)*		

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Interest income on long-term loan</i>						
Edelweiss Commodities Services Limited	0.69					
	(-)					
Edelweiss Retail Finance Limited	0.15					
	(-)					
<i>Interest expense on short-term loan</i>						
Edelweiss Commodities Services Limited	-					
	(200.00)					
<i>Interest expense on long-term loan</i>						
ECap Equities Limited	214.72					
	(216.00)					
ECL Finance Limited	97.60					
	(60.00)					
Edelweiss Comtrade Limited	8.29					
	(-)					
<i>Interest income on margin</i>						
Edelweiss Securities Limited	4.61					
	(3.87)					
<i>Interest expense on long-term non convertible debentures</i>						
ECap Equities Limited	-					
	(29.99)					
<i>Commission and brokerage paid</i>						
Edelweiss Securities Limited	73.22					
	(-)					
<i>Rent expense</i>						
Edelweiss Commodities Services Limited	18.97					
	(19.23)					
<i>Other expenses</i>						
Edelweiss Securities Limited	0.06					
	(-)					
Edelweiss Tokio Life Insurance Company Limited	0.07					
	(-)					
Edelweiss Web Services Limited	0.03					
	(-)					
<i>Cost reimbursements paid</i>						
Edelweiss Commodities Services Limited	1.45					
	(1.05)					

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Cost reimbursements recovered</i>						
Edelweiss Securities Limited	27.02					
	(23.99)					
Edelweiss Commodities Services Limited	9.20					
	(12.75)					
ECL Finance Limited	10.80					
	(10.81)					
Edelweiss Finance & Investments Limited	7.62					
	(-)					
Others	6.65		5.20			
	(38.71)		(19.65)			
<i>Transfer of gratuity liability on account of employee transfer</i>						
ECL Finance Limited	0.91					
	(-)					
Edelweiss Alternative Asset Advisors Limited	1.24					
	(-)					
Edelweiss Finance & Investments Limited	0.56					
	(-)					
Edelweiss Investment Adviser Limited	0.43					
	(-)					
Edelweiss Securities Limited	0.66					
	(-)					
Others	0.40					
	(-)					
Balances with related parties						
<i>Investments in equity shares</i>						
Edelweiss Finance & Investments Limited	1,778.12					
	(2,297.27)					
ECL Finance Limited	5,190.56					
	(5,190.56)					
Edelweiss Tokio Life Insurance Company Limited	3,642.21					
	(3,081.91)					
Others	2,789.79		0.50			
	(3,317.99)		(0.50)			
<i>Investments in preference shares</i>						
ECap Equities Limited	18.00					
	(-)					

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Dividend receivable</i>						
Edelweiss Commodities Services Limited	159.30					
	(110.17)					
Edelweiss Finance & Investments Limited	-					
	(99.56)					
<i>Short-term loans given</i>						
EC International Limited	2,847.98					
	(185.91)					
Others	2,143.14					
	(5,594.77)					
<i>Long-term loans given</i>						
Edelweiss Commodities Services Limited	700.00					
	(-)					
Edelweiss Retail Finance Limited	150.00					
	(-)					
Edelweiss Employees Welfare Trust		1,323.85				
		(1,348.35)				
<i>Accrued interest on loans given</i>						
Edelweiss Securities Limited	8.32					
	(1.10)					
EC International Limited	4.20					
	(10.48)					
Edelweiss Commodities Services Limited	7.55					
	(0.93)					
Others	21.69					
	(13.60)					
<i>Loans taken</i>						
ECap Equities Limited	1,500.00					
	(1,800.00)					
Edelweiss Comtrade Limited	104.60					
	(500.00)					
<i>Interest accrued and due on borrowings</i>						
ECap Equities Limited	4.88					
	(-)					
ECL Finance Limited	0.73					
	(-)					
Edelweiss Comtrade Limited	0.34					
	(-)					

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities/ controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Trade receivables</i>						
Aster Commodities DMCC	71.32					
	(38.49)					
EC Global Limited	15.63					
	(16.32)					
Edelweiss International Singapore Pte Limited	16.95					
	(-)					
Edelweiss Tokio Life Insurance Company Limited	51.18					
	(-)					
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	8.02					
	(50.49)					
<i>Trade payables</i>						
Edelweiss Securities Limited	4.75					
	(0.49)					
ECL Finance Limited	0.91					
	(0.00)*					
Edelweiss Alternative Asset Advisors Limited	1.25					
	(-)					
Others	1.56					
	(2.71)					
<i>Advances</i>						
Edelweiss Securities Limited	28.54					
	(25.10)					
Edelweiss Commodities Services Limited	9.42					
	(10.93)					
ECL Finance Limited	12.55					
	(10.92)					
Others	13.46		5.41			
	(40.93)		(19.86)			
<i>Advances recoverable in cash or in kind for value to be received</i>						
Edelweiss Tokio Life Insurance Company Limited	10.91					
	(-)					
<i>Bonus payable</i>						
Rashesh Shah				12.50		
				(13.30)		
Himanshu Kaji				10.00		
				(12.80)		
Venkat Ramaswamy				-		
				(6.80)		

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

3. Related parties (*refer note 2.27 of the financial statements*) (*Continued*)

(I) Transactions and balances with related parties (*Continued*):

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individuals exercising significant control/key managerial personnel	Relatives of individuals exercising significant control/ Relatives of KMP	Enterprises which exercise significant influence
<i>Corporate guarantee</i>						
ECL Finance Limited	31,184.70					
	(26,938.40)					
Edelweiss Securities Limited	7,035.00					
	(10,036.00)					
Edelweiss Housing Finance Limited	9,373.70					
	(4,987.01)					
Others	9,000.88					
	(10,043.25)					

Amounts in brackets represent previous year numbers.

* Amount is less than ₹ 0.01 million

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

4. Earnings per share (*refer note 2.28 of the financial statements*)

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:

	2014	2013
a. Shareholders earnings (as per statement of profit and loss)	732.96	467.91
b. Calculation of weighted average number of equity shares of ₹ 1 each:		
- Number of shares outstanding at the beginning of the year	763,842,280	756,799,280
- Number of shares issued during the year	5,203,050	7,043,000
Total number of equity shares outstanding at the end of the year	769,045,330	763,842,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	767,977,731	760,388,845
c. Number of dilutive potential equity shares	3,911,331	13,015,804
d. Basic earnings per share (in ₹) {a/b}	0.95	0.62
e. Diluted earnings per share (in ₹) {a/(b+c)}	0.95	0.60

5. Share application money pending allotment (*refer note 2.32 of the financial statements*)

The Company has received ₹ 0.08 million (Previous year: ₹ 22.50 million) towards share application on exercise of ESOPs which will result in an issue of 10,500 shares (Previous year: 2,929,800 shares). Of the total receipts, ₹ 0.07 million (Previous year: ₹ 19.57 million) has been received towards share premium. These shares have since been allotted.

6. Commitment (*refer note 2.33 of the financial statements*)

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 8.74 million (Previous year: ₹ 1.41 million)

7. Contingent liability (*refer note 2.34 of the financial statements*)

- Taxation matters in respect of which appeal is pending ₹ 115.15 million (Previous year: ₹ 52.61 million).
- The Company has issued corporate guarantees to the extent of ₹ 41,366.38 million (Previous year: ₹ 38,268.76 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, Edelweiss Commodities Services Limited, ECL Finance Limited, Edelweiss Housing Finance Limited, Aster Commodities DMCC, EC Global Limited, Edelweiss International Singapore Pte Limited (subsidiary companies), ₹ 14,757.20 million (Previous year: ₹ 13,735.90 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited and Edelweiss Housing Finance Limited (subsidiary companies) and ₹ 470.70 million (Previous year: ₹ Nil) in favour of Edelweiss Finance & Investments Limited (subsidiary company) for the Preference shares issued by it against due discharge of debt.

8. Details of dues to micro, small and medium enterprises (*refer note 2.35 of the financial statements*)

Trade Payables includes ₹ Nil (Previous year: ₹ Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid/is payable by the Company during the year to "Suppliers" registered under this Act. The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act.

- The Company has provided loan to its employees' welfare trusts aggregating to ₹ 1,608.15 million as at 31 March 2014. The trusts have utilised this fund in the acquisition of shares of the Company with the objective of utilising the same to allocate shares to employees on exercise of employee stock options and for other employee welfare activities. The Company has, in accordance with the Expert Advisory Committee of the Institute of Chartered Accountants of India's published opinion in March 2014, presented the investment in shares of the Company underlying the loan as a deduction from share capital and securities premium account. Previous year's figures have also been regrouped to conform to the above presentation. (*refer note 2.41 of the financial statements*)

10. Details of cash and cash equivalents (*refer note 2.15 of the financial statements*)

(₹ In millions)

Particulars	As at 31 March 2014	As at 31 March 2013
Cash in hand	0.05	0.09
Cheques in hand	-	28.76
Balances with banks	146.26	165.08
Total	146.31	193.93

Notes to the abridged financial statements (*Continued*)

(Currency: Indian rupees in millions)

11. Details of quoted investments (*refer note 2.10 of the financial statements*)

Particulars	As at 31 March 2014	As at 31 March 2013
Book value of quoted investments	0.00*	0.00*
Market value of quoted investments	0.00*	0.00*

*Amount is less than ₹ 0.01 million

As per our report of even date attached.

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

N Sampath Ganesh
Partner
 Membership No.: 042554

Mumbai
 17 May 2014

For and on behalf of the Board of Directors

Rashesh Shah
Venkat Ramaswamy
Himanshu Kaji
Rujan Panjwani

S Ranganathan
B Renganathan

Mumbai
 17 May 2014

Chairman & Managing Director
Executive Director
Executive Director
Executive Director

Chief Financial Officer
EVP & Company Secretary

Notice

NOTICE IS HEREBY GIVEN THAT THE 19TH ANNUAL GENERAL MEETING OF THE MEMBERS OF EDELWEISS FINANCIAL SERVICES LIMITED WILL BE HELD ON FRIDAY, JULY 25, 2014 AT 3.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT EDELWEISS HOUSE, OFF C.S.T. ROAD, KALINA, MUMBAI – 400 098 TO TRANSACT THE FOLLOWING BUSINESS:-

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet of the Company as at March 31, 2014 and the Profit & Loss Account of the Company for the financial year ended on that date, together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Venkat Ramaswamy (DIN 00008509) who retires by rotation and, being eligible, offers himself for re-appointment.
4. **Re-appointment of B S R & Associates LLP, Chartered Accountants, as Auditors 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 pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, B S R & Associates LLP, Chartered Accountants (Firm’s Registration No. 116231W), be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the 22nd AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax, out-of-pocket, travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

SPECIAL BUSINESS

5. **Appointment of Mr. Narendra Jhaveri as an Independent Director**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Narendra Jhaveri (DIN 00198912), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

6. **Appointment of Mr. P. N. Venkatachalam as an Independent Director**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. P. N. Venkatachalam (DIN 00499442), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

7. **Appointment of Mr. Berjis Desai as an Independent Director**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Berjis Desai (DIN 00153675), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

8. Appointment of Mr. Sanjiv Misra as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Sanjiv Misra (DIN 03511635), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

9. Appointment of Mr. Sunil Mitra as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Sunil Mitra (DIN 00113473), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

10. Appointment of Mr. Navtej S. Nanda as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Navtej S. Nandra (DIN 02282617), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

11. Appointment of Mr. Kunnasagaran Chinniah as an Independent Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules framed thereunder, Mr. Kunnasagaran Chinniah (DIN 01590108), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.”

12. Re-appointment of Mr. Himanshu Kaji as an Executive Director

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-

“RESOLVED that pursuant to the provisions of Sections 196, 197, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (the Act) the Rules, Regulations, Guidelines and Circulars issued in this regard and subject to necessary approvals, if any, approval of the members of the Company be and is hereby accorded for re-appointment of Mr. Himanshu Kaji (DIN 00009438) as an Executive Director of the Company for a period of 5 years with effect from November 1, 2014 on the terms and conditions set out below:-

- (a) Salary Limit: Not to exceed ₹ 1,50,00,000/- per annum.
- (b) Performance Bonus: In addition to salary, performance based bonus, up to 200% of Salary Limit, may also be paid, and at such intervals as may be decided by the Board of Directors of the Company.
- (c) Perquisites: In addition to salary and the performance bonus, Mr. Himanshu Kaji shall also be entitled to the perquisites. The expenditure incurred by the Company on perquisites and contribution to Provident Fund, Superannuation, Annuity Fund, etc., shall be restricted to the Salary Limit as in (a) above.

FURTHER RESOLVED that the consent of the members of the Company be and is hereby accorded to the Board (hereinafter referred to as the ‘Board’ which expression shall also include the Nomination and Remuneration Committee of the Board) to vary the terms and conditions of the re-appointment of Mr. Himanshu Kaji from time to time as may be required.

FURTHER RESOLVED that where in any financial year during the tenure of Mr. Himanshu Kaji as an Executive Director, the Company has no profits or the profits are inadequate, the Board be authorised to determine the minimum remuneration to be paid to Mr. Himanshu Kaji subject to requisite approvals, if any.

FURTHER RESOLVED that the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company.”

13. Adoption of new set of Articles of Association

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-

“**RESOLVED** that pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Incorporation) Rules, 2014, the draft Regulations contained in the Articles of Association submitted to this Meeting be and are hereby approved and adopted in substitution and, to the entire exclusion of the Regulations contained in the existing Articles of Association of the Company.

FURTHER RESOLVED that the Board of Directors of the Company (which term shall be deemed to include any Committee thereof, which the Board has constituted or hereinafter constitute) be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further approval of the members of the Company.”

**For and on behalf of the Board of Directors
EDELWEISS FINANCIAL SERVICES LIMITED**

**B. Renganathan
Executive Vice President & Company Secretary**

June 26, 2014

Registered Office:
Edelweiss House,
Off C.S.T. Road, Kalina,
Mumbai – 400 098.

CIN No.: L99999MH1995PLC094641

E-mail : efsl.shareholders@edelweissfin.com

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (the Act) in respect of the Item No. 4 to Item No. 13 is annexed hereto.
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.**

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

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 Books of the Company will remain closed from July 15, 2014 to July 25, 2014 (both days inclusive).

Dividend, if declared, at the Annual General Meeting will be credited/dispatched between August 5, 2014 and August 12, 2014 to those persons or their mandates:-

- a) whose names appear as Beneficial Owners as at the end of the business hours on July 14, 2014 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 14, 2014.

5. Nomination Facility

The members holding the shares in physical form may obtain the Nomination Form from the Company's Registrar & Share Transfer Agent.

6. National Electronic Clearing Services (NECS) facility

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the dividend will be credited through NECS facility at the locations identified by the Reserve Bank of India and the 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 and the 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 Branch 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.** Members are requested to note that dividends not claimed or encashed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
- 10.** 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 Annual General Meeting so that the required information can be made available at the Meeting.

11. E-voting

In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by National Securities Depository Limited (NSDL), on all the resolutions set forth in the Notice.

The instructions for e-voting are as under:-

- A) In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):-
 - i. Open the e-mail and also open PDF file namely "EFSL e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - ii. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>
 - iii. Click on Shareholder – Login.
 - iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.

- v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
 - vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both.
Please take utmost care to keep your password confidential.
 - vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
 - viii. Select "EVEN" (E-Voting Event Number) of Edelweiss Financial Services Limited which is 100409. Now you are ready for e-voting as Cast Vote page opens.
 - ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - x. Upon confirmation, the message "Vote cast successfully" will be displayed.
 - xi. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
 - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority Letter, etc., together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer through e-mail to keyoorbakshi@gmail.com, with a copy marked to evoting@nsdl.co.in
 - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.nsdl.com
- B) For those Members whose email addresses are not registered with the Company / Depositories:-
- i. Initial password is provided in the Admission Slip : EVEN (E-Voting Event Number), user ID and password.
 - ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.
- C) Other Instructions:-
- i. The e-voting period commences on Wednesday, July 16, 2014 (9.00 a.m. IST) and ends on Friday, July 18, 2014 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in electronic form, as on June 20, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the same cannot be changed subsequently.
 - ii. The voting rights of Members shall be in proportion to their shares of the paid up Equity Share Capital of the Company as on June 20, 2014.
 - iii. Mr. Keyoor Bakshi Practicing Company Secretary, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
 - iv. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
 - v. The results on resolutions shall be declared on or after the Annual General Meeting (AGM) of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the resolutions.
 - vi. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.edelweissfn.com and on the website of NSDL www.evoting.nsdl.com within two days of the passing of the resolutions at the 19th AGM of the Company on July 25, 2014 and communicated to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

ANNEXURE TO THE NOTICE DATED JUNE 26, 2014

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4:-

B S R & Associates LLP, Chartered Accountants (BSR), (Firm's Registration No. 116231W), Chartered Accountants, were appointed as the statutory auditors of the Company for financial year 2013-14 at the Annual General Meeting (AGM) of the Company held on July 26, 2013.

BSR have been the Auditors of the Company since 2006-07 and have completed a term of 7 years. As per the provisions of Section 139 of the Companies Act, 2013 (the Act) no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Section 139 of the Act has also provided a period of three years from the date of commencement of the Act to comply with this requirement.

In view of the above, BSR, being eligible for re-appointment and based on the recommendation of the Audit Committee, the Board at its meeting held on May 17, 2014, has proposed the appointment of BSR as the statutory auditors of the Company for a period of 3 years to hold office from the conclusion of this AGM till the conclusion of the 22nd AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM).

The Board recommends the Resolution at Item No. 4 for approval by the Members.

None of the Directors, Key Managerial Personnel and their relatives are concerned or interested in Item No. 4 of the Notice.

ITEM NOS. 5 to 11:-

Pursuant to Clause 49 of the Listing Agreement, the Board of Directors of the Company comprises of the following Independent Directors:-

- Mr. Narendra Jhaveri
- Mr. P. N. Venkatachalam
- Mr. Berjis Desai
- Mr. Sanjiv Misra
- Mr. Sunil Mitra
- Mr. Navtej S. Nandra
- Mr. Kunnasagaran Chinniah.

Pursuant to the provisions of Section 149 of the Companies Act, 2013 (the Act), which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors. The Independent Directors are not liable to retire by rotation.

All the Non-executive Directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act. In the opinion of the Board, each of these Directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director. The Board has recommended the appointment of these Directors as Independent Directors of the Company till the conclusion of the 22nd Annual General Meeting of the Company to be held in the year 2017.

In compliance with the provisions of Section 149 of the Act, the appointment of these Directors as Independent Directors is now being placed before the Members for their approval.

The brief profile of the Independent Directors is as under:-

Mr. Narendra Jhaveri

Mr. Jhaveri, a public finance expert, 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 M.Sc. in Economics from the London School of Economics.

Mr. P. N. Venkatachalam

Mr. Venkatachalam has wide experience in the banking sector in India and abroad and has also worked 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

Mr. Desai is the Managing Partner of J. Sagar Associates, one of India's leading law firms. He has 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

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

Mr. Sunil Mitra

Mr. Mitra holds a bachelor's degree in Science from Delhi University and belongs to the 1975 batch of the Indian Administrative Service. He possesses rich and varied experience in public administration and general management having held diverse positions in Government of India such as Disinvestment Secretary, Revenue Secretary & Finance Secretary. In his stint with the Ministry of Finance, Government of India, Mr. Mitra was engaged in the design of significant tax reforms. During his stint with the West Bengal Government, Mr. Mitra was responsible for designing and implementing widespread policy reforms in the State-owned public sector.

Mr. Navtej S. Nandra

A veteran of the global financial services industry, Mr. Nandra is the President of E*TRADE Financial Corporation. He also serves on the Board of Directors of the Center of Governance, Institutions and Organizations, at the Business School, National University of Singapore. Mr. Nandra was CEO of Morgan Stanley Investment Management Ltd., and also served on the Boards of Directors of Morgan Stanley Huaxin Fund Management Company, Morgan Stanley International Ltd., and Morgan Stanley & Co. International PLC. Prior to Morgan Stanley, Mr. Nandra's career included senior roles at DTZ Holdings, Merrill Lynch Global Wealth Management, Merrill Lynch Global Investment Banking, The Cambridge Group Inc., and BoozAllen and Hamilton Inc. (now Booz & Co.). He has also served on the Board of Directors of Nuveen Investments, Inc., and Merrill Lynch India Technology Services. Mr. Nandra holds an MBA from the IIM, Ahmedabad, and a Bachelor's degree in Commerce (honors) from the University of Delhi.

Mr. Kunnasagar Chinniah

Mr. Chinniah recently retired as the 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. He is presently also a Director of Changi Airport International and a member of the Hindu Endowments Board in Singapore.

The Board recommends the Resolutions at Item Nos. 5 to 11 for approval by the Members.

None of the Directors, Key Managerial Personnel and their relatives, except Mr. Narendra Jhaveri, Mr. P. N. Venkatachalam, Mr. Berjis Desai, Mr. Sanjiv Misra, Mr. Sunil Mitra, Mr. Navtej S. Nandra and Mr. Kunnasagar Chinniah, is concerned or interested in Item Nos. 5 to 11 of the Notice respectively.

ITEM NO. 12:-

The tenure of appointment of Mr. Himanshu Kaji as an Executive Director expires on October 31, 2014. The Board of Directors at their meeting held on May 17, 2014 had, subject to the approval of the Members re-appointed Mr. Himanshu Kaji as an Executive Director for a further period of 5 years w. e. f. November 1, 2014.

The details as required under the Companies Act, 2013 and the Rules framed thereunder in this regard are as under:

DETAILS OF THE COMPANY**I. GENERAL INFORMATION****i. Nature of Industry:**

The Company along with its subsidiaries provides wide range of financial services.

The Company has grown from a boutique investment bank to a diversified financial conglomerate providing credit and engaged in capital markets, asset management services, commodities, life insurance and treasury functions, operating through the Company and its subsidiaries. The services provided inter alia include investment banking, institutional equities, securities broking, private client brokerage,

subsidiaries. The services provided inter alia include investment banking, institutional equities, securities broking, private client brokerage, asset management, wealth management, client advisory services, wholesale financing, housing finance and treasury operations.

Being a company engaged in the financial services sector, a substantial portion of the total cost is incurred on human resources who manage the business which is distinct from the other sectors.

ii. Date or expected date of commencement of commercial production:

N. A.

iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

N. A.

iv. Financial performance:

The net profit of the Company for the financial year ended March 31, 2014 was ₹ 732.96 million.

The consolidated net profit for the financial year ended March 31, 2014 was ₹ 2,202.46 million.

v. Export performance and net foreign exchange collaborations:

N. A.

vi. Foreign investments or collaborators, if any:

During the financial year ended March 31, 2014, the Company has made foreign investments of ₹ 9,285.16 million (including loans given at gross value) in its wholly owned subsidiaries abroad.

II. INFORMATION OF THE APPOINTEE

i. Background:

Mr. Himanshu Kaji is the Group Chief Operating Officer. Mr. Himanshu Kaji is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Planning, Investor Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group.

Mr. Himanshu Kaji is a qualified Chartered Accountant with a post graduate diploma in securities law. Mr. Himanshu Kaji has over 20 years experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Himanshu Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange (BSE) between 1999-2002. Mr. Himanshu Kaji was part of the select group that oversaw the corporatization and demutualisation of BSE.

ii. Past Remuneration:

The gross remuneration paid to Mr. Himanshu Kaji during the financial year ended March 31, 2014 was ₹ 2,07,08,094/-

iii. Recognition and Awards:

None

iv. Job profile and suitability:

As the Group Chief Operating Officer he is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Planning, Investor Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group.

v. Remuneration Proposed:

The remuneration proposed to be paid to Mr. Himanshu Kaji, shall comprise of annual salary not exceeding ₹ 1,50,00,000/-, perquisites up to an amount equivalent to the annual salary and performance based bonus upto 200% of the amount of salary, as per the details provided in the resolution set out in Item No. 12 of the Notice.

It is clarified that Employee Stock Options granted/to be granted to Mr. Himanshu Kaji from time to time are not to be included for the purpose of computation of overall ceiling of remuneration.

vi. Comparative remuneration profile:

The remuneration proposed to be paid to Mr. Himanshu Kaji, is not comparable with other companies in the financial sector due to the diverse nature of business.

vii. Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any:

Mr. Himanshu Kaji is not related to any Director of the Company.

III. OTHER INFORMATION

i. Reasons of loss or inadequate profits

The Company had adequate profits during the previous financial year. As a prudent measure, the approval of the members is being sought for payment of remuneration to Mr. Himanshu Kaji in the event of inadequacy of profits in any financial year.

ii. Steps taken or proposed to be taken for improvement

While the profits of the Company is presently adequate, the Company constantly endeavors to enhance the ambit of services provided and increase its market presence.

iii. Expected increase in productivity and profits in measurable terms

The Company expects increase in the profits in line with the increase in its activity and market penetration.

The Board recommends the Special Resolution at Item No. 12 for approval by the Members.

Save and except Mr. Himanshu Kaji, none of the Directors, Key Managerial Personnel and their relatives are concerned or interested in Item No. 12 of the Notice.

ITEM NO. 13:-

The Articles of Association (the Articles) of the Company are in conformity with provisions of the Companies Act, 1956 and the Rules framed thereunder.

The Ministry of Corporate Affairs, Government of India, had notified the majority of the provisions of the Companies Act, 2013 and has framed the Rules. Consequently, the Articles is being altered in order to comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder.

In view of the above, it is considered prudent to substitute the existing Articles by a new set of Articles. The proposed Articles are based on Table 'F' of Schedule-I of the Act which provides the model Articles of Association for a Company Limited by Shares.

The proposed Articles are available for inspection by the Members at the Registered Office of the Company between 2.00 p.m. to 4.00 p.m. on working days. The proposed Articles are also uploaded on the Company's website www.edelweissfin.com.

The Board recommends the Special Resolution at Item No. 13 for approval by the Members.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are in any way, concerned or interested in this item of business. It may be noted that Mr. Rashesh Shah, Mr. Venkat Ramaswamy, Mr. Himanshu Kaji, Mr. Rujan Panjwani, Mr. Narendra Jhaveri, Mr. P. N. Venkatachalam, Mr. Navtej S. Nandra, the Directors of the Company and Mr. S. Ranganathan and Mr. B. Renganathan, the Key Managerial Personnel are Members of the Company.

**For and on behalf of the Board of Directors
EDELWEISS FINANCIAL SERVICES LIMITED**

**B. Renganathan
Executive Vice President & Company Secretary**

June 26, 2014

Registered Office:
Edelweiss House,
Off C.S.T. Road, Kalina,
Mumbai – 400 098.

CIN No.: L99999MH1995PLC094641

E-mail : efsl.shareholders@edelweissfin.com

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Particulars	Mr. Venkat Ramaswamy	Mr. Narendra Jhaveri	Mr. P. N. Venkatachalam	Mr. Berjis Desai	Mr. Sanjiv Misra
Date of Birth	August 12, 1966	August 9, 1935	March 22, 1944	August 2, 1956	July 8, 1960
Date of Appointment	February 20, 1996	July 21, 2007	August 9, 2007	November 18, 2009	May 16, 2011
Experience in functional Area	Has more than 20 years experience in venture capital and private equity advisory and fund raising.	Specialisations in public finance and has more than 40 years 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 3 decades in the legal field.	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.
Qualification	B. E. (Electronic & Communication) from Karnataka University MBA from the University of Pittsburgh.	Masters in Economics from Gujarat University M.Sc., in Economics from the London School of Economics	M.A. in Economics Certified Associate from the Indian Institute of Bankers	Masters in Law from the University of Cambridge	Bachelor of Arts degree in economics from St. Stephen's College, Delhi University PGDM from IIM, Ahmedabad Master of Management from the J. L. Kellogg Graduate School of Management
Directorships in other Companies (public limited companies)	<ul style="list-style-type: none"> • Edelweiss Finance & Investments Limited • Edelweiss Alternative Asset Advisors Limited • Edelweiss Tokio Life Insurance Company Limited • Prime Urban Development India Limited 	<ul style="list-style-type: none"> • Afcons Infrastructure Limited • Siemens Limited • Hindalco Industries Limited • Edelweiss Securities Limited • Cadila Pharmaceuticals Limited • Pidilite Industries Limited 	<ul style="list-style-type: none"> • ECL Finance Limited • Edelweiss Finance & Investments Limited • Edelweiss Commodities Services Limited • UTI Asset Management Company Limited • UTI Retirement Solutions Limited • Sundaram Finance Limited 	<ul style="list-style-type: none"> • The Great Eastern Shipping Company Limited • Praj Industries Limited • Emcure Pharmaceuticals Limited • Greatship (India) Limited • Himatsingka Seide Limited • Man Infraconstruction Limited • Adani Enterprises Limited 	Nil
Membership of Committees of other public limited companies (Audit Committee and Shareholder's / Investor's Grievance Committee only)	Edelweiss Tokio Life Insurance Company Limited	<ul style="list-style-type: none"> • Afcons Infrastructure Limited • Hindalco Industries Limited • Pidilite Industries Limited 	<ul style="list-style-type: none"> • ECL Finance Limited • UTI Asset Management Company Limited • Edelweiss Finance & Investments Limited • UTI Retirement Solutions Limited 	<ul style="list-style-type: none"> • Praj Industries Limited • The Great Eastern Shipping Company Limited • Greatship (India) Limited • Emcure Pharmaceuticals Limited 	Nil
No. of Shares held in the Company	5,30,26,560	1,40,500	32,500	Nil	Nil

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Particulars	Mr. Sunil Mitra	Mr. Navtej S. Nandra	Mr. Kunnasagaran Chinniah	Mr. Himanshu Kaji
Date of Birth	June 24, 1951	October 14, 1966	May 10, 1957	August 24, 1965
Date of Appointment	December 7, 2011	May 15, 2013	October 1, 2013	November 1, 2011
Experience in functional Area	IAS (Retd.) having rich and varied experience in administrative and general management.	Wide experience in global financial services strategy and execution.	Has more than 2 decades experience in private equity sector.	Has more than 2 decades of experience in the financial services sector.
Qualification	Bachelor of Science from Delhi University	MBA from IIM, Ahmedabad Bachelor's degree in Commerce (honors) from the University of Delhi	B. E. (Electrical) from National University of Singapore MBA from the University of California (Berkeley) Chartered Financial Analyst	Member of the Institute of Chartered Accountants of India. Diploma in Securities Law Bachelor of Commerce
Directorships in other Companies (public limited companies)	<ul style="list-style-type: none"> • West Bengal State Electricity Distribution Company Limited • Patton International Ltd • Peerless Trust Management Co. Limited • Nicco Parks & Resorts Ltd. • Magma HDI General Insurance Company Limited • Texmaco Rail & Engineering Limited 	Nil	Nil	<ul style="list-style-type: none"> • ECL Finance Limited • Edelweiss Trusteeship Company Limited • Edelweiss Tokio Life Insurance Company Limited.
Membership of Committees of other public limited companies (Audit Committee and Shareholder's / Investor's Grievance Committee only)	<ul style="list-style-type: none"> • West Bengal State Electricity Distribution Company Limited • Peerless Trust Management Co. Limited • Nicco Parks & Resorts Ltd. • Magma HDI General Insurance Company Limited 	Nil	Nil	Edelweiss Tokio Life Insurance Company Limited
No. Shares held in the Company	Nil	7,924,180	Nil	3,87,500

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Business Reach



Delhi Office

Rashesh Shah inaugurates the New Delhi office at Mercantile House.



Salem

Housing Finance Loan Camps

Edelweiss Housing Finance organised successful loan camps in FY14 at Trichy, Thanjavore, Madurai, Erode, Salem etc.



Trichy



Mumbai

Edelweiss Tokio Life Branch Openings

Deepak Mittal, CEO, Edelweiss Tokio Life Insurance inaugurating branches, across India



Udaipur



Gorakhpur



Bilaspur



Jaipur

Conferences



India International Gold Convention

Rashesh Shah, Chairman & CEO, Edelweiss Group at the 10th India International Gold Convention 2013 at Jaipur.

Digital Day

Vikas Khemani, President and Co-Head, Wholesale Capital Markets, Edelweiss with Dr Anand Deshpande, Chairman, Persistent Systems at the Edelweiss Digital Day



India Conference (From left to right)

Venkat Ramaswamy - Executive Director, Edelweiss Financial Services

Vikas Khemani - CEO, Wholesale Capital Markets, Edelweiss Financial Services

N Chandrasekharan, - CEO & MD, TCS

Rashesh Shah - Chairman & CEO, Edelweiss Group

Nishcal Maheshwari - Head of Research, Wholesale Capital Markets, Edelweiss Financial Services

Launch of the book 'Thriving in Adversity-Conversations with Leaders of India's Antifragile Companies' at the Edelweiss India Conference 2014

Initiatives



Rashesh Shah, a panelist on one of the episodes of 'Change India'



Rashesh Shah, Chairman & CEO, Edelweiss Group with Dr. Raghuram Rajan, Hon'ble Governor, Reserve Bank of India, MEDC at the 10th D.R. Gadgil memorial lecture.

Edelweiss partnered with Network 18 Group for 'Change India' a television program series that focuses on developmental needs of the nation.

Edelweiss Tokio Life Initiatives

"Lambi Life ki Jarurat" initiative held in Mumbai in association with the Western Railways, wherein an actor masqueraded as 'Yamraj' informed commuters to adhere to railway safety regulations.



"Garam Chai Ki Zaroorat" initiative held in Delhi.



"Protection ki Zaroorat" initiative held in Mumbai.

People



Titans

'Edelweiss Titans' - an all India Edelweiss Awards program awarding exemplary behavior, attitude and attributes core to the Edelweiss Group.



Edelweiss Idol

An all India singing competition - "Edelweiss Idol" - to get the best voices at Edelweiss - to sing the Suno. Samjho. Suljhao - customer centricity anthem.

Edelhealth Initiatives



BizDivas, conducted talk sessions on Nutrition, PCOD and Thyroid related issues, also conducted a Self Defense Workshop for woman employees.



E-medicine galaxy Online Medicine ordering portal launched for employees.



Edelweiss employees participated and won a 'Special Award' in the 'Investothon' run held in Mumbai, an NSE initiative.

"Save Your Spine" - a bone density check drive for the employees.



Edelweiss Risk Champion Awards

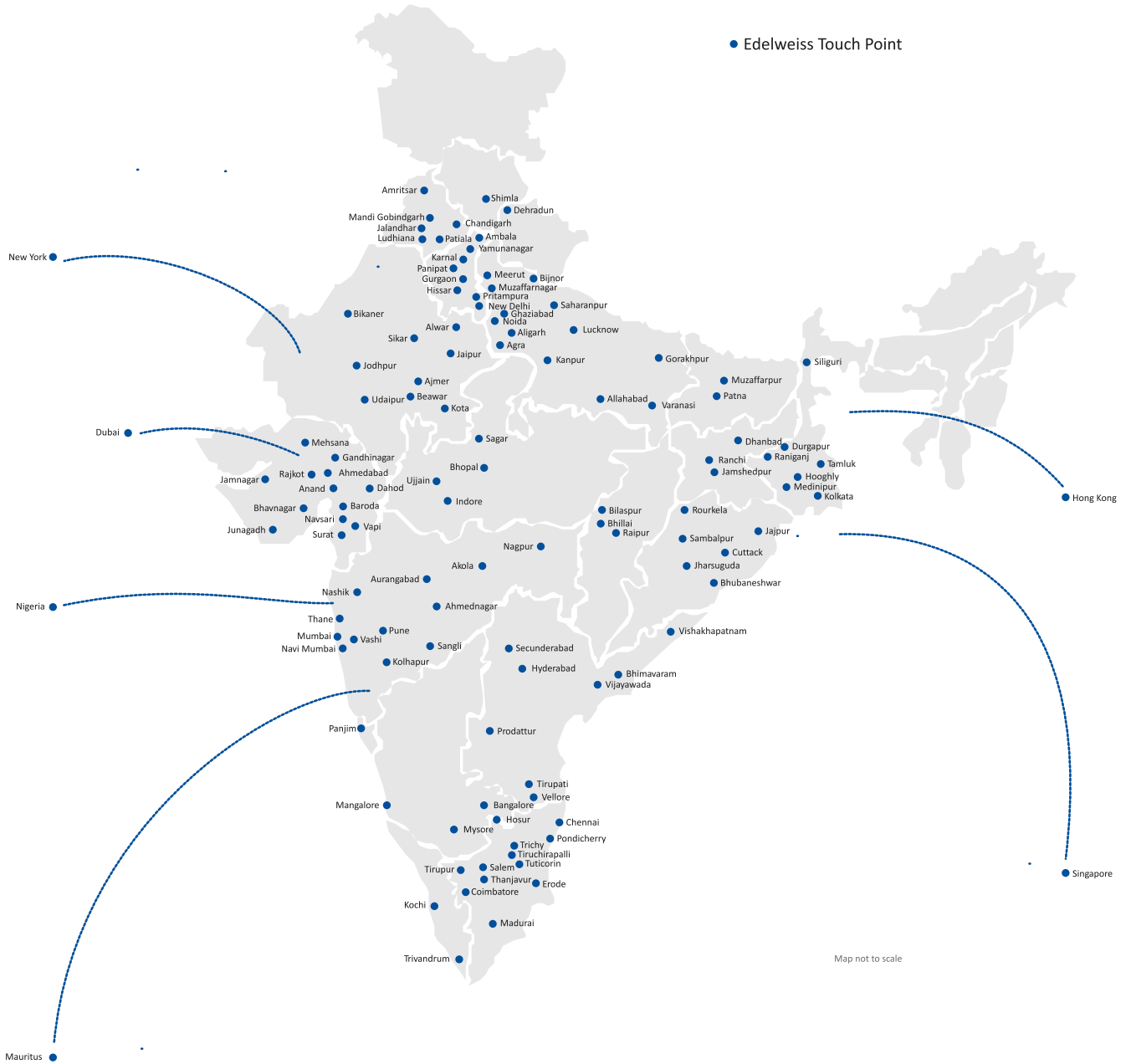
Edelweiss Risk Champion Awards recognised exceptional Risk Professionals and Teams across the group.



Fountainhead Leadership Centre

The Fountainhead Leadership Centre at Alibaug is Edelweiss' corporate and leadership training initiative.

Edelweiss Group Presence



Map not to scale

Registered Office:
Edelweiss Financial Services Limited
Edelweiss House, Off CST Road
Kalina, Mumbai 400 098
Maharashtra, India
CIN - L99999MH1995PLC094641
www.edelweissfin.com