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EW/Sec/2018/333

October 1, 2018

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051.

Dear Sirs,

Ref.:- Symbol - EDELWEISS

Sub: General Announcement - Update on Liquidity Management

Enclosed is an Update on Liquidity Management for your information and record.

Thanking you,

Yours faithfully,
For Edelweiss Financial Services Limited

B. Renganathan
Executive Vice President & Company Secretary

Encl: a/a



Update on Liquidity Management

Oct 01, 2018

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Liquidity and Growth Outlook (1/2)

Liquidity

- Maintained a Liquidity Cushion of ~9-10% of balance sheet at all points of time
  - Current Liquidity Cushion at ~Rs 5,400 crores
- Medium and long term sources of funds are upwards of 68% of total balance sheet
- Adequate Liquidity Cushion currently positions us to meet all contractual liabilities over next 6 months even without roll-overs (slide 7)

Growth

- Short-term funding is seeing tightness, expected to improve in coming months
- Demand for credit is steady, however, growth may taper down by around 10 -12 percentage points for the market; NIMs likely to see an expansion
- In 2017, we communicated about Aspirations for 2020 in terms of asset quality, ROA and ROE. Based on current conditions, we do not see any reason to revise our Aspirations

Rounded off to nearest 100s

Liquidity and Growth Outlook (2/2)

Profitability & Outlook

- Reduction in low-yielding High Quality Liquid Assets (HQLA) will have positive impact on RoA
- High RoA business is primarily long-term in nature and is expected to pick up in some time
- Our diversified model will help us navigate through the short-term challenges
  - 45% of the PAT contribution came from Distressed Assets, Wealth and Asset Management and Capital Markets business in FY18
- Tail-wind of ARC resolutions will help PAT growth
- We are currently not experiencing any deterioration in asset quality

Short-term assets are primarily low RoA in nature

Assets (INR Cr)	Sep 27, 2018	Typical RoA range	Majorly funded by	Asset Behavioral Tenor		
				ST	MT	LT
Liquid Treasury Assets (A)	7,800	0.60% - 1.00%	CP & ST Debt	100%	0%	0%
Liquid Credit Book (LAS, Others) (B)	7,400	0.75% - 1.25%	CP	100%	0%	0%
High Quality Liquid Assets (A+B)	**15,200**					
Retail Mortgages	8,400	1.00% - 1.50%	Debt	15%	30%	55%
SME and Business Loans	4,100	1.50% - 2.00%	Debt	10%	50%	40%
Corporate Credit	9,600	1.75% - 2.25%	Debt and TL	20%	40%	40%
Wholesale Mortgage	11,500	2.50% - 3.00%	Debt and TL	20%	40%	40%
Distressed Credit	7,400	4.00% - 4.50%	Debt, TL & Equity	10%	30%	60%
Corporate Assets incl. Insurance	2,600	0%	Equity & Tier-2	0%	0%	100%
Total	**58,800**					

High Quality Liquid Assets constitute ~26% of Total Assets

Unaudited provisional numbers as on Sep 27, 2018 rounded off to nearest 100s

Liquid Treasury Assets include On Balance Sheet Liquidity Cushion

ST – Maturity less than one year, MT –Maturity between 1 and 3 years, LT – Maturity more than 3 years

Assets are funded by liabilities across tenors..

Assets	Sep 27, 2018	Funded by..					
		Repo	CP	Debt	Bank CC	TL	Tier 2 & Equity
Liquid Treasury Assets	7,800	500	2,900	2,600	200	1,100	500
Liquid Credit Book (LAS, Others)	7,400		6,300	300			800
Retail Mortgages	8,400			5,400	700	1,200	1,100
SME and Business Loans	4,100			2,500	300	700	600
Corporate Credit	9,600			3,200	600	3,900	1,900
Wholesale Mortgage	11,500			3,300	800	5,200	2,200
Distressed Credit	7,400			2,000	500	3,000	1,900
Corporate Assets & Insurance Equity	2,600			1,000			1,600
Total	**58,800**	**500**	**9,200**	**20,300**	**3,100**	**15,100**	**10,600**

Short-term money largely funds liquid treasury assets and liquid credit book

Unaudited provisional numbers as on Sep 27, 2018 rounded off to nearest 100s

Liquid Treasury Assets include On Balance Sheet Liquidity Cushion

.. With assets in each tenor range adequately covering the liabilities

	Assets	Liabilities	Gap
Short-Term	21,800	18,800	3,000
Medium-Term	15,200	12,800	2,400
Long-Term	19,200	16,500	2,700

Unaudited provisional numbers as on Sep 27, 2018

Above table does not include Corporate and Insurance on the assets side and Tier-2 capital and Networth on the liabilities side

Short Term Liabilities include Repo, CPs, Bank CC lines and ST debt with residual tenor less than one year

Medium Term Liabilities include Debt with residual tenor between one to three years

Long Term Liabilities includes all other Debt

Estimated Liquidity Cushion till March 2019

Particulars (INR Cr)	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Opening Liquidity Cushion (A)	**5,400**	**7,300**	**8,000**	**8,200**	**8,000**	**8,000**
A) Inflows:						
1. Reduction in High Quality Liquid Assets	4,600	3,700	600	-	-	-
2. Asset EMI and Repayments	1,100	900	1,700	700	700	2,000
Total Inflows (B)	**5,700**	**4,600**	**2,300**	**700**	**700**	**2,000**
B) Outflows :						
1. Total Borrowings Repayments	(3,400)	(3,800)	(1,900)	(700)	(500)	(2,200)
2. Expenses & Other Payment	(400)	(100)	(200)	(200)	(200)	(200)
Total Outflows (C)	**(3,800)**	**(3,900)**	**(2,100)**	**(900)**	**(700)**	**(2,400)**
Closing Liquidity Cushion (A+B-C)	**7,300**	**8,000**	**8,200**	**8,000**	**8,000**	**7,600**

Even without fresh borrowings, existing cash flows will ensure adequate liquidity

Liquidity Cushion as on Sep 27, 2018 was Rs 4,800 crore

Liquidity Cushion includes committed but undrawn banking sanction lines

Numbers are rounded off to nearest 100s

Asset Liability Management – Governance Structure

Group level ALCO Committee	High level committee chaired by Group Chairman
Resources Committee	Chaired by Group CFO
Enterprise Risk Management Committee	Includes CFO, Head of Risk & Head of Compliance

Manages Liquidity risk, ALM and Interest rate risk

Safe Harbour

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