

EW/Sec/2012/15

January 24, 2012

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E),
Mumbai-400051.

Dear Sir,

Sub: Press Release - "Unaudited Financial Results for the Third Quarter and nine months ended December 31, 2011"

Enclosed is the press release pertaining to the Unaudited Financial Results for the third quarter and nine months ended December 31, 2011.

Kindly take the same on the record.

Thanking you,

Yours faithfully,
For Edelweiss Financial Services Limited


B. Renganathan
Sr. Vice President & Company Secretary

cc.:

The Bombay Stock Exchange Limited
P J Towers, Dalal Street
Fort, Mumbai - 400 001

Edelweiss Financial Services Q3FY12 Total Income of ₹ 455 cr**Profit after Tax of ₹ 29 cr**

Mumbai, 24th January 2012: Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its unaudited, consolidated results for the quarter and nine months ended 31st December 2011 today.

* **Total Revenue for the quarter ₹ 455 cr**

compared with ₹ 372 cr for Q2FY12, up 22% QoQ

* **Profit After Tax ₹ 29 cr**

compared with ₹ 26 cr for Q2FY12, up 12% QoQ

Edelweiss has achieved significant topline growth in the third quarter which reflects the business diversification that Edelweiss has been striving for, though the bottomline growth continues to be challenged due to a combination of external and internal factors. These include tough environment leading to marked slowdown in activity levels, continuing investments in incubating new businesses – Life Insurance and Retail businesses, and depreciation on new office property. Collective impact of these at Profit after Tax level is about ₹ 12 cr in the third quarter.

Speaking on the occasion, Mr. Rashesh Shah, Chairman and CEO, Edelweiss Financial Services Limited said:

"Third quarter of this year has been a tough quarter where activity levels got impacted due to volatility in markets, high inflation & interest rates and slowdown in industrial output. Rupee depreciation and overall weak global sentiments on the back of continuing Eurozone financial crisis added to the challenging operating conditions.

Our performance this quarter demonstrated resilience of our diversified business model as we achieved significant topline growth and a reasonable bottomline growth QoQ even in these tough market conditions. Our costs have gone up in the third quarter as we scaled up our insurance business. Our profitability has in fact improved this quarter if the impact of insurance scale up costs is factored in. We remain focused on our core strategy to build a diverse set of businesses that will help moderate the impact of volatile market conditions and achieve long term growth. However, our investment in building new businesses and the challenging environment have impacted the bottomline in the short term. We expect the headwinds to moderate in the next two or three quarters with RBI taking a pause in rate hikes before we see growth returning to the markets."

Financial Highlights:

Interest and Treasury income is at ₹ 373 cr (₹ 279 cr in Q2FY12). This includes income from credit businesses, treasury operations and investments. It accounts for 82% of the total income, compared with 75% in Q2FY12.

Agency Fee & Commission, which includes income from broking, investment banking, asset management and distribution businesses, is at ₹ 81 cr this quarter (₹ 89 cr in Q2FY12), down 9% QoQ. It now accounts for 18% of the total income vis-a-vis 25% in the previous quarter. From the current quarter, the fee and commission income figures in the consolidated financial statements are disclosed net of service tax collected on the broking fee, and sub-brokerage expenses. Lower activity levels in capital markets have led to the negative growth QoQ in the Agency Fee & Commission.

Edelweiss continues to have a balanced revenue mix from its diversified businesses.

Business Highlights:*** Credit Business:**

Edelweiss offers loans backed by securities and housing loans. Credit businesses built a collateralized book of ₹ 2,597 cr by the end of this quarter. The wholesale and retail collateralized loans are adequately secured with an average collateral cover of 2.33 times. The total credit book of the group stands at ₹ 3,117 cr including the housing finance book. Asset quality of the book continues to be satisfactory with Net NPLs less than 0.1%.

*** Housing Finance:**

The Indian housing finance market, currently witnessing a very low penetration, is expected to grow over four times by the end of this decade given the young demographic profile that India enjoys and the fact that it is the aspiration of every Indian to own a home. This business, therefore, presents vast opportunity to Edelweiss for long-term growth together with the designed diversification in the revenue streams.

Housing Finance business, which was launched a year ago, has a book of ₹ 520 cr by the end of the third quarter. It extended its operations to Hyderabad this quarter and now operates in 6 major metros in India. It offers home loans, loans against property and lease rental discounting product.

This business is also an integral part of our strategy to cover a larger retail footprint.

*** Asset Management:**

Alternative Assets Management businesses have AUMs/AUAs of US\$ 380 million equivalent at the end of the third quarter.

The domestic Asset Management business manages 11 funds across Equity, Debt and Liquid Schemes, with average AUMs of ₹ 575 cr during the third quarter. A new FMP Fund was launched during the quarter. This business now has an active base of over 5,700 investors. The distribution network comprises a force of nearly 3,000 Distributors and is being further strengthened by entering into tie-ups with leading Independent Financial Advisor entities. The focus of this business continues to be on developing a variety of products and building investment track record.

*** Life Insurance:**

Life insurance business offers exciting opportunities in India given the current low level of penetration where it 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 the current decade. Edelweiss Tokio Life Insurance (ETLI), our joint venture with Tokio Marine, one of the fastest growing life Insurance companies in Japan, was launched to participate in these growth opportunities while also significantly diversifying our revenue streams.

ETLI commenced operations in second quarter this year and it has by now set up 22 offices in 15 cities across Gujarat, Maharashtra, Goa, New Delhi, Haryana, Punjab and Chandigarh. It currently offers diverse products under protection plans, savings options, education plans, credit protection and ULIP funds. It has scaled up its strength of Personal Financial Advisors (PFAs) to over 530 who are actively engaged in sourcing business for the company.

ETLI was launched with a capital of ₹ 550 cr which is the highest startup capital for any Indian life insurer.

* **Capital Markets Businesses:**

- * **Investment Banking** business handled 9 **transactions** across Equity Capital Markets, Advisory and Debt Capital Markets, same as in Q2FY12.

During the quarter, we acted as the Sole Financial Advisor to Siemens Project Ventures GmbH in the divestiture of their 14% holding, amounting to about ₹ 613 cr in Bangalore International Airport Ltd. We also successfully completed a Private Equity fund raise of about ₹ 136 cr in a leading specialty chemical company. We believe we are the largest Private Equity arranger among domestic Investment Banks in India in the past 2 years.

With this, the total number of IB and DCM deals handled in 9MFY12 is 26. Deal pipeline continues to be strong though the deal closures are relatively slow given the marked slowdown in capital market activities during the past twelve months.

During the third quarter we arranged a first-of-its-kind conference titled **"Convergence – The Edelweiss Private Companies Conference"**, which witnessed huge response and served as a platform for more than 50 unlisted companies to present their vision and growth outlook to over 150 private and public markets investors.

- * **Corporate Bonds Syndication** desk continued to hold its position as a leading debt arranger in the country. Bonds issuances this quarter included clients like REC, Sundaram Finance, Tata Motors Finance, Tata Capital and Shriram City Union Finance etc. We are **ranked overall 6th** in the League Tables for Debt Arrangers taking CPs and Bonds/NCDs placements together with a market share of 16.2% and are also **ranked 4th** in Commercial Papers issuance with a market share of 12.1% in the first nine months of FY12 (as per Prime Database).

- * **Institutional Brokerage** business continued to perform in line with the markets during this quarter. The entire brokerage sector continues to be severely impacted by the global economic slowdown, structural shift in composition of traded volumes and cyclicity of the markets.

Edelweiss **Research** covers 189 stocks across 20 sectors representing about 75% of market capitalization. During the quarter, we held our annual **Asia Conference** in Singapore and Hong Kong which met with excellent response from Indian Corporates and global investors facilitating over 330 meetings. In the recently announced Asiamoney Brokers Poll for the year 2011 Edelweiss has been ranked third in the category of Best Local Brokerage houses.

- * Edelweiss continues to invest in build out of its **Retail businesses**. In **Retail Broking** we now have a total client base of over 3,64,000 including over 1,21,000 clients on the online portal www.edelweiss.in. The retail broking business is an important part of our strategy to increase the contribution to our topline from retail segment.
- * **Wealth Management** business continues its build out with over ₹ 2,500 cr of AUAs and over ₹ 1,200 cr of Depository Participant (DP) AUMs across 2,400 clients. The Structured Products portfolio now stands at over ₹ 550 cr as at the end of this quarter. This business has launched innovative low risk solutions as a strategy to counter the weak markets.
- * During the third quarter Edelweiss launched **Financial Planning** services for individual clients in line with its broad retail strategy. It offers fee based advisory services which enables a client to prioritize financial needs, goals and aspirations and guides to achieve the same.

*** Other Updates:**

- * The total **Networth** of the Group including minority interest now stands at ₹ 2,878 cr. The aggregate borrowings as at the end of this quarter were ₹ 8,409 cr, implying a leverage of 2.92x. We continue to focus on maintaining a strong and liquid balance sheet with a reasonable gearing.
- * **EdelGive**, the Group's social responsibility arm, has short-listed 20 innovative organizations for the fourth annual EdelGive Social Innovation Honours and the winners will be declared during the fourth quarter. It also launched the Mumbai Marathon 2012 campaign which provided a platform to 40 Edelweiss runners and the rest of the Edelweiss family to support a host of social causes with a fund raise of over ₹ 50 lacs.

About Edelweiss Financial Services

Edelweiss has emerged as India's leading diversified financial services Group. Edelweiss offers a large range of products and services spanning across asset classes and consumer segments. Its businesses are broadly divided into **Life Insurance, Housing Finance, Asset Management, Credit and Capital Markets including Investment Banking and Brokerage Services – Institutional, HNI and Retail**. The group's research driven approach and proven history of innovation has enabled it to foster strong relationships across corporate, institutional and individual clients. The Life Insurance, Housing Finance, Mutual Fund and Retail Broking businesses – both online and offline formats, have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss' presence now covers 297 offices in 144 cities pan India with 2944 employees.

Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

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Safe Harbor

This document may contain certain forward - looking statements 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 significantly 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.

This document is for information purposes only and any action taken by any person on the basis of the information contained herein is that person's responsibility alone and Edelweiss or its directors or employees will not be liable in any manner for the consequences of such actions.

The company regularly posts all important information at its website www.edelcap.com



Consolidated Financial Results for the Quarter and Nine Months Ended 31st December, 2011

(₹ in Crores)

	Particulars	Quarter Ended			Nine Months Ended		March 31 2011 (Audited)
		Dec. 31 2011 (Unaud.)	Sept. 30 2011 (Unaud.)	Dec. 31 2010 (Unaud.)	Dec. 31 2011 (Unaud.)	Dec. 31 2010 (Unaud.)	
	Fee and commission income	80.58	88.88	114.71	243.80	325.97	427.76
	Interest and treasury income	373.19	279.04	306.52	950.00	730.96	993.29
1	Income from Operations	453.77	367.92	421.23	1,193.80	1,056.93	1,421.05
2	Other Operating Income	1.23	4.28	7.08	9.42	12.92	19.17
3	Total Income (1+2)	455.00	372.20	428.31	1,203.22	1,069.85	1,440.22
	Expenditure						
	a. Operating cost	91.97	83.78	88.06	248.67	225.00	302.20
	b. Employees cost	69.72	62.27	60.76	193.14	171.22	235.42
	c. Interest and Finance charges	234.52	176.14	175.11	595.05	374.18	532.18
	d. Depreciation	12.31	8.50	6.34	26.55	13.66	20.40
4	Total expenditure	408.52	330.69	330.27	1,063.41	784.06	1,090.20
5	Profit / (Loss) before tax (3-4)	46.48	41.51	98.04	139.81	285.79	350.02
6	Tax expenses	16.23	13.05	33.44	45.45	86.85	103.10
7	Net Profit / (Loss) after tax and before minority interest (5-6)	30.25	28.46	64.60	94.36	198.94	246.92
8	Share of minority interest in profits	0.81	2.14	2.30	5.38	9.18	13.90
9	Net Profit / (Loss) after minority interest (7-8)	29.44	26.32	62.30	88.98	189.76	233.02
10	Paid-up equity share capital (Face Value of ₹ 1/- Per Share)	75.66	75.66	75.17	75.66	75.17	75.20
11	Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year						2,362.62
12	Earnings Per Share (EPS) in ₹						
	- Basic (Not annualised)	0.39	0.35	0.83	1.18	2.53	3.10
	- Diluted (Not annualised)	0.38	0.34	0.80	1.16	2.43	3.00
13	Public shareholding						
	- Number of shares	470,930,590	470,930,590	466,008,990	470,930,590	466,008,990	466,310,590
	- Percentage of shareholding	62.24%	62.24%	61.99%	62.24%	61.99%	62.01%

14	Promoters & promoter group shareholding						
	a) Pledged/ Encumbered						
	- Number of shares	35,216,667	30,800,000	32,100,000	35,216,667	32,100,000	32,600,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	12.33%	10.78%	11.23%	12.33%	11.23%	11.41%
	- Percentage of shares (as a % of total share capital of the Company)	4.65%	4.07%	4.27%	4.65%	4.27%	4.33%
	b) Non-encumbered						
	- Number of shares	250,499,023	254,915,690	253,615,690	250,499,023	253,615,690	253,115,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	87.67%	89.22%	88.77%	87.67%	88.77%	88.59%
	- Percentage of shares (as a % of total share capital of the Company)	33.11%	33.69%	33.74%	33.11%	33.74%	33.66%

Notes:

1. The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and nine months ended 31 December 2011 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 24 January 2012.

2. The Company conducts its operations along with its subsidiaries and associates. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Accounting Standards (AS 21 and AS 23) prescribed by Companies (Accounting Standards) Rules, 2006.

3. CRISIL has assigned the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programmes of EFSL for ₹ 4,850 crores and the rating of 'CRISIL AA-/stable' (pronounced 'CRISIL double A minus rating with Stable Outlook') to the long term debt programme of EFSL for ₹ 10 crores. ICRA has assigned the rating '[ICRA]AA-' (pronounced 'ICRA double A minus with Stable Outlook') to the Long Term Debt Programme of EFSL for ₹ 450 crores, the rating 'PP-MLD [ICRA] AA-' (pronounced 'double P – MLD – ICRA double A minus rating with Stable Outlook') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 25 crores and the rating 'LAA- pn' (pronounced 'L double A Minus Principal Not Protected with Stable Outlook') to the Long Term Equity Linked Debenture Programme of EFSL for ₹ 80 crores. The ratings as mentioned for these Programmes / Issues continue to remain in force.

4. During the quarter, the Company has granted 4,10,000 options under Employee Stock Option Scheme; no stock options have been exercised and no equity shares have been allotted. 9,54,05,000 stock options are outstanding as at the end of the quarter.

5. From the current quarter, the fee and commission income figures in the consolidated financial results are disclosed net of (i) service tax collected on the broking fee, and (ii) sub-brokerage expenses incurred thereon.

6. The Board of Directors at its meeting dated 24 January 2012, has declared an interim dividend of ₹ 0.30 per share (on a face value of ₹ 1 per equity share) for the financial year 2011-12.
7. There were no investor complaints outstanding at the beginning of the quarter. During the quarter, the Company received 7 investor complaints and has resolved all of these.
8. The previous financial year/period figures have been regrouped/reclassified wherever necessary.
9. The standalone and consolidated results will be available on the Company's website – www.edelweissfin.com

On behalf of the Board of Directors

Rashesh Shah
Chairman

Mumbai, 24 January 2012