

EW/Sec/2020/177

August 27, 2020

**BSE Limited**

P J Towers, Dalal Street,  
Fort, Mumbai - 400 001.

Dear Sirs,

**Ref.:- Scrip Code: 532922**

**Sub: Investor Presentation**

Please find enclosed the Investor Presentation on Earnings Updates for the first quarter ended June 30, 2020.

Kindly take the same on record.

Thanking you,

**For Edelweiss Financial Services Limited**

**B. Renganathan**

**Executive Vice President & Company Secretary**

Encl: a/a



# Edelweiss Financial Services Limited

*Q1FY21 Quarterly Update*



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## Q1FY21 Highlights



**Edelweiss**  
Ideas create, values protect

# Edelweiss at a Glance – Q1FY21



## Net Worth

INR 8,320 Cr

## Liquidity

INR 5,700 Cr

As on 12<sup>th</sup> Aug'20

## Customer Assets

INR 2,23,000 Cr

## Book Value

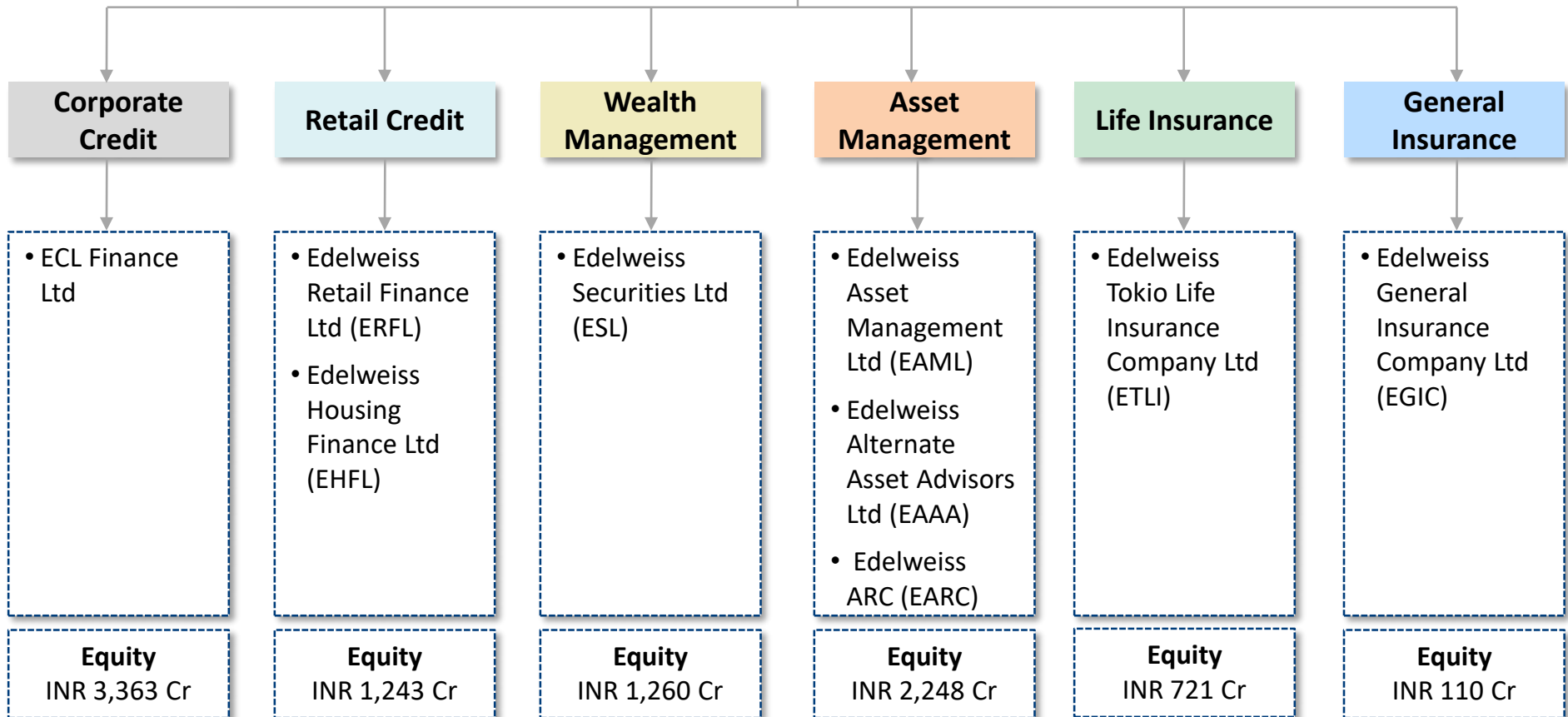
INR 66

Face Value ₹1

# Our Six Businesses are Well – Capitalized..



## Edelweiss Financial Services Ltd (EFSL)



25- year track record of seeding and growing businesses that benefit from the India growth story

## ..And Present In High Growth Segments



Edelweiss Wealth Management is the 2nd largest non bank wealth manager with AuA of ~INR 1,27,000 Cr (~\$17 bn)

Edelweiss Asset Management is the largest and most comprehensive player in Indian private credit strategies with AUM of ~INR 1,00,000 Cr (~\$13 bn)

Among the fastest growing and digitally enabled Life & General Insurance players in the industry

Generates ~INR 2,000 Cr of fee income every year on the back of strong & steadily growing customer assets

**Consistently dominant presence in capital - light businesses**

# Edelweiss Approach



- Our mission is to build successful and dominant businesses that create long-term value for shareholders
  - EFSL contributes capital, brand, risk management and governance for sustainable growth
- Our partners are global entities with impeccable credentials who contribute domain expertise and capital
- Inflection point in growth journey : Our businesses are now moving from interdependence to independence
- For the next phase of growth, we will ensure that we have the best management team and sufficient resources for each of our six verticals
  - Continue to scale these businesses with more partnerships as required
- Aim to unlock value in these businesses for shareholders
  - Format of unlocking can take the most appropriate form that helps business growth

**Primacy to creating and unlocking value for shareholders**



# Sale of 51% Stake in Edelweiss Wealth Management



- We have entered into a stake sale agreement in Wealth Management arm with PAG, largest Asia-focused alternative investment managers
  - They will acquire 51% stake in Edelweiss Wealth Management (EWM) at a post-money valuation of INR 4,400 Cr
  - EWM business consists of Wealth Management and Capital Markets
- This is our largest equity raise in Edelweiss group till date
- Transaction is expected to close in the next 4-6 months subject to regulatory approvals
- All business relationships and synergies with the Edelweiss Group will continue as earlier
- Proceeds generated from the stake sale will be used to de-leverage balance sheet and for equity investments in our other growth businesses
- Our intention is to demerge EWM in the next 12-18 months and list it in due course as a separate entity

**This transaction is a visible endorsement of the value created in our Wealth Management arm**

# Summary Background of PAG



## About PAG

- One of the world's largest Asia-focused private investment firms
- AUM of ~\$40 bn with 200+ investment professionals
- 11 offices in Asia and around the world

## PAG Private Equity

- Dedicated team of 50+ investment and operational professionals
- Focused on large sized buyout/control deals and structured equity investments across Asia Pacific
- Manages \$16 bn across three different funds raised over the last eight years

## PAG and India Investments

- PAG's private equity business in India is led by Nikhil Srivastava, Managing Director. Nikhil's previous experience includes KKR and Goldman Sachs.
- Key India investments across the PAG Group:
  - Minority investment in SME lender - U Gro Capital
  - Debt investment in Shapoorji Pallonji Real Estate



**This is PAG's first majority equity investment in India**

# Group Near – Term Priorities

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➔ **Progress the unlocking of value from our businesses and become capital surplus**

➔ **Grow each business with the best management teams and right partners**

➔ **Strengthen balance sheet further**

➔ **Accelerate tech-aided cost rationalization across businesses**

# Priorities By Business For FY21



## Corporate Credit

- Focus on asset quality monitoring and collection efficiency
- Expedite sell-down and release equity

## Retail Credit

- Strengthen capital-light business models in partnership with banks
- Help clients navigate the post Covid scenario, with active portfolio monitoring

## Wealth Management

- Move towards demerger and subsequent listing for unlocking value
- Maintain a clear leadership position in Wealth Management

## Asset Management

- Strengthen equity passives offering in mutual funds similar to debt offering
- Step up deployment in alternatives

## Life Insurance

- Continue to strengthen distribution partnerships
- Scale up the business further

## General Insurance

- Step up product innovation and channel diversification
- Onboard a strategic partner

# Q1FY21 Financial Snapshot



Consolidated (INR Cr)	Q1FY21
Gross Revenue	1,808
Interest Cost	1,002
<b>Net Revenue</b>	<b>806</b>
Expenses	904
Impairment	145
<b>PBT</b>	<b>(243)</b>
<b>PAT Pre MI</b>	<b>(264)</b>
<b>PAT Post MI</b>	<b>(245)</b>

# Distribution of Earnings Across Entities



INR Cr	Q1FY21
ECL Finance	(156)
ERFL & EHFL	11
Edelweiss Wealth Management	59
Edelweiss Asset Management	45
Edelweiss Tokio Life Insurance	(68)
Edelweiss General Insurance	(16)
BMU & Corporate	(139)
<b>Total Consolidated Pre MI PAT</b>	<b>(264)</b>







## Business Update

# Corporate Credit : ECL Finance Limited



## Q1FY21 Key Metrics

 <b>Equity (INR Cr)</b>	3,363
 <b>CAPAD</b>	21.3%
 <b>Net D/E</b>	4.1x
 <b>Liquidity (INR Cr)</b>	~2,650

## Business Update & Near Term Priorities

- Focused on resource raising to generate liquidity
- Raised INR 1,800 Cr across PCG and TLTRO schemes in H1FY21 till date and another INR 400 Cr is in pipeline
- Additionally, raised ~INR 400 Cr from banks and other sources in H1FY21 till date
- Received sanctions of INR 200 Cr from banks
- Decline in revenue is on account of de-growing credit book
- Targeting 30% reduction in costs



# Business Performance Snapshot : ECL Finance Ltd








INR Cr	Q1FY21
EOP Loan Book	10,953
EOP Equity	3,363
Net Revenue	95
Operating Expenses	127
Credit Costs	124
Profit After Tax	(156)
Net Interest Margin	2.3%
NNPA	2.1%
Total provision cover	202%
CAPAD	21.3%

# Retail Credit: Edelweiss Retail Finance Ltd and Edelweiss Housing Finance Ltd

ERFL/EHFL



## Q1FY21 Key Metrics

	ERFL	EHFL
 <b>Equity (INR Cr)</b>	474	769
 <b>CAPAD</b>	29.0%	23.2%
 <b>Net D/E</b>	2.5x	4.5x
 <b>Liquidity (INR Cr)</b>	~50	~500
 <b>No of clients</b>	~90,000	

## Business Update & Near Term Priorities

- Improving collections - July collections were at ~INR 300 Cr
- Raised INR 265 Cr across PCG and TLTRO schemes, banks & other sources in H1FY21 till date and another INR 350 Cr is in pipeline
- Laying down framework for transforming to digital lending model
- Branch network optimization - consolidating our geographical footprint





# Business Performance Snapshot : ERFL and EHFL



Q1FY21 (INR Cr)	ERFL	EHFL
EOP Loan Book	1,312	4,490
EOP Equity	474	769
Net Revenue	20	37
Operating Expenses	8	27
Credit Costs	(2)	11
Profit After Tax	11	-
Net Interest Margin	5.6%	3.3%
NNPA	2.0%	1.4%
Total provision cover	120%	69%
CAPAD	29.0%	23.2%



## Q1FY21 Key Metrics

 <b>AUA (INR Cr)</b>	1,27,300
 <b>Net New Money (INR Cr)</b>	1,250
 <b>#UHNI Clients</b>	~2,400
 <b>#Affluent Clients</b>	~6.1 Lacs

## Business Update & Near Term Priorities

- Business continues to be steady despite market volatility
- Enhanced client engagement driven by tech-first approach
- Strong pipeline in Investment Banking across ECM, DCM and M&A
- Focus on cost rationalisation - 10% reduction in both employee cost and operating expenses





# Business Performance Snapshot : Edelweiss Wealth Management



Q1FY21 (INR Cr)	ESL & Others
AuA	1,27,300
EOP Equity	1,260
Gross Revenues	264
Net Revenues	215
Operating costs	141
Profit before tax	72
Profit after tax	59



## Q1FY21 Key Metrics

	EAML	EAAA,EARC and others
 <b>Equity (INR Cr)</b>	159	2,090
 <b>AuM (INR Cr)</b>	29,400	66,300
 <b>Net New Money (INR Cr)</b>	2,507	-
 <b>#Retail Folios/ Clients</b>	~3.5 Lacs	~600

## Business Update & Near Term Priorities

- **Mutual Fund :**
  - Bharat Bond ETF Series II oversubscribed 3.7 times and mobilised ~INR 11,000 Cr with ~40,000 applications
  - Aim to grow equity AUM to reach INR 10,000 Cr in next 12-18 months
  - Continue to launch innovative passive funds for clients
- **Asset Management:**
  - Infra Fund - Final close at INR 3,300 Cr
  - Received commitments of ~INR 6,000 Cr (\$790 mn) in ESOF III till date
  - Actively looking at deployment opportunities - current dry powder at ~ INR 10,000 Cr
  - Strong recoveries of INR 470 Cr in ARC in pandemic hit quarter

# Business Performance Snapshot : Edelweiss Asset Management









Q1FY21 (INR Cr)	EAML	EAAA, EARC & others
AUM	29,400	66,300
EOP Equity	159	2,090
Gross Revenues	25	257
Net Revenues	25	102
Operating costs	23	50
Profit before tax	2	57
Profit after tax	2	43

# Life Insurance : Edelweiss Tokio Life Insurance Company Ltd



## Q1FY21 Key Metrics

	<b>Equity (INR Cr)</b>	721
	<b>Individual APE (INR Cr)</b>	58
	<b>AUM (INR Cr)</b>	~3,000
	<b>VNB Margin</b>	38%
	<b>Solvency Ratio</b>	239%
	<b>13<sup>th</sup> Month Persistency</b>	72%

## Business Update & Near Term Priorities

- 2nd highest growth in industry: 21% YoY growth in individual APE
- Strong channel mix: 75% of channel is controlled channels like agency and direct to client
- Product mix is dominated by Traditional Par and Non-Par; ULIP is 25% only
- Won 3 awards at 9th ACEF Global Customer Engagement Award 2020 for Organ Donation campaign
- Look to partner with more banks for distribution tie-ups
- Embedded value as on 30<sup>th</sup> June'20 at INR 1,302 Cr



# Business Performance Snapshot : Edelweiss Tokio Life Insurance Company Ltd

ETLI

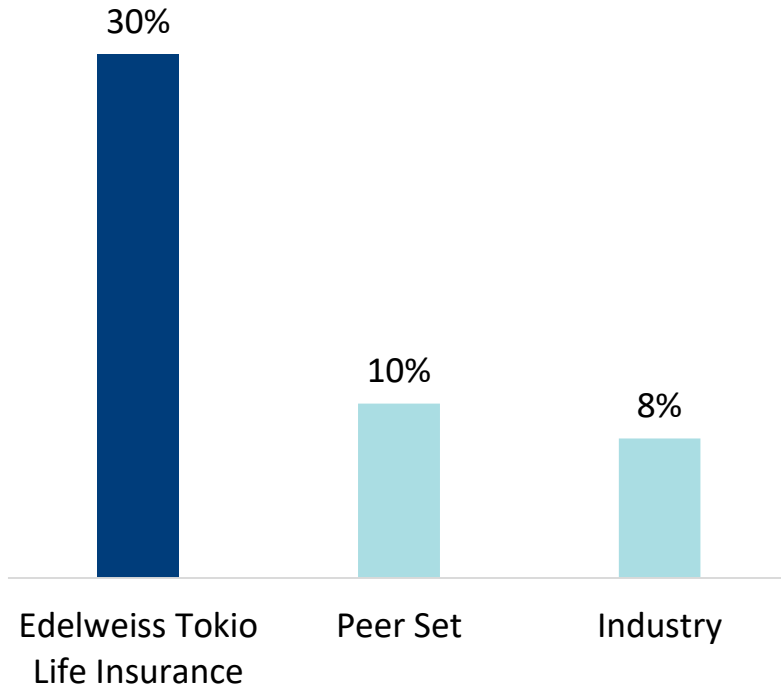


INR Cr	Q1FY21
Net Premium Income	154
Investment Income & Other Income	195
<b>Total Business</b>	<b>349</b>
Profit After Tax	(68)
Minority	(33)
<b>Edelweiss' Share in PAT</b>	<b>(35)</b>

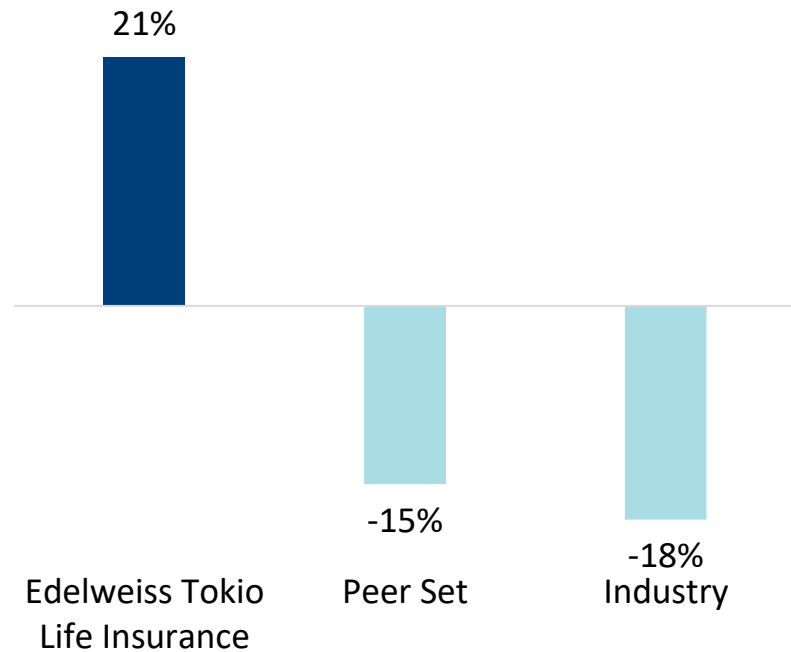
# Among The Fastest Growing In The Industry



## Individual APE CAGR Since FY16 vs Industry








## Individual APE Growth : Outlier During Lockdown in Q1FY21





## Q1FY21 Key Metrics

 <b>Equity (INR Cr)</b>	110
 <b>GWP (INR Cr)</b>	40
 <b>Solvency Ratio</b>	196%
 <b>#Policies Issued in Q1FY21</b>	26,397
 <b>#Active Customers</b>	109,089

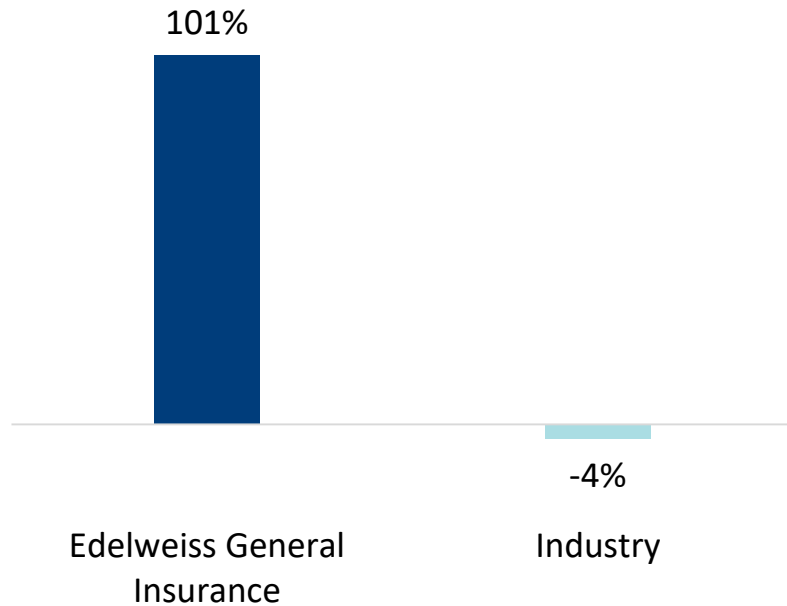
## Business Update & Near Term Priorities

- Fastest growing insurer among private players
- Health continues to be a large focus area for us - Contribution of health higher than the Industry and our Peers ( 40% vs 27% vs 15% )
- Share of profitable Motor OD premium one of the highest in industry in Q1FY21
- We serviced ~45.5% of claims through the BOLT app even during lockdown and garage closures
- Focused on diversifying distribution mix with emphasis on digital partnerships
- Continue to build depth in our product portfolio for Motor OD, Health and modular sachet products focusing on digital products
- Continue the buildout of our digital Motor and Health Platforms

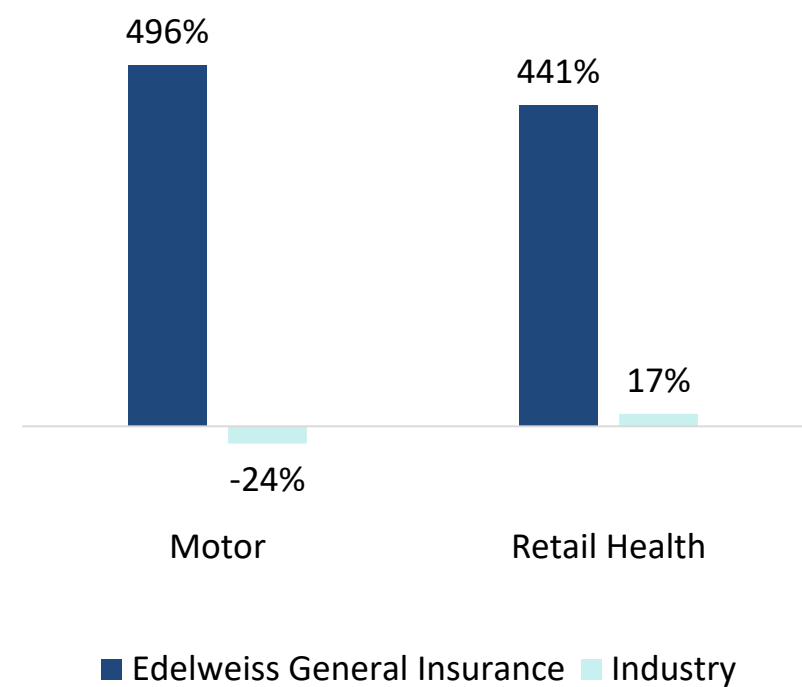
# Digital Model Enabled Seamless Execution During Lockdown



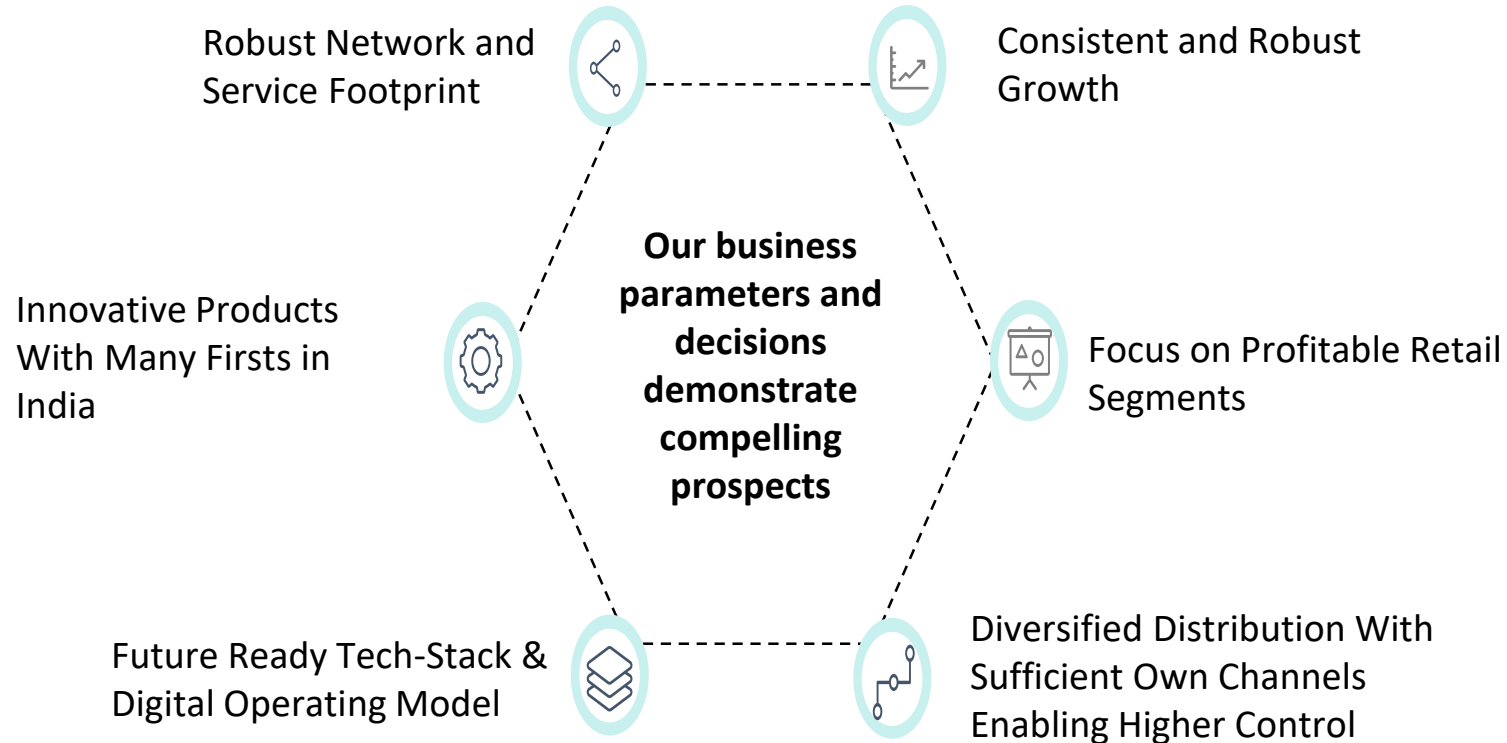
**Robust growth in GWP continued while Industry faced headwinds in Q1FY21**



**Strong performance in Retail Lines compared to the Industry in Q1FY21**



# Well Positioned for Strong Growth in the Future



We are currently engaging with investors to raise equity capital for accelerating our journey towards growth



## Balance Sheet Highlights

**Liquidity. Capital Adequacy. Portfolio Mix**



**Edelweiss**  
Ideas create, values protect

# 1. Update on Resources Raising



1

- Raised ~INR 2,000 Cr under TLTRO and PCG in H1FY21 till date
- INR 750 Cr is in pipeline

2

- Additionally, raised ~INR 1,700 Cr mainly from bank borrowings in H1FY21 till date
- INR 200 Cr is in pipeline

3

- Corporate asset sell-down transaction generated liquidity to the tune of ~INR 470 Cr
- Further sell-downs over the next 2 - 3 quarters will generate additional liquidity

**Steady improvement in liquidity from banking system**

# 1. Liquidity & Cash Flow Plan



Particulars (INR Cr)	Jul-Dec'20	Jan-Jun'21
<b>Opening Available Liquidity (A)</b>	<b>4,700</b>	<b>5,200</b>
<b>Inflows</b>		
Contractual Inflows	4,000	4,200
Covid-related impact	(1,900)	(300)
Fresh Borrowings	4,500	2,000
Asset Sell downs	1,300	1,100
<b>Total Inflows (B)</b>	<b>7,900</b>	<b>7,000</b>
<b>Outflows</b>		
Repayments	6,000	4,600
Disbursements	1,400	1,900
<b>Total Outflows (C)</b>	<b>7,400</b>	<b>6,500</b>
<b>Closing Available Liquidity (A+B-C)</b>	<b>5,200</b>	<b>5,700</b>



## 2. Capital Adequacy Strong Both At Group & Key Operating Entities Level



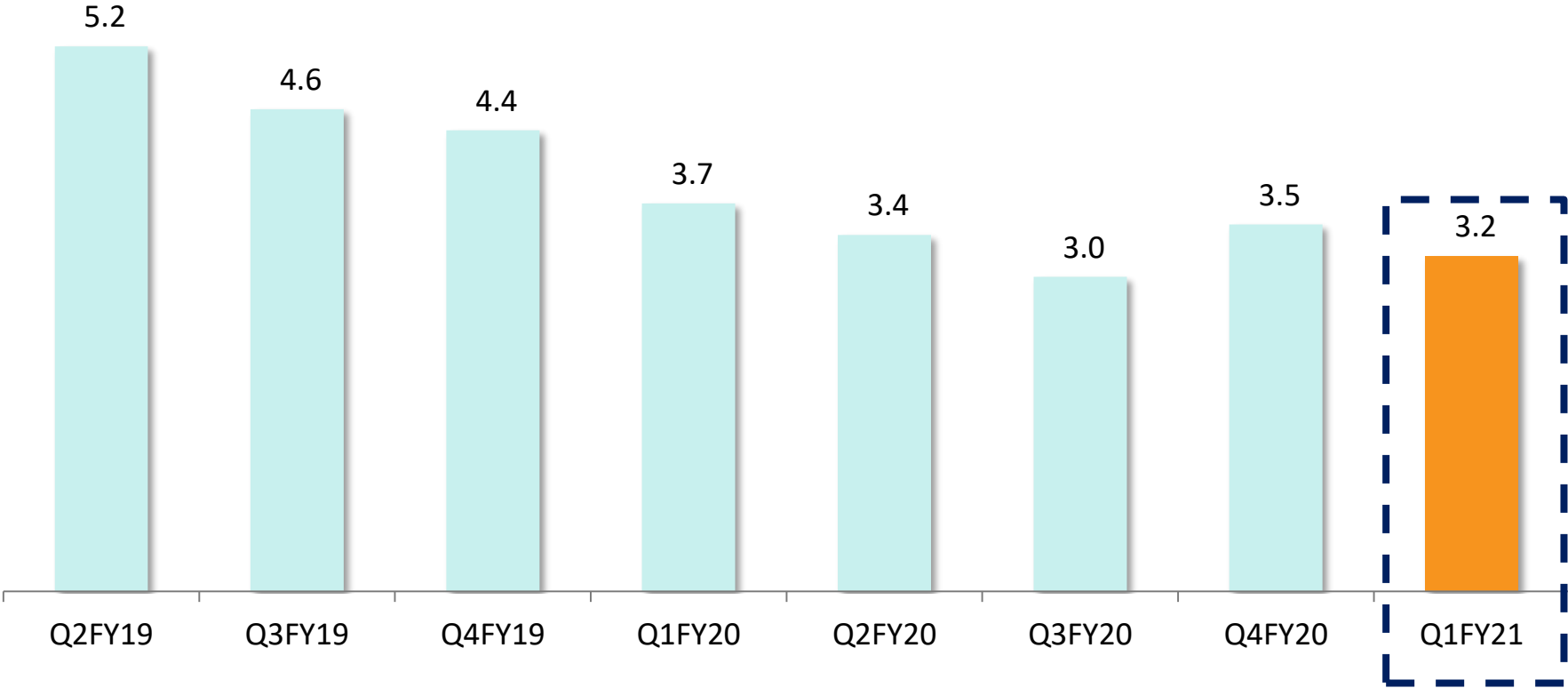
Q1FY21	CAPAD	Net D/E
ECL Finance Ltd	21.3%	4.1x
Edelweiss Retail Finance Ltd	29.0%	2.5x
Edelweiss Housing Finance Ltd	23.2%	4.5x
Edelweiss Asset Reconstruction Company Ltd	32.6%	1.8x

**EFSL (Consolidated) has capital adequacy ratio of 21.1%**

# 2. Debt Equity Ratio Continues To Decline



D/E (Excluding Treasury Assets)

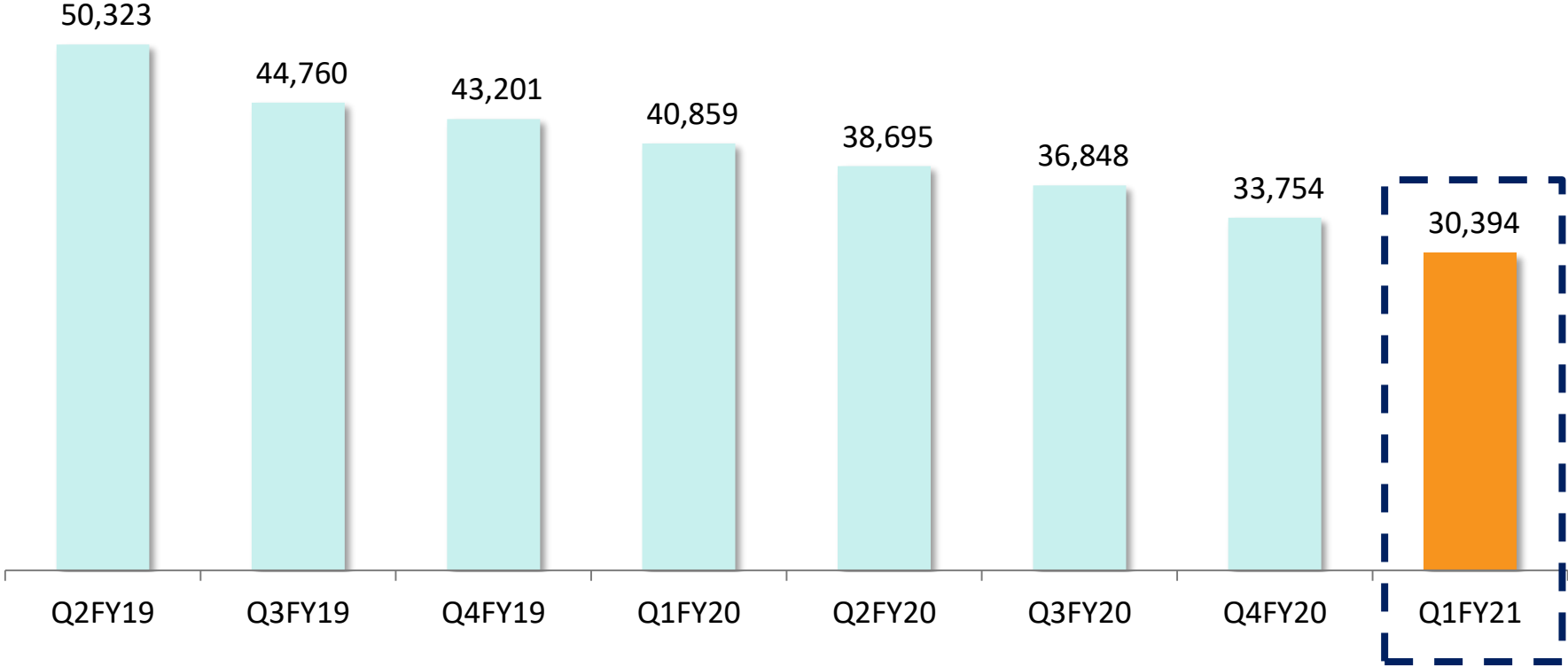


**Debt Equity Ratio set to decline further through FY21**

# 2. Significantly De-Levered Our Balance Sheet



Borrowings (INR Cr)

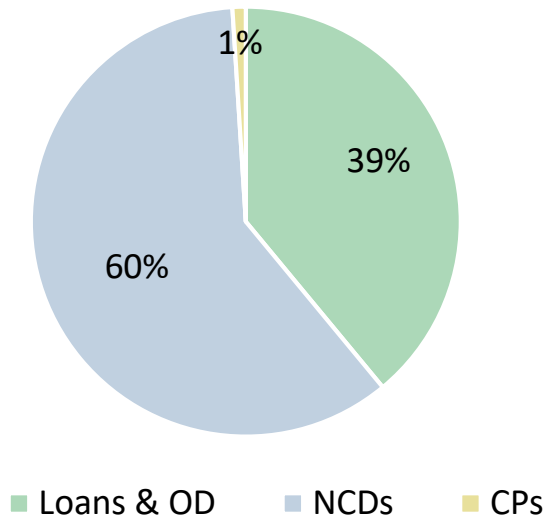


**Borrowings has reduced by 40% over Q2FY19 levels**

## 2. Borrowing Profile Is Well Diversified

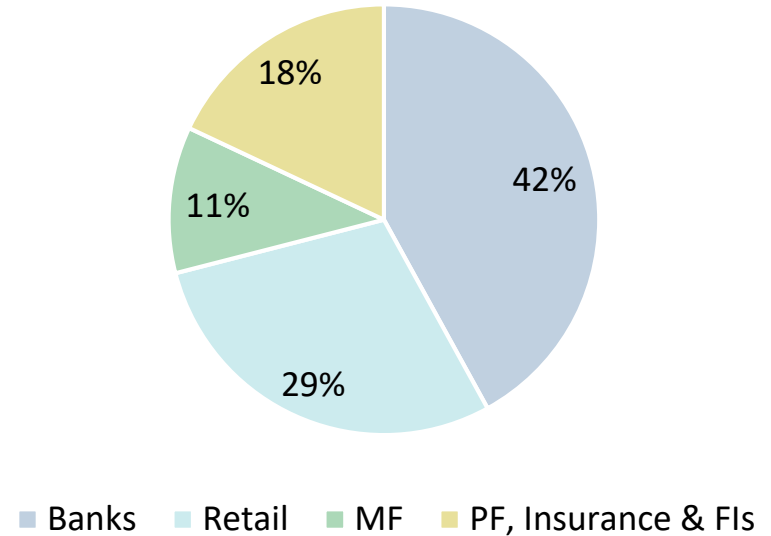


### Borrowing Profile by Instruments



INR 30,394 Cr

### Borrowing Profile by Source



INR 30,394 Cr

## 2. Assets in each Tenor Range Adequately Cover Liabilities



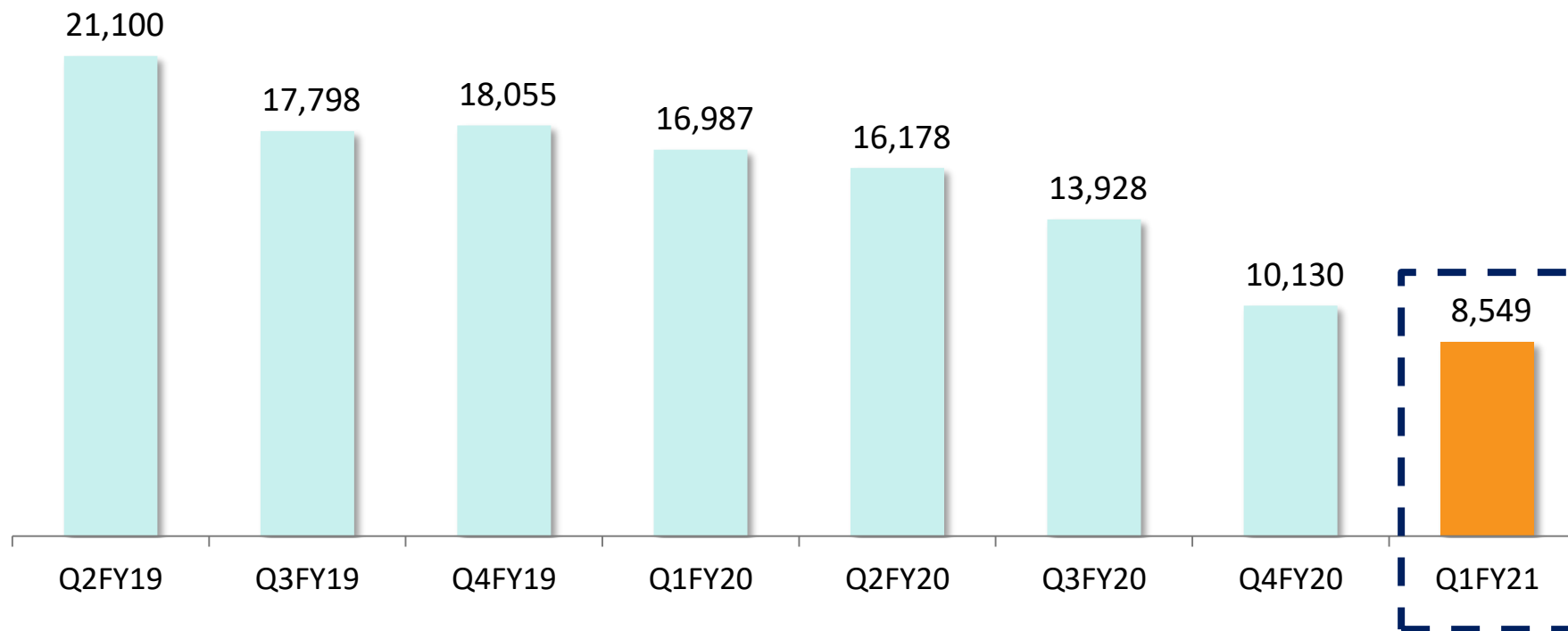
(INR Cr)	Assets	Liabilities	Gap
Upto 1 year	13,200	11,400	1,800
1-3 years	14,300	14,000	300
3 years+	16,000	11,100	4,900

Total gap represents our equity base

### 3. Corporate Credit Exposure Continues To Decline



Total Corporate Credit Assets (INR Cr)



**Corporate credit book will decline by another INR 2,000 - 3,000 Cr by end FY21**

### 3. Retail Credit Assets Are 55% Of Total



Q1FY21 (INR Cr)	Total book	%
<b>Retail Credit</b>	<b>10,457</b>	<b>55%</b>
Retail Mortgage	6,514	34%
SME & Business Loans	2,409	13%
ESOP and Margin Financing	1,409	7%
Agri and Rural Finance	124	1%
<b>Corporate Credit</b>	<b>8,549</b>	<b>45%</b>
Structured Collateralised Credit	2,930	15%
Wholesale Mortgage	5,619	30%
<b>Total Credit Book</b>	<b>19,006</b>	<b>100%</b>

### 3. Asset Quality at a Glance



INR Cr	Q1FY21
Credit Book	18,896
<i>Of which Stage 3</i>	887
ECL Provision	909
<i>Of which Stage 3</i>	206
NNPA	3.6%
Specific Provision Cover	23%
Total Provision Cover	103%





**Organisation. Governance. Sustainability**



**Edelweiss**  
Ideas create, values protect

# Prudent Risk Management and Responsible Growth



**Enterprise risk management approach: 11 Risk Framework**

# 12 Member Board Comprises Majority of Independent Directors



**Mr. P N Venkatachalam**  
*Independent Director*

- Banking sector expert and former member of the Interim Pension Fund Regulatory Authority of India
- Former MD, State Bank of India



**Dr. Ashima Goyal**  
*Independent Director*

- Professor at Indira Gandhi Institute of Development Research
- Specialist in open economy macroeconomics, international finance, institutional and development economics
- Serves as a Part-time member of Economic Advisory Council to the Prime Minister



**Mr. K Chinniah**  
*Independent Director*

- Served as Managing Director & Global Head Infrastructure, Portfolio, Strategy & Risk Group with GIC Special Investments



**Mr. Biswamohan Mahapatra**  
*Independent Director*

- Former RBI Executive Director, chaired various committees of RBI
- Handled varied areas of banking regulations, policy and supervision



**Mr. Navtej S. Nandra**  
*Independent Director*

- Served as President of E\*TRADE Financial Corporation.
- Prior to this he served as CEO for Morgan Stanley Investment Mgmt Inc. and COO for Wealth Management at Merrill Lynch



**Mr. Ashok Kini**  
*Independent Director*

- Former Managing Director (National Banking Group) State Bank of India
- Served as an advisor to the Thorat Committee on Financial Inclusion at RBI
- 35 years of banking experience



**Mr. Berjis Desai**  
*Independent Director*

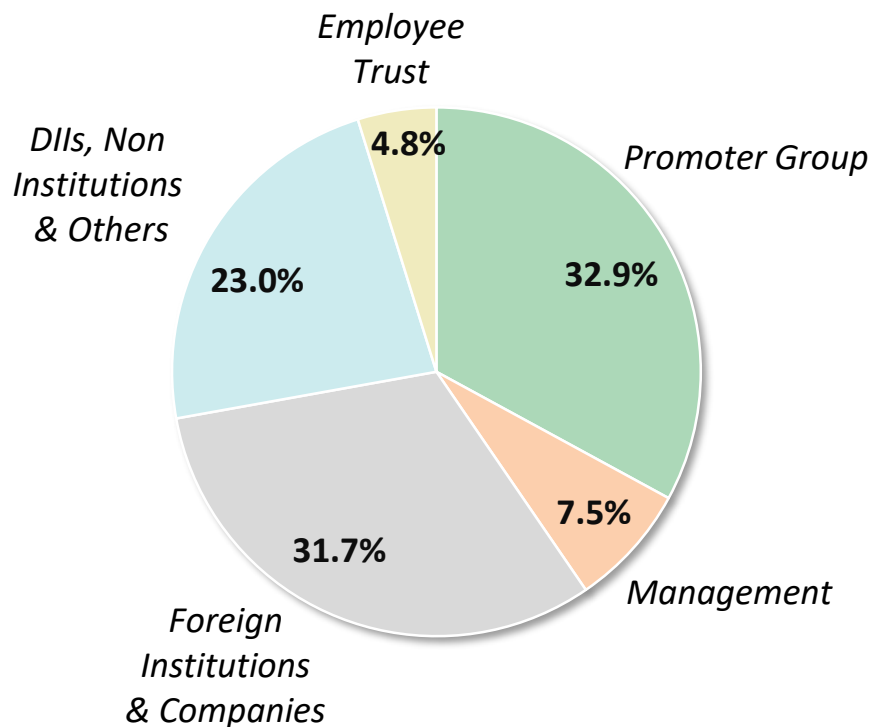
- An independent legal counsel engaged in private client practice.
- Retired as Managing Partner at J. Sagar & Associates



# Significant Institutional Ownership



Shareholding Pattern as on 30<sup>th</sup> June, 2020



Key Shareholders above 1%		Percent
1	BIH SA	5.2%
2	Pabrai Investment Funds	4.3%
3	Wellington Management	3.7%
4	TIAA CREF funds	3.2%
5	LIC	2.2%
6	Baron Asset Management	1.9%
7	HDFC AMC	1.9%
8	Flowering Tree Investment Management	1.5%
9	Caisse de dépôt et placement du Québec (CDPQ)	1.5%
10	Vanguard Group	1.3%
11	Rakesh Jhunjunwala	1.2%
12	UBS	1.1%

~45% owned by Edelweiss management and employees

# Our Sustainability Efforts



**111** Districts  
across **14** States



**INR 14.18 Cr \***  
committed



**42**  
NGO Partners



**50**  
Co-funded Grants



**71**  
Active Grants

## EdelGive Foundation's commitment to Achieving the SDGs *(Cumulative till date)*

### Quality Education

**INR 13 lakhs\***

**18.41 lakh** Children supported

**More than 65,000** Teaching professionals trained

**18,482** Schools

### No Poverty

**INR 240 lakhs\***

**1,240** acres of irrigated land supported

**10,612** Individuals trained

**216** Watershed Structures Repaired/Built

**8** FPO/FPC Strengthened

### Gender Equality

**INR 48 lakhs\***

**More than 1.63 lakh** women supported

**5,700+** Grassroot leaders developed

**6,857** males engaged

### Employee Engagement

*(Cumulative till date)*



- ~ **80%** Edelweiss Employees Engaged
- ~ **40,000** Man-hours of volunteering
- **71** skilled volunteering projects

# EdelGive Funding Partners & Networks

We have partnered with some of the largest Foundations, Corporates and HNIs through our innovative models focused on collaboration



# Annexure

# Wealth Management Pro Forma Financials



	INR Cr
Edelweiss Wealth Management (EWM) PBT	<b>72</b>
Profit on sale of shares	(38)
Preference Share Dividends	14
Costs carved in from other entities	(11)
Pro-Forma Edelweiss Wealth Management PBT	<b>37</b>





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Edelweiss Financial Services Limited Corporate Identity Number: L99999MH1995PLC094641

For more information, please visit [www.edelweissfin.com](http://www.edelweissfin.com)



## NOTES:

- Slide 4 : Net worth is including MI and includes investment in equity convertible instrument by CDPQ of INR 1,040 Cr, Kora Management of INR 177 Cr and Sanaka Capital of INR 117 Cr
- Slide 4 : Customer Assets are rounded off to nearest 100
- Slide 5 : Only key entities are mentioned for wealth & asset management
- Slide 5 : Business Equity numbers are after inter company eliminations within respective businesses
- Slide 6 & 21 : Conversion rate of 1 USD equal to 75.53 INR has been used
- Slide 13 : PAT numbers are after inter company eliminations within respective businesses
- Slide 15 & 16 : Equity includes CDPQ investment of INR 1,040 Cr in CCD
- Slide 16 & 18 : NNPA is as per RBI prudential norms & calculated on credit assets excluding FVTPL accounts
- Slide 19 & 20 : AuA is inclusive of custody assets & rounded off to nearest 100
- Slide 20 : Equity includes Kora Management and Sanaka Capital investment of INR 294 Cr in equity convertible instrument
- Slide 21 & 22 : AuM is rounded off to nearest 100
- Slide 23 & 25 : Source for growth calculation is life insurance council
- Slide 23: 13th Month Persistency (on Premium Basis) includes policies issued from Apr to June 2019; EV is calculated on market consistent basis
- Slide 26 & 27: 2nd fastest growing insurer in the industry after AICC; Source for industry data is GIC & market information
- Slide 31 : Numbers are based on management estimates and rounded off to nearest 100
- Slide 32 : CAPAD is calculated for standalone entities
- Slide 33,34& 35 : Borrowings are excluding CBLO & CCDs & excludes accrued interest
- Slide 36 : Numbers are based on management estimates & 3 years+ liabilities exclude Equity; Assets and Liabilities don't include insurance and client funds in broking
- Slide 39 : Credit Book excludes assets identified for sale in near future which have been carried at Fair Value through P&L
- Slide 42 : Anita George is now director of ECL Finance Ltd
- Slide 43 : Key institutional shareholders: Holding of known affiliates have been clubbed together for the purpose of this information