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EW/Sec/2018/384

November 5, 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 in USD

Enclosed is an Update on Liquidity Management in USD 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 ~ $ 750 Mn
- 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 10s

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 ($ Mn)	Sep 27, 2018	Typical RoA range	Majorly funded by	Asset Behavioral Tenor		
				ST	MT	LT
Liquid Treasury Assets (A)	1,080	0.60% - 1.00%	CP & ST Debt	100%	0%	0%
Liquid Credit Book (LAS, Others) (B)	1,020	0.75% - 1.25%	CP	100%	0%	0%
High Quality Liquid Assets (A+B)	**2,100**					
Retail Mortgages	1,160	1.00% - 1.50%	Debt	15%	30%	55%
SME and Business Loans	570	1.50% - 2.00%	Debt	10%	50%	40%
Corporate Credit	1,320	1.75% - 2.25%	Debt and TL	20%	40%	40%
Wholesale Mortgage	1,590	2.50% - 3.00%	Debt and TL	20%	40%	40%
Distressed Credit	1,020	4.00% - 4.50%	Debt, TL & Equity	10%	30%	60%
Corporate Assets incl. Insurance	360	0%	Equity & Tier-2	0%	0%	100%
Total	**8,120**					

High Quality Liquid Assets constitute ~26% of Total Assets

Unaudited provisional numbers as on Sep 27, 2018 rounded off to nearest 10s

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 ($ Mn)	Sep 27, 2018	Funded by..					
		Repo	CP	Debt	Bank CC	TL	Tier 2 & Equity
Liquid Treasury Assets	1,080	70	400	360	30	150	70
Liquid Credit Book (LAS, Others)	1,020		870	40			110
Retail Mortgages	1,160			750	100	170	150
SME and Business Loans	570			340	40	100	80
Corporate Credit	1,320			440	80	540	260
Wholesale Mortgage	1,590			460	110	720	300
Distressed Credit	1,020			280	70	410	260
Corporate Assets & Insurance Equity	360			140			220
Total	**8,120**	**70**	**1,270**	**2,810**	**430**	**2,090**	**1,450**

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

Unaudited provisional numbers as on Sep 27, 2018 rounded off to nearest 10s

Liquid Treasury Assets include On Balance Sheet Liquidity Cushion

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

($ Mn)	Assets	Liabilities	Gap
Short-Term	3,010	2,590	420
Medium-Term	2,100	1,770	330
Long-Term	2,650	2,280	370

Unaudited provisional numbers as on Sep 27, 2018, rounded off to nearest 10s

Above table does not include Corporate and Insurance on the assets side and Tier-2 capital and Net worth 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 ($ Mn)	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Opening Liquidity Cushion (A)	**750**	**1,000**	**1,100**	**1,120**	**1,090**	**1,090**
A) Inflows:						
1. Reduction in High Quality Liquid Assets	630	510	80	-	-	-
2. Asset EMI and Repayments	150	120	230	100	100	280
Total Inflows (B)	**780**	**630**	**310**	**100**	**100**	**280**
B) Outflows :						
1. Total Borrowings Repayments	(470)	(520)	(260)	(100)	(70)	(300)
2. Expenses & Other Payment	(60)	(10)	(30)	(30)	(30)	(30)
Total Outflows (C)	**(530)**	**(530)**	**(290)**	**(130)**	**(100)**	**(330)**
Closing Liquidity Cushion (A+B-C)	**1,000**	**1,100**	**1,120**	**1,090**	**1,090**	**1,040**

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

Liquidity Cushion as on Sep 27, 2018 was ~$660 Mn

Liquidity Cushion includes committed but undrawn banking sanction lines

Numbers are rounded off to nearest 10s

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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