Edelweiss
Ideas create, values protect

EW/Sec/2019/278

October 09, 2019

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

Dear Sir/ Madam,

Ref.:- Symbol: EDELWEISS

Sub: Interim Update

Please find enclosed the Interim Update for your information and record.

Thanking you,

For Edelweiss Financial Services Limited

B. Renganathan
Executive Vice President & Company Secretary

Encl: a/a

Edelweiss Financial Services Limited

Interim Update

Edelweiss
Ideas create, values protect

Macro Environment Update

- Unprecedented market dislocation is coming to a gradual end, though markets may be skittish currently
- Festive season will be closely watched for signs of green shoots of returning consumer confidence
- The slew of recent Government measures will go a long way in restoring confidence
- The high rates of interest and the improving situation means India is now being looked at as a yield destination for fixed income investors – not just a growth destination for equity investors
- We expect the current dislocation will unwind gradually over the next three to four quarters led by easy liquidity
    - Banks have received fresh infusions of capital
    - We expect the Partial Credit Guarantee Scheme will be operational soon
    - Big ticket recoveries via NCLT will also deliver fresh liquidity to the banks

Snapshot of Capital Structure

As on 30th June, 2019 (INR Cr)

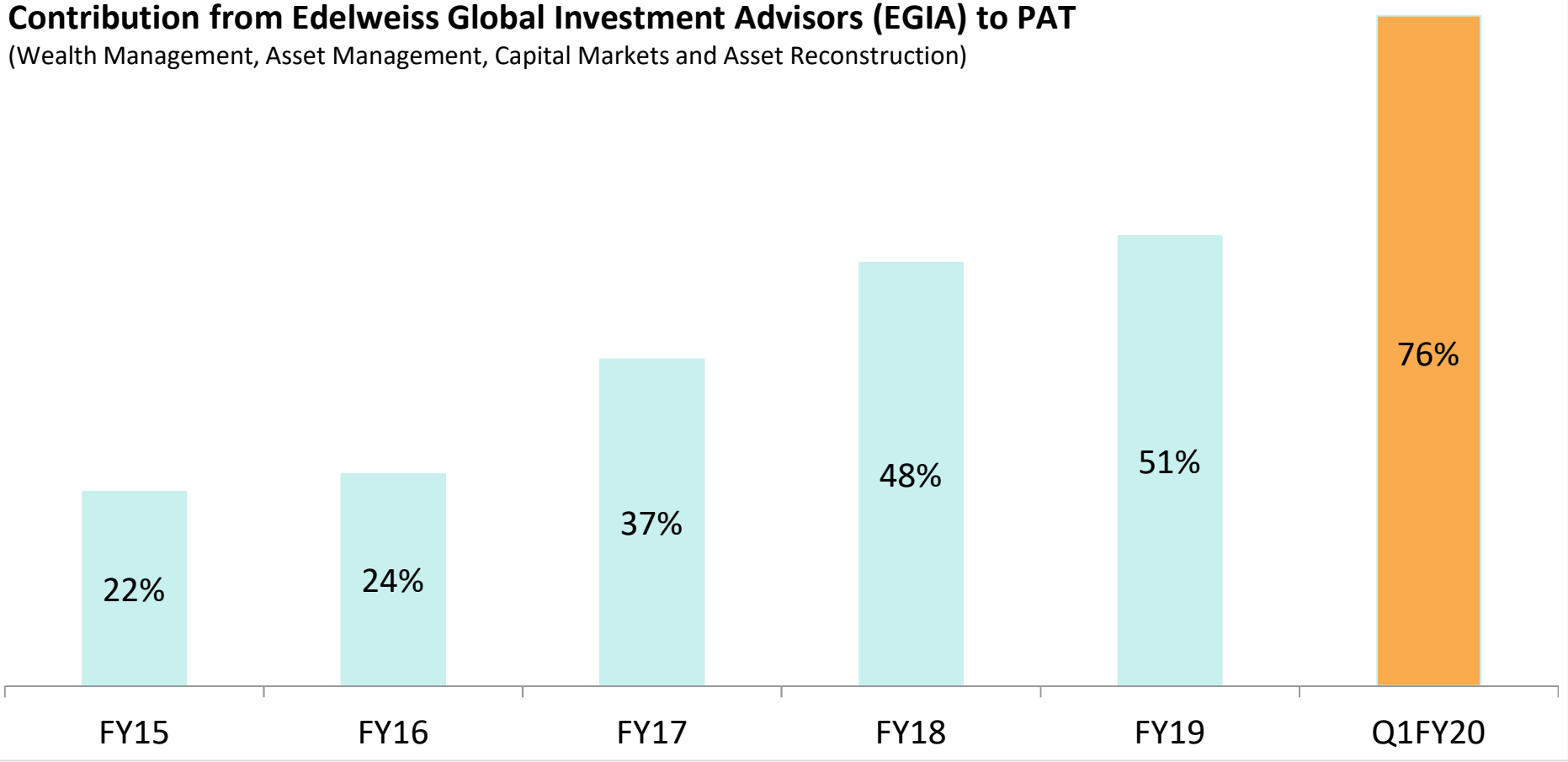
Total Debt		40,859
Less:	*Treasury Assets*	4,570
Net Debt (Ex-Treasury Assets)		36,289
Equity		9,844
D/E ratio (Ex- Treasury Assets)		**3.7x**

Book value as on 30th June, 2019 is INR 87/share

Total Debt excludes ASB ; Equity includes CDPQ investment of INR 1,040 Cr

Our Diversified Business Model Gives Us Resilience..

Contribution from Edelweiss Global Investment Advisors (EGIA) to PAT
(Wealth Management, Asset Management, Capital Markets and Asset Reconstruction)



…even in tough market environment

Data based on Q1 FY20 IR presentation; PAT refers to Ex-Insurance Pre-MI PAT

PAT Contribution from our Advisory Business for Q1FY20

	INR Cr
Wealth Management	39
Asset Management	15
Capital Markets	14
Asset Reconstruction	98
Edelweiss Global Investment Advisors (EGIA)	**166**

EGIA is the entity comprising our four capital-light Advisory businesses

From Q1 FY20 IR presentation

Update on Liquidity, Asset Quality and Balance Sheet

Liquidity

- We continue to maintain liquidity at ~15-20% of balance sheet; No change anticipated to our stated liquidity plan
- While this comes at a cost, we think it is the right stance until markets normalize
- We expect strong well capitalized state banks to be key drivers of gradual liquidity transmission to NBFCs

Asset Quality

- We remain committed to our guidance of increasing credit costs which will be ~INR 800 Cr for FY20
- We are confident that credit costs will be contained at this level, subject to a tolerance of 10-15%

Balance Sheet

- We are the only player in the industry to have raised fresh equity **twice** since the crisis started
- D/E will further decline to 3.4x by end FY20
- Repayments from Corporate Credit will fund the growth in Retail Credit; Overall book growth will remain flat for FY20

Cash Flow Plan to Q4FY20

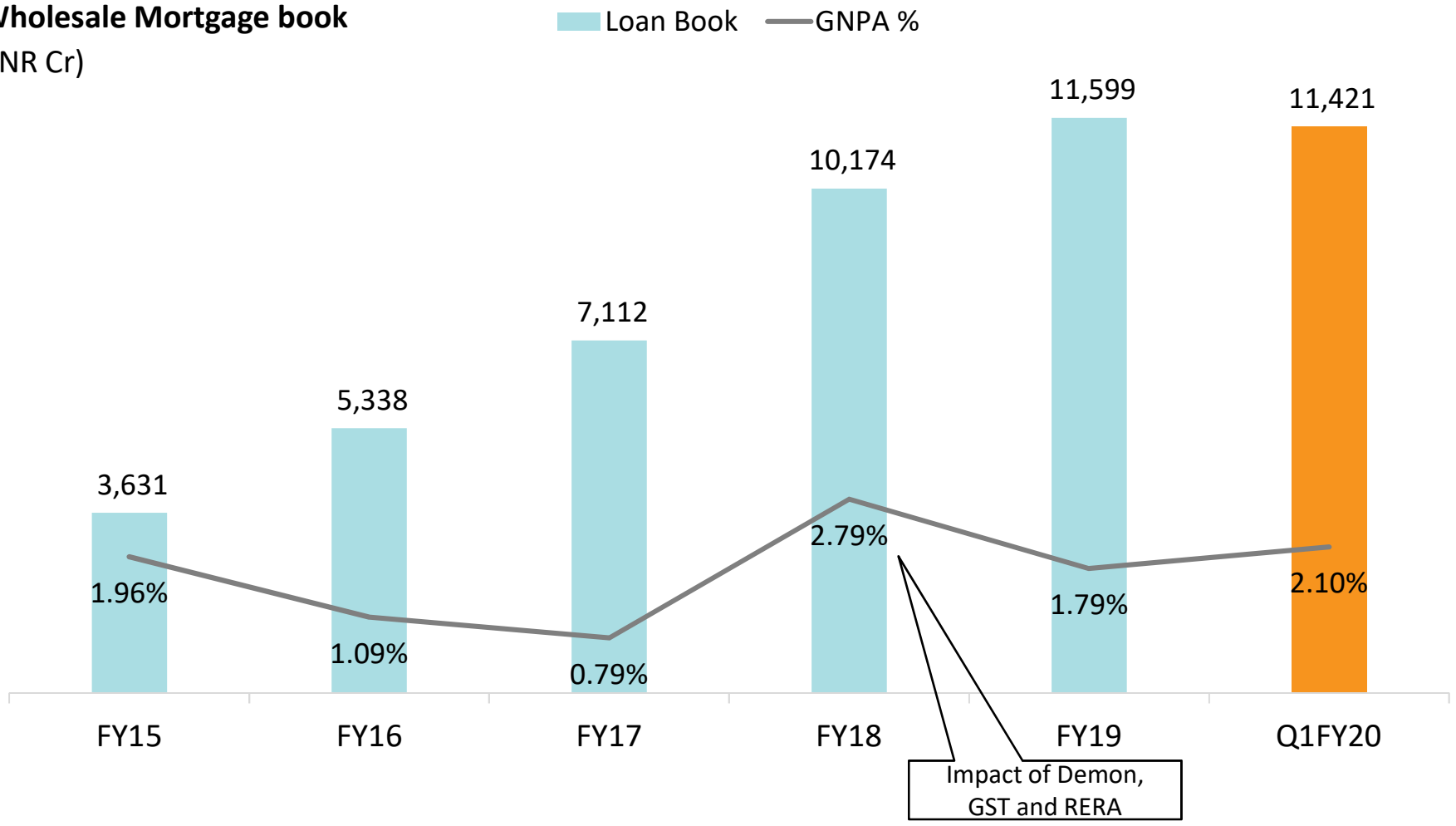
Particulars (INR Cr)	Q3FY20	Q4FY20
Opening Available Liquidity (A)	**8,400**	**8,000**
Inflows		
Asset EMIs and Repayments	2,000	2,800
Securitization	1,000	1,000
Fresh Borrowings	2,000	2,000
Total Inflows (B)	**5,000**	**5,800**
Outflows		
Total Borrowings Repayments	3,900	3,000
Fresh disbursements	1,500	2,000
Total Outflows (C)	**5,400**	**5,000**
Closing Available Liquidity (A+B-C)	**8,000**	**8,800**

From Q1 FY20 IR presentation; Numbers are rounded off to nearest 100s;

Available Liquidity is INR 8,400 Cr as on 30th Sep, 2019 (Unaudited based on Management Estimates)

Seasoned Book with Strong Collateral Cover

Wholesale Mortgage book
(INR Cr)



Last mile financing and/or substitution of the developers are the key intervention mechanisms for projects awaiting completion

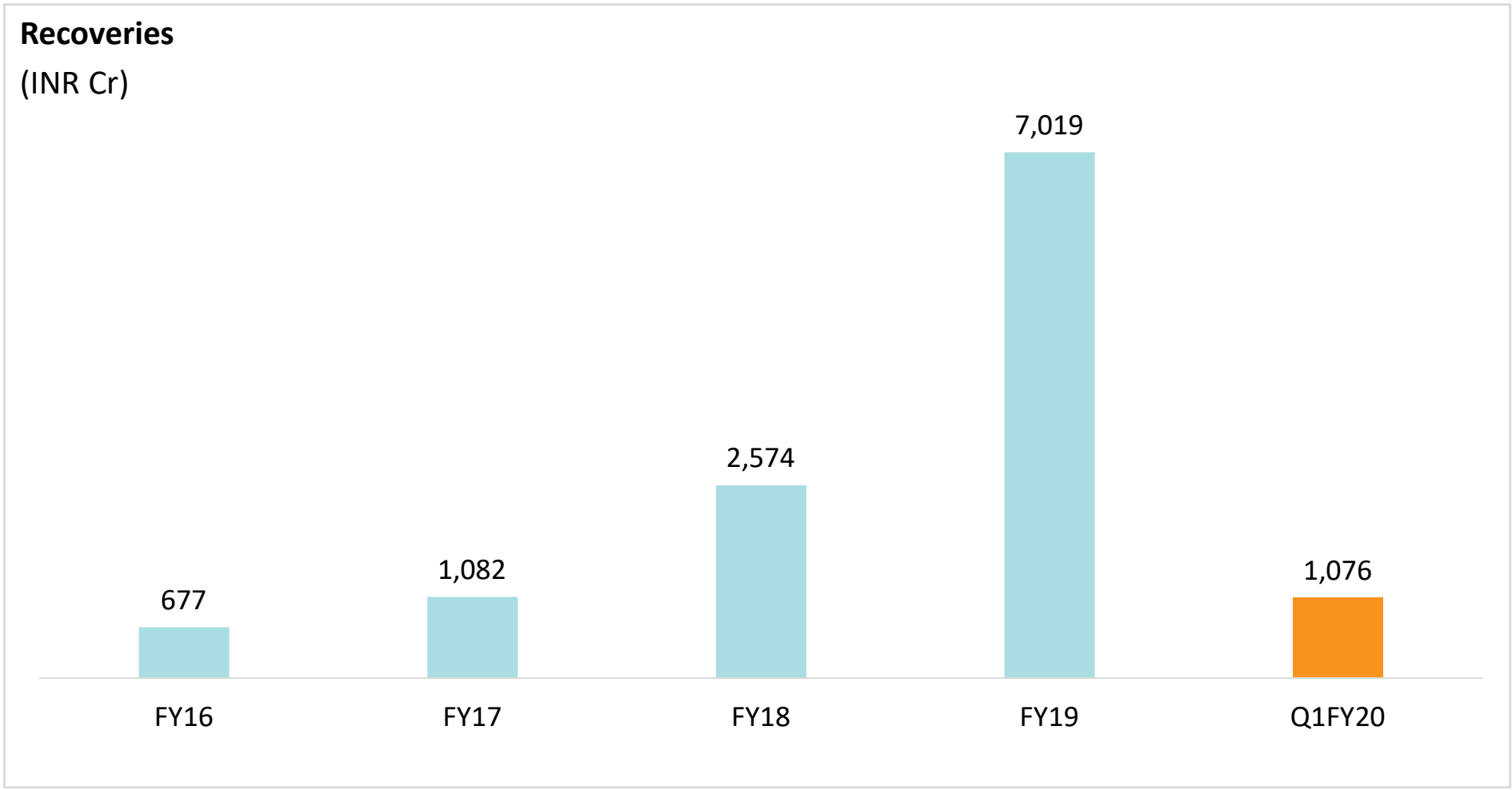
Snapshot of our Asset Reconstruction Business

	INR Cr
Total Asset Reconstruction Business AUM	**47,463**
Investors' Contribution (via Security Receipts)	38,832
Edelweiss Contribution	8,631
Equity	2,158
Participatory NCDs	1,957
Debt	4,516

NAV of these assets are calculated every quarter which will reflect the value of the Asset Reconstruction Business AUM

All figures are as on 30th June, 2019

Performance on Track with Improvement in Recoveries



Strong focus on resolutions aided by introduction of Insolvency and Bankruptcy Code

All figures are as on 30th June, 2019

Capital Efficiency through Sustainable Partnerships

- Our hypothesis is that the NBFC business model will need to be updated for the future
- An LP–GP model where NBFCs partner with capital providers like banks, global and domestic institutional investors will help NBFCs focus on their key capabilities in origination, product innovation, underwriting and recoveries
- We have executed the LP GP model successfully already in our ARC business
  - We have employed own capital of ~INR 9,000 Cr and manage additional assets of ~INR 39,000 Cr making this a market dominant business with a 5-6% RoA
- We expect to pursue the same model with our performing credit business
  - Corporate credit opportunity will be captured in our asset management business with global funds
  - Retail credit opportunity will be captured through our Co-Lending agreements with 4 nationalized banks : SBI, BOB, CBI and PNB

Key benefits : 1. Our loan book composition will be dominated by Retail Credit; 2. RoA will be maintained 3. Liability constraints for growth will be minimal

Safe Harbor

This document may contain certain forward - looking statements, which are tentative, based on current expectations of the management of Edelweiss Financial Services Limited or any of its subsidiaries and associate companies ("Edelweiss"). The results in future may vary from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include, inter alia, the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Edelweiss as well as its ability to implement the strategy. Edelweiss does not undertake any obligation to update these statements. The presentation relating to financial performance of various businesses of Edelweiss herein is based on Management estimates. Certain numbers and figures may have been rounded off, re-casted, regrouped/reclassified in the interest of easier understanding, wherever required.

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