Edelweiss
Ideas create, values protect

EW/Sec/2012/65

May 16, 2012

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

Dear Sir,

Sub: Press Release - "Annual Results Financial Year 2012"

Enclosed is the press release pertaining to the Audited Financial Results of the Company for year ended March 31, 2012. You are requested to take the same on record.

Thanking you,

Yours faithfully,
For Edelweiss Financial Services Limited

B. Renganathan
Sr. Vice President & Company Secretary

cc.:

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

Encl.: as above.

Edelweiss Financial Services FY12 Total Income ₹ 1,671 cr
Profit after Tax ₹ 128 cr

Edelweiss Financial Services Limited, India's leading diversified financial services company, declared its audited, consolidated results for the year ended March 31, 2012 today.

- **Total Revenue for the year ₹ 1,671 cr**
  compared to ₹ 1,429 cr for FY11, up 17%
- **Profit After Tax for the year ₹ 128 cr**
  compared to ₹ 233 cr for FY11, down 45%
- **Group Networth ₹ 2,874 cr**
  compared to ₹ 2,555 cr as on March 31, 2011, up 12%
- **Total Revenue for Q4FY12 ₹ 479 cr,** up 6% QoQ
- **Profit after Tax for Q4FY12 ₹ 39 cr,** up 32% QoQ

Edelweiss achieved 17% topline growth in the financial year 2011-12 despite challenging operating conditions, which reinforces the business diversification strategy that Edelweiss has constantly pursued over the years. However, the bottomline continues to be impacted due to a combination of external and internal factors. These include challenging domestic and global environment leading to marked slowdown in activity levels in capital markets for most part of the year, and a conscious decision to continue investments in incubating new businesses – Life Insurance and Retail, and depreciation on new office property.

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

"During the year high interest rates, liquidity crunch and severe slowdown in economic activity impacted the performance of India Inc. Higher crude prices and gold imports put pressure on exchange rates. Lack of credible government action coupled with continuing Eurozone financial crisis worsened the challenging operating conditions. All these forces acting in concert made FY12 a tough year though the fourth quarter environment was better than the rest of the year.

Our performance this year reinforces the strategy of building a diversified business model as we achieved good topline growth despite challenges. Our profitability needs to be viewed in the backdrop of impact of challenging environment together with costs that we have consciously incurred to incubate new businesses – life insurance and retail. We have stabilised most of our businesses and are well placed to capture our share of growth when headwinds abate. We expect the operating environment to gradually improve with the interest rates easing and we see growth returning in the latter half of FY13."

Dividend:

Board of Directors recommends a final dividend of ₹ 0.30 per share for FY12 (FV ₹ 1 per equity share). Earlier during the year, the company had declared and paid interim dividend of ₹ 0.30 per equity share. The total dividend for FY12, therefore, works out to ₹ 0.60 per equity share (FV ₹ 1).

Financial Highlights:

Interest and Treasury income from our capital based businesses for FY12 is ₹ 1,310 cr (₹ 1,007 cr in FY11), up significantly 30%, and for Q4FY12 it was ₹ 365 cr (₹ 370 cr in Q3FY12). This includes income from credit businesses and treasury operations & investments. It accounts for 78% of the total income for FY12, compared to 70% in the previous year.

Fee & Commission income from agency businesses is ₹ 321 cr for FY12 (₹ 414 cr in FY11) and for Q4FY12 it was ₹ 92 cr (₹ 77 cr in Q3FY12). This includes income from securities broking, investment banking, asset management, distribution businesses and commodities broking. Fee & Commission now accounts for 19% of the total income for FY12 compared to 29% in FY11. Within this, the broking income accounts for 9.2% of total revenue for FY12. Our agency businesses recorded the best performance in the fourth quarter compared to the previous three quarters of FY12 on the back of higher capital markets activity in this quarter.

Our life insurance business was launched in second quarter of FY12 and recorded **Premium income** of ₹ 11 cr for the year.

Edelweiss continues to have a balanced revenue mix from its diversified businesses. The total revenue includes share of profit/loss of associates.

Business Highlights:

Businesses of Edelweiss are organised around five broad business groups – Credit business including Housing Finance and Fixed Income Agency business, Capital Markets including Asset Management, Commodities, Treasury and Life Insurance.

* **Credit Business:**

  Edelweiss offers loans backed by securities and housing mortgage loans. The total credit book of the group stands at ₹ 3,680 cr by March '12 including the housing finance book, compared to ₹ 2,644 cr as at the end of FY11, a growth of 39%. The wholesale and retail collateralized loan book is adequately secured with an average collateral cover of 2.64 times. Asset quality of the book continues to be satisfactory with Net NPLs less than 0.2%.

  * **Housing Finance:**

  The Indian housing finance market is expected to build scale going forward considering the young demographic profile of India with increasing disposable income. Given the fact that housing mortgages currently have a very low penetration in India, this market presents exciting opportunities to Edelweiss for long term growth. It also achieves the designed diversification in the revenue streams while reducing volatility in the earnings. Along with insurance business, this business is intended to significantly expand our retail footprint.

  It has a book of ₹ 776 cr by the end of this year compared to ₹ 116 cr at the beginning of this year. It commenced operations in Chennai this quarter and now extends to eight major metros in India. It offers home loans, loans against property and lease rental discounting.

* Our **Fixed Income** agency business continued to be a leading debt arranger in the country. Long-term Bonds issuances this quarter included large clients like PFC (three transactions), NHPC, SIDBI, Tata Motor Finance and Apollo Hospital spread over nine transactions. In addition, the Fixed Income Advisory business handled two debt restructuring proposals. With this the total number of DCM transactions handled in FY12 rose to 30 compared to 22 in FY11.

  We are **ranked overall 6th** largest Private Debt Arranger taking CPs and Bonds/NCDs together, with a market share of 14.3% and are also **ranked 5th** in Commercial Papers issuance with a market share of 10.4% in FY12 (Source: Prime Database).

* **Capital Markets & Asset Management Businesses:**

  * **Investment Banking** business handled three transactions across Equity Capital Markets and Advisory in the fourth quarter. These were IPO of ₹ 663 cr of MCX, QIP in DCB and rights issue of Gayatri Projects. With this, the total number of ECM and Advisory transactions executed in FY12 rose to 10.

    Deal pipeline continues to be strong though the deal closures are extremely slow given the marked slowdown in capital market activities during the past twelve months.

  * **Institutional Broking** business continued to perform in line with the markets during the year. The industry faced severe headwinds during the year including lackluster broking volumes with indices falling about 9% year on year. The structural shift in composition of traded volumes continued to impact the broking revenue. Despite these challenges, our Institutional Equities business continued to protect its market share and be a leader in this space.

    *Edelweiss has been rated the **"Best Advisory Broker, Asia"** in the recently declared **World Finance Exchanges and Brokers Awards 2012.***

    Edelweiss **Research** covers 183 stocks across 20 sectors representing about 75% of market capitalization. During the quarter, we held our **flagship India Conference** in New Delhi and Mumbai which met with excellent response with participation of over 75 Indian Corporates and over 135 global and Indian investors facilitating over 2,300 meetings among them. The New Delhi leg of the Conference was distinguished by presence of top level bureaucrats from important ministries and PSUs, regulators and Industry Associations.

  * Edelweiss continued to gain scale in the **Retail businesses** which are integral part of our broader strategy to diversify our client base and revenue streams. In **Retail Broking** the total client base is now over 3,72,000 including over 1,25,000 clients on the online portal www.edelweiss.in. The online portal continues to be one of the most popular sites with the cumulative number of unique visitors crossing 44 lac with 6.95 cr page views till March 31, 2012.

  * Edelweiss has emerged as **the country's largest IPO broker for FY12** (second largest in FY11) as per total amount procured. It was ranked 1st in QIB category with a market share of 4.8% and ranked 2nd in Retail and HNI (NIB) categories with a market share of 7.8% and 10.7% respectively, giving it overall first rank for FY12 as per Prime Database (non-ASBA).

  * **Wealth Management** business scale up continued with AUAs touching ₹ 3,000 cr and Depository Participant (DP) AUMs at ₹ 1,500 cr by the end of FY12. The Structured Products portfolio stands at over ₹ 630 cr as at the end of this year. We believe we are now the largest domestic issuer of such products.

* **Asset Management:**

  * The **Alternative Asset Management** business crossed AUMs/AUAs of US$570 million equivalent at the end of this year. During the fourth quarter, Edelweiss launched EW SBIH Crossover Fund in joint sponsorship with SBI Holdings, Inc., of Japan with a total commitment of US$100 million by the sponsors.

    In the same quarter, another alternative assets fund EWI Special Assets Fund was launched with initial commitment of US$77 million. Towards the end of the fourth quarter a domestic Asset Reconstruction Fund II has also been launched with a target AUM of ₹300-400 cr. Wholesale Asset Management business of Edelweiss is poised to achieve significant growth going forward.

  * The **Retail Asset Management** business manages 12 funds across Equity, Debt and Liquid Schemes, with average AUMs of ₹ 373 cr during the fourth quarter. This business has an active base of over 6,000 investors. The distribution network comprises a force of nearly 3,000 Distributors and is being further strengthened. The focus of this business continues to be on developing a variety of products and building investment track record.

* **Commodities:**

  Edelweiss entered Commodities business about three years ago to diversify across adjacent asset classes. It has now emerged as a strategically important business. It focuses on sourcing and distribution of precious metals, currently bullion and silver, and dealing in agri commodities.

  While the agri commodities business is in a nascent stage, we believe with increasing financialization of commodities in India, it will present large business opportunities going forward.

* **Treasury:**

  The Treasury business deploys funds of the Group in low risk strategies across asset classes with a focus on balance sheet management and capital preservation. Treasury allocation continues to be a function of liquidity management needs, capital requirement of businesses and opportunities in the markets. Our strong focus on enterprise wide risk management ensures optimum returns in this business while preserving our capital.

* **Insurance:**

  Like housing mortgages, life insurance in India is also currently characterized by very low penetration where it ranks 136th in the world. However, given the demographics in India and the propensity to save for emergencies or special events through insurance, we expect the size of insurance market in India to grow over four folds by the end of the current decade. To participate in these growth opportunities, Edelweiss launched the life insurance joint venture with Tokio Marine, one of the oldest and biggest global life Insurance companies from Japan, in the second quarter of FY12.

  Edelweiss Tokio Life Insurance recorded New Business Premium of ₹ 11 cr in FY12. It has set up 31 offices in 22 cities across Gujarat, Maharashtra, Goa, New Delhi, Uttar Pradesh, Haryana, Punjab and Chandigarh by March '12. It offers diverse products to meet the basic needs of customers on education funding, wealth accumulation & enhancement, living with impaired health, income replacement and retirement funding. It also offers group products for credit protection and life protection. Its agency channel is supported by a strong force of about 825 Personal Financial Advisors (PFAs).

* **Other Updates:**
  * The total **Networth** of the Group including minority interest now stands at ₹ 2,874 cr. The aggregate market borrowings as at the end of this quarter were ₹ 10,414 cr, implying a leverage of 3.6x. Our Tangible Networth as at the end of the year is ₹ 2,541 cr. We continued to maintain a strong and liquid balance sheet with a reasonable gearing.
  * We constantly update and strengthen our **risk management** processes and practices across the group through our risk philosophy, whose core lies in the identification, measurement, monitoring and action.
  * **EdelGive**, the Group's social responsibility arm, focuses on creating educational, employment and sustainable livelihood opportunities for the underprivileged. It announced four winners of the fourth annual EdelGive Social Innovation Honours during the fourth quarter. These winning non-profit organizations were selected based on their outstanding and innovative work for empowerment in the sector of Health, Livelihood and Rights & Representation.

About Edelweiss Financial Services

Edelweiss is one of 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 **Credit including Housing Finance and Fixed Income agency business, Capital Markets including Asset Management, Commodities, Treasury and Life Insurance.** 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 241 offices in 120 cities with 3108 employees. Together with Sub-Brokers and Authorized Persons network, Edelweiss group has presence across nearly 700 cities in India.

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.edelweissfin.com.

Consolidated Financial Results for the Quarter and Year Ended March 31, 2012

(₹ in crore)

	Particulars	Quarter Ended			Year Ended	
		March 31, 2012 (Unaudited)	December 31, 2011 (Unaudited)	March 31, 2011 (Unaudited)	March 31, 2012 (Audited)	March 31, 2011 (Audited)
1	**Income from operations**					
	(a) Fee and commission income	92.27	76.93	102.33	321.31	414.05
	(b) Interest and treasury income	365.48	369.69	274.87	1,309.95	1,006.84
	(c) Premium from Life Insurance business	7.49	2.46	0.00	10.72	0.00
	(d) Other operating income	4.12	2.03	4.28	10.98	14.72
	Total income from operations	**469.36**	**451.11**	**381.48**	**1,652.96**	**1,435.61**
2	**Expenses**					
	(a) Employee benefits expense	78.07	69.72	64.20	271.21	235.42
	(b) Depreciation and amortisation expense	15.64	12.31	6.74	42.19	20.40
	(c) Other expenses	91.80	90.76	79.45	328.94	290.21
	Total expenses	**185.51**	**172.79**	**150.39**	**642.34**	**546.03**
3	**Profit / (Loss) from operations before other income and finance costs (1-2)**	**283.85**	**278.32**	**231.09**	**1,010.62**	**889.58**
4	**Other income**	**5.63**	**(0.82)**	**1.10**	**8.19**	**3.58**
5	**Profit / (Loss) from ordinary activities before finance costs (3+4)**	**289.48**	**277.50**	**232.19**	**1,018.81**	**893.16**
6	**Finance costs**	**234.60**	**234.52**	**158.67**	**829.65**	**532.85**
7	**Profit / (Loss) before tax (5-6)**	**54.88**	**42.98**	**73.52**	**189.16**	**360.31**
8	**Tax expense**	**22.64**	**16.23**	**16.25**	**68.09**	**103.10**
9	**Net Profit / (Loss) after tax (7-8)**	**32.24**	**26.75**	**57.27**	**121.07**	**257.21**
10	**Share of profit / (loss) of associates**	**4.01**	**3.50**	**(9.29)**	**9.54**	**(10.29)**
11	**Minority interest**	**(2.51)**	**0.81**	**4.72**	**2.87**	**13.90**
12	**Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (9+10-11)**	**38.76**	**29.44**	**43.26**	**127.74**	**233.02**
13	**Paid-up equity share capital (Face Value of ₹ 1/- Per Share)**	**75.68**	**75.66**	**75.20**	**75.68**	**75.20**
14	**Reserves excluding Revaluation Reserves**				**2,559.17**	**2,364.68**
15	**Earnings Per Share (EPS) in Rupees (Face Value of ₹ 1/- Per Share)**					
	- Basic (Not annualised)	**0.51**	**0.39**	**0.58**	**1.69**	**3.10**
	- Diluted (Not annualised)	**0.50**	**0.38**	**0.56**	**1.66**	**3.00**

16	**PARTICULARS OF SHAREHOLDING**					
a	**Public shareholding**					
	- Number of shares	471,083,590	470,930,590	466,310,590	471,083,590	466,310,590
	- Percentage of shareholding	62.25%	62.24%	62.01%	62.25%	62.01%
b	**Promoters & promoter group shareholding**					
	a) Pledged/ Encumbered					
	- Number of shares	35,216,667	35,216,667	32,600,000	35,216,667	32,600,000
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	12.33%	12.33%	11.41%	12.33%	11.41%
	- Percentage of shares (as a % of total share capital of the company)	4.65%	4.65%	4.33%	4.65%	4.33%
	b) Non-encumbered					
	- Number of shares	250,499,023	250,499,023	253,115,690	250,499,023	253,115,690
	- Percentage of shares (as a % of total shareholding of promoter and promoter group)	87.67%	87.67%	88.59%	87.67%	88.59%
	- Percentage of shares (as a % of total share capital of the company)	33.10%	33.11%	33.66%	33.10%	33.66%

Notes:

1 The consolidated and standalone financial results of Edelweiss Financial Services Limited ('EFSL' or 'the Company') for the quarter and year ended 31 March 2012 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 16 May 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 ₹22 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 'PP-MLD-ICRA double A minus 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 300,000 options under Employee Stock Option Scheme; 153,600 stock options have been exercised and allotted during the quarter. 92,408,000 stock options are outstanding as at the end of the quarter.

5 During the year, the Company had declared and paid interim dividend of ₹0.30 per share (on a face value of ₹1 per equity share). Further, the Board of Directors has recommended final dividend of ₹0.30 per share (on face value of ₹1) for the financial year 2011-12.The payment of final dividend is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

6 **Consolidated Segment Results**

(₹ in Crores)

	Particulars	Quarter Ended			Year Ended	
		March 31, 2012 (Unaudited)	December 31, 2011 (Unaudited)	March 31, 2011 (Unaudited)	March 31, 2012 (Audited)	March 31, 2011 (Audited)
1	**Segment revenue [Total income]**					
	Agency	119.16	128.64	88.24	375.13	446.62
	Capital Based	337.25	311.60	280.59	1,231.18	975.27
	Unallocated	22.59	13.55	4.46	64.38	7.01
	Total income	**479.00**	**453.79**	**373.29**	**1,670.69**	**1,428.90**
2	**Segment results [Profit / (Loss) before tax]**					
	Agency	15.81	11.73	28.97	33.62	147.69
	Capital Based	73.33	54.48	69.42	244.05	371.69
	Unallocated	(30.25)	(19.73)	(34.16)	(78.97)	(169.36)
	Profit / (Loss) before tax	**58.89**	**46.48**	**64.23**	**198.70**	**350.02**
3	**Capital employed [Segment assets - Segment liabilities]**					
	Agency	561.52	536.44	783.18	561.52	783.18
	Capital Based	1,695.27	1,687.94	1,640.01	1,695.27	1,640.01
	Unallocated	379.24	412.20	16.77	379.24	16.77
	Total capital employed	**2,636.03**	**2,636.58**	**2,439.96**	**2,636.03**	**2,439.96**

The Company has made its consolidated segment reporting to meaningfully represent its business lines. Agency includes broking, advisory, product distribution and other fee based businesses; Capital includes income from treasury operations, investment income and wholesale financing. Segment data for previous financial year/period has been reclassified to conform to current financial year/period presentation.

7 **Consolidated statement of assets and liabilities as at 31 March 2012 (₹ in Crores)**

		As at	
		March 31, 2012 (Audited)	March 31, 2011 (Audited)
A	**EQUITY AND LIABILITIES**		
1	**Shareholders' funds**		
	(a) Share capital	75.68	75.20
	(b) Reserves and surplus	2,559.17	2,364.68
	Sub-total - Shareholders' funds	**2,634.85**	**2,439.88**
2	**Share application money pending allotment**	1.18	0.08
3	**Minority interest**	238.78	115.50
4	**Non-current liabilities**		
	(a) Long-term borrowings	1,077.46	461.69
	(b) Other long-term liabilities	11.58	8.17
	(c) Long-term provisions	34.42	29.01
	Sub-total - Non-current liabilities	**1,123.46**	**498.87**
5	Current liabilities		
	(a) Short-term borrowings	9,047.21	7,223.45
	(b) Trade payables	783.32	4,078.22
	(c) Other current liabilities	634.14	684.88
	(d) Short-term provisions	82.81	85.07
	Sub-total - Current liabilities	**10,547.48**	**12,071.62**
	TOTAL - EQUITY AND LIABILITIES	**14,545.75**	**15,125.95**
B	**ASSETS**		
1	**Non-current assets**		
	(a) Fixed assets	523.30	478.05
	(b) Goodwill on consolidation	139.47	139.47
	(c) Non-current investments	731.61	235.38
	(d) Deferred tax assets (net)	25.98	52.75
	(e) Long-term loans and advances	1,926.93	837.87
	(f) Other non-current assets	134.89	1,273.99
	Sub-total - Non-current assets	**3,482.18**	**3,017.51**
2	**Current assets**		
	(a) Current investments	669.46	153.34
	(b) Inventories	3,383.04	1,417.17
	(c) Trade receivables	188.86	3,693.31
	(d) Cash and cash equivalents	3,274.76	2,410.96
	(e) Short-term loans and advances	2,796.38	4,159.42
	(f) Other current assets	751.07	274.24
	Sub-total - Current assets	**11,063.57**	**12,108.44**
	TOTAL - ASSETS	**14,545.75**	**15,125.95**

8 Investor Complaints

Particulars	Quarter Ended March 31, 2012
Pending at the beginning of the quarter	**Nil**
Received during the quarter	**12**
Disposed of during the quarter	**12**
Remaining unresolved at the end of the quarter	**Nil**

9 The previous year/period figures have been regrouped/reclassified wherever necessary to conform to current financial year/period's presentation.

10 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, May 16, 2012