Edelweiss
Ideas create, values protect

EW/Sec/2018/101

April 12, 2018

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

Dear Sirs,

Ref.:- Symbol - EDELWEISS

Sub: Investor presentation

In accordance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Investor presentation made at the Investors/Analysts meet held today.

Kindly take the same on record.

Thanking you,

For Edelweiss Financial Services Limited

B. Renganathan
Executive Vice President & Company Secretary

Encl: a/a

Analyst Day

April 2018

Edelweiss
Ideas create, values protect

Global Wealth & Asset Management

Wealth Management	Asset Management	Distressed Assets

Global Wealth Management

1. Overview of Wealth Management Industry
2. Where we are today
3. Well positioned to capitalize on future growth

1. Overview of Wealth Management Industry
2. Where we are today
3. Well positioned to capitalize on future growth

How has Wealth Management (WM) industry evolved?

Early Stages: Indian Private Sector Banks

- Cross-sell Mutual Funds, & Insurance
- Targeted captive client base

Entry of Foreign Players

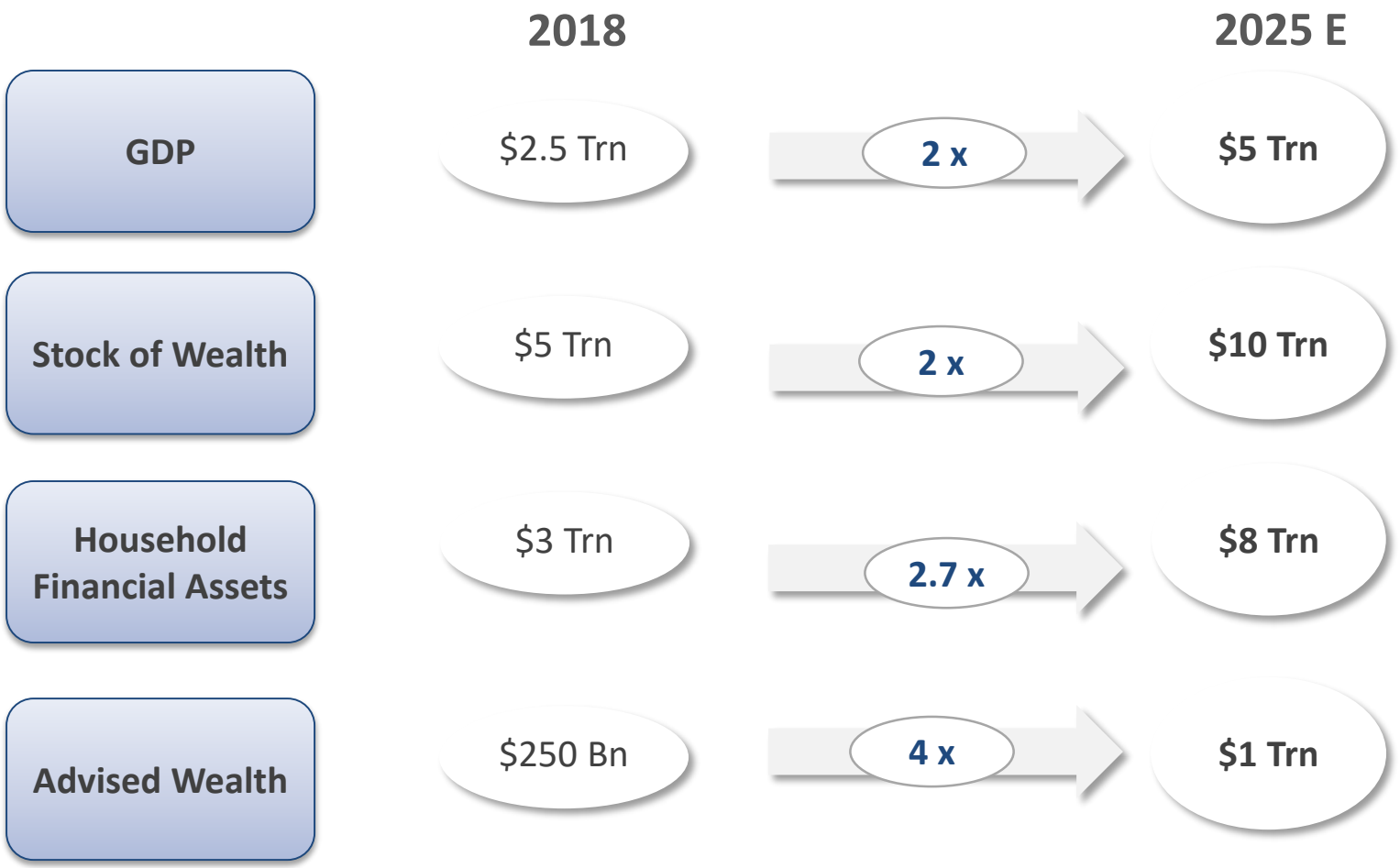
- Performed well during initial years
- Retreated during global financial crisis due to high costs/ inability to leverage offshore capabilities

Emergence of Independent WM

- WM became an independent business
- Offering solutions beyond investments
- Era of localization

2000 **2007** **2010** **2017**

How large is the opportunity?



Demand is NOT a constraint !

Notes:Includes only financial assets; USD/INR @ 65; Source: Mckinsey, Kotak and CLSA report, internal estimates, Karvy Wealth report

What is driving this growth?

Financialization of Assets

- Savings moving to financial assets (Annexure)
- Increased allocation into capital market instruments (Annexure)

Growing affluence

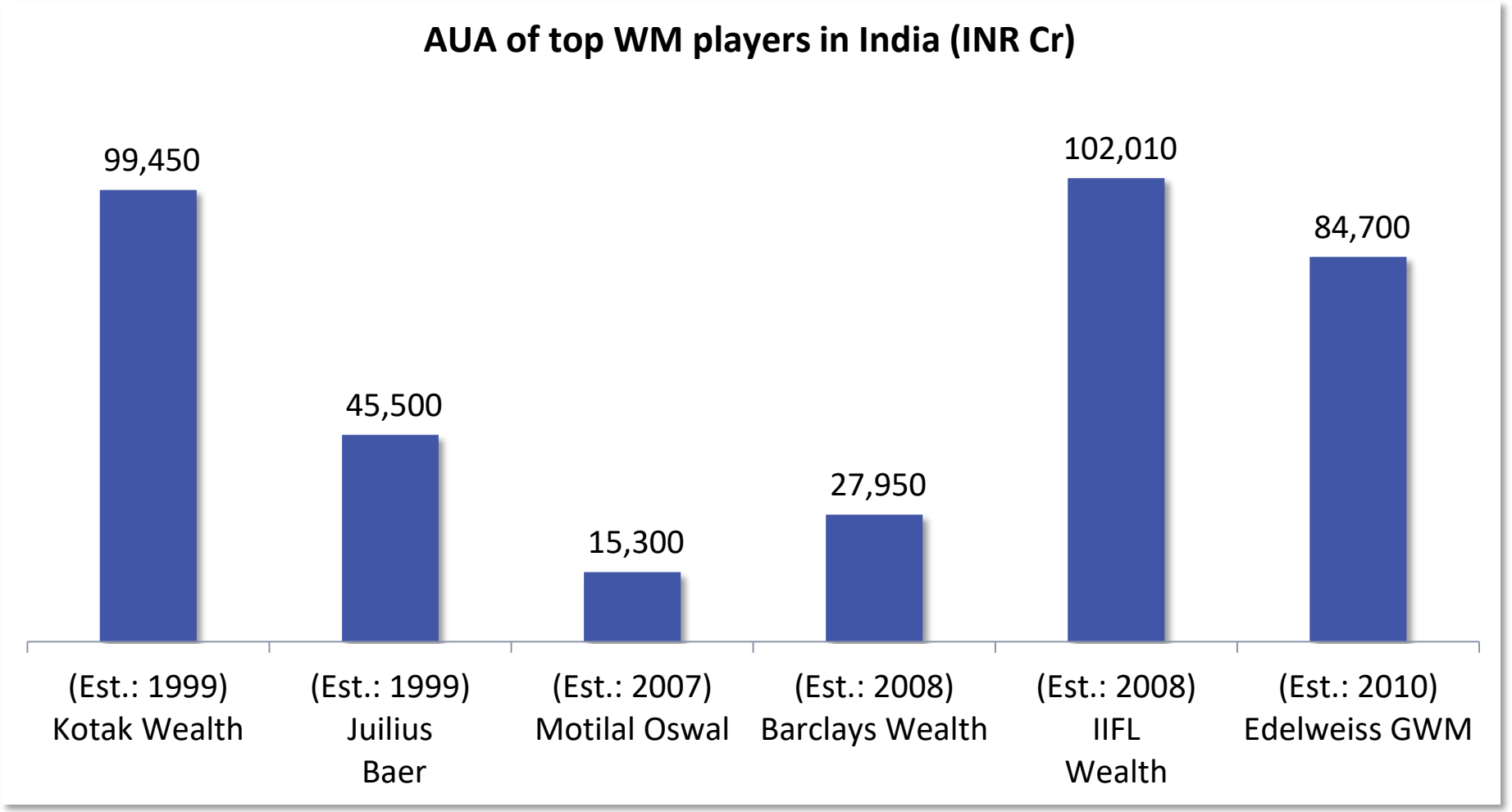
- Household wealth has grown from $1T in 2010 to $3T in 2017
- No. of USD Millionaires grew from 153,000 in 2010 to 245,000 in 2017

Increasing Sophistication

- Increased investment choices available today
- Clients looking for advice beyond investment

Notes: Includes only financial assets; USD/INR @ 65; Source: Mckinsey, Kotak and CLSA report, internal estimates, Credit Suisse report, Karvy Wealth report

Competitive landscape



Notes:

1. IIFL Wealth & Motilal Oswal Reflects 9MFY18
2. IIFL: Excludes On-Shore and Off-shore asset management totaling INR26,165cr
3. Kotak Wealth, Barclays, Juilius Baer are estimates basis Asian Private Banker AUM league table 2016 and Edelweiss calculation.

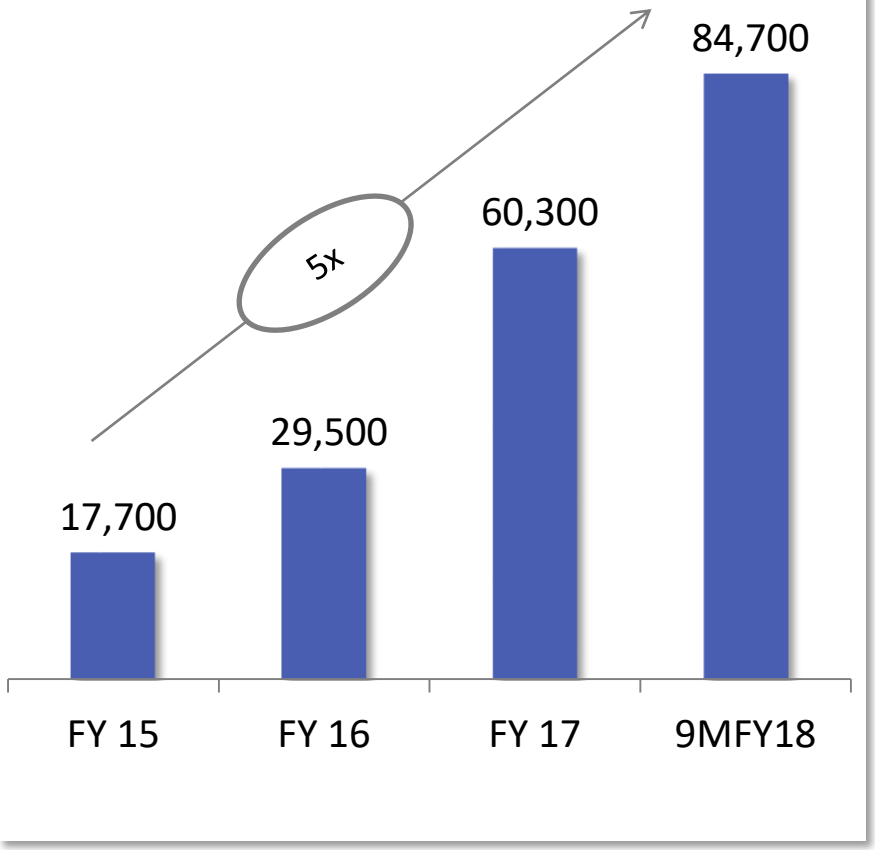
1 Overview of Wealth Management Industry

2 Where we are today

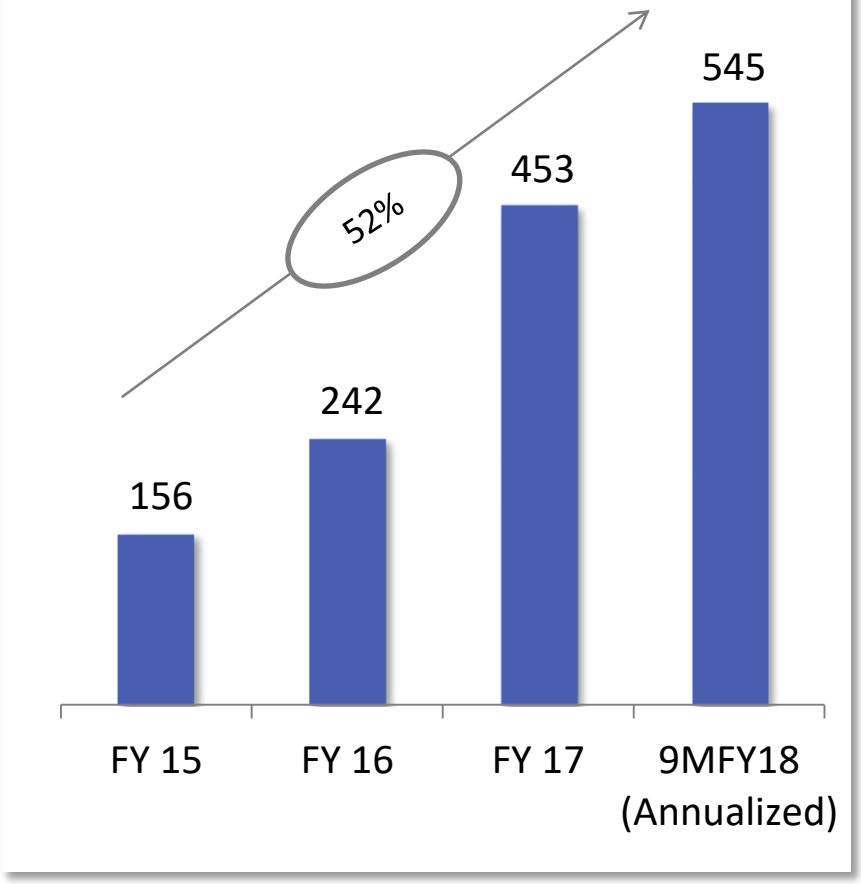
3 Well positioned to capitalize on future growth

We are amongst the top players in the industry…

Industry leading AuM growth…
(INR Cr)



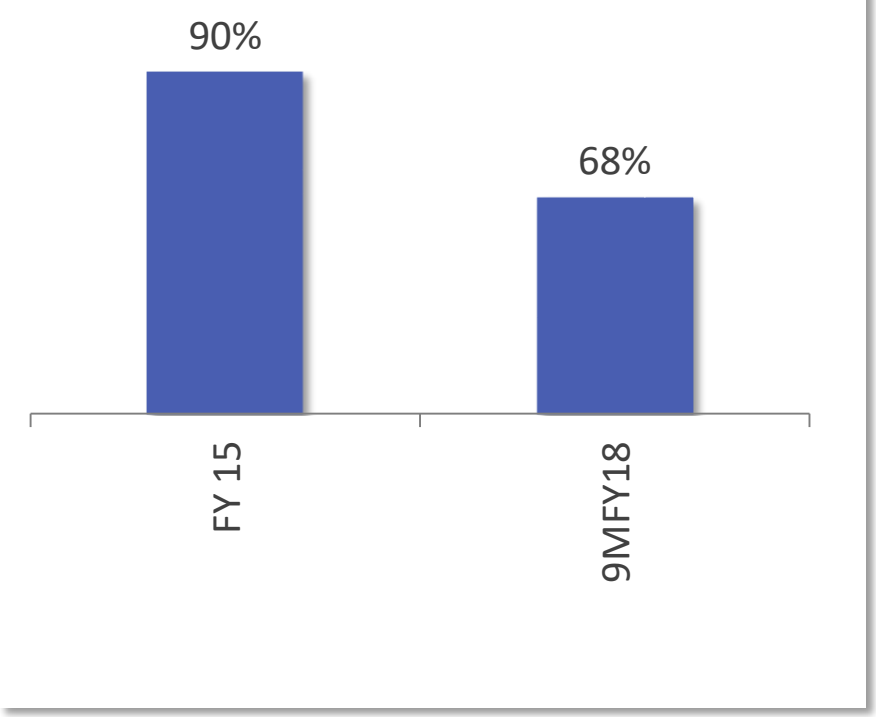
…with a robust Net Revenue CAGR[1] (INR Cr)
Avg. Yield of 70-80 bps (9MFY18)



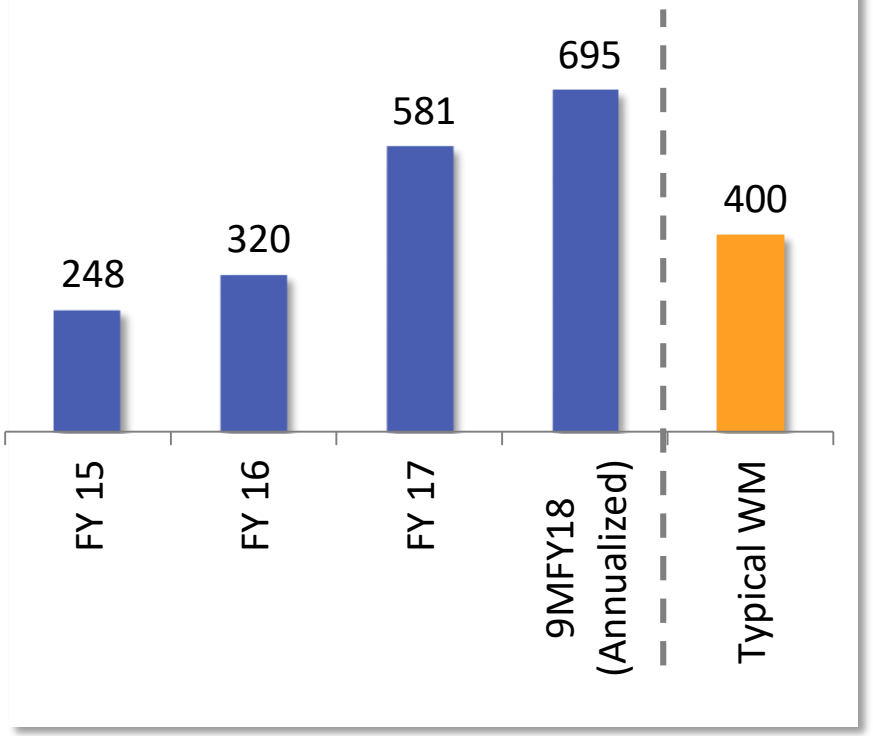
[1] CAGR calculated on annualized 9M FY 17-18 revenue

...with leadership in efficiency and productivity

Cost to Income Ratio



AUA per Rupee of employee cost

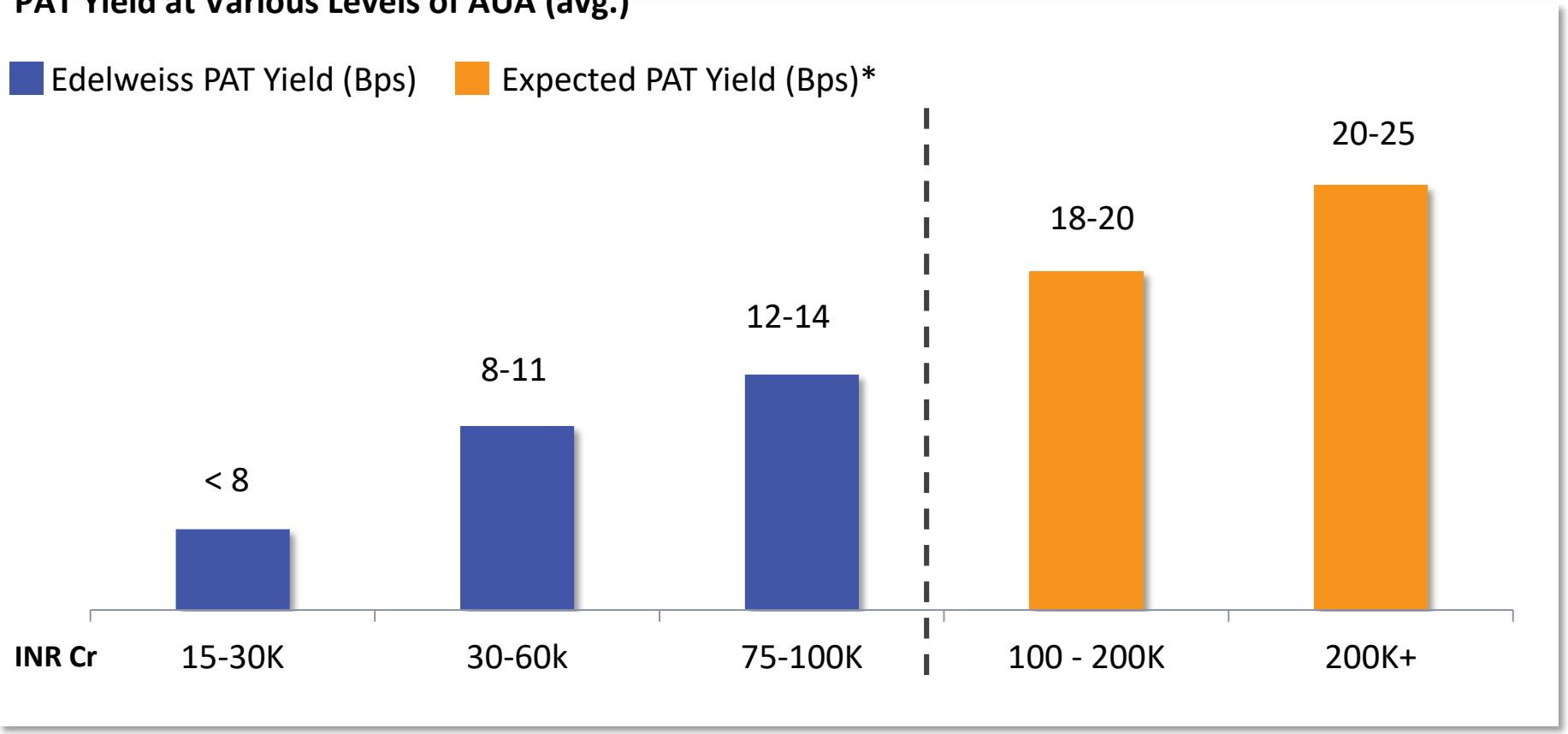


AUA per rupee of employee cost shows the value of the platform

[1] 9MFY18 employee cost annualized, AUA reflects as on Dec -17, internal estimate for typical WM

...making us a highly profitable business at scale

PAT Yield at Various Levels of AUA (avg.)



Significant improvement in profitability after scale surpasses INR 1,00,000 cr. AUA

PAT Yield = PAT / Average AUA; *Reflects typical industry estimate

1 Overview of Wealth Management Industry

2 Where we are today

3 Well positioned to capitalize on future growth

Our strategic advantage

1 We are more platform led vs. people led

More Charles Schwab model than Merrill Lynch (Annexure)

Successful in both Affluent and UHNI client segment

2 Invested in Next Gen Technology

Digitizing the core and front end (Annexure)

28% of enterprise headcount is in technology function

Awards and Recognition

Best Private Bank

Asiamoney Best Bank Awards 2018

Best Wealth Manager – Rising Star, India

The Asset, Hong Kong, 2017

Excellence in Wealth Management India

Asian Private Banker, Hong Kong, 2017

Best Consumer Mobile Service Award

CMO Asia- BBC Knowledge's, Regional Digital Marketing Awards, 2017

Best Use of Mobile Technology in Financial Sector – Edelweiss Global Wealth Management

ET Now BFSI Awards, 2017

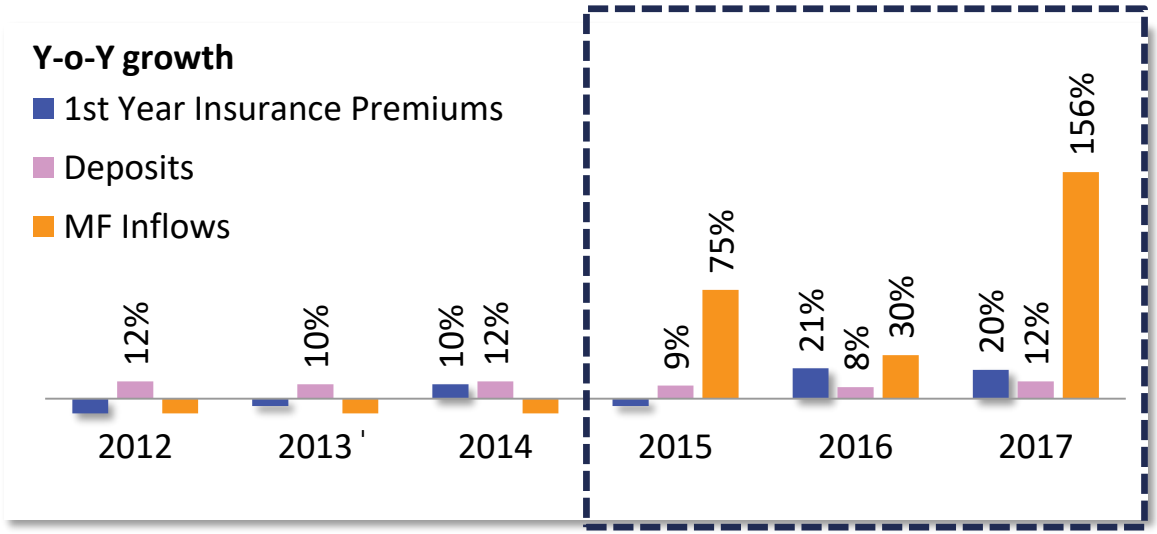
Best Mobile App Content in Business (Mobile Trading)

Mobbys, 2017

Questions!

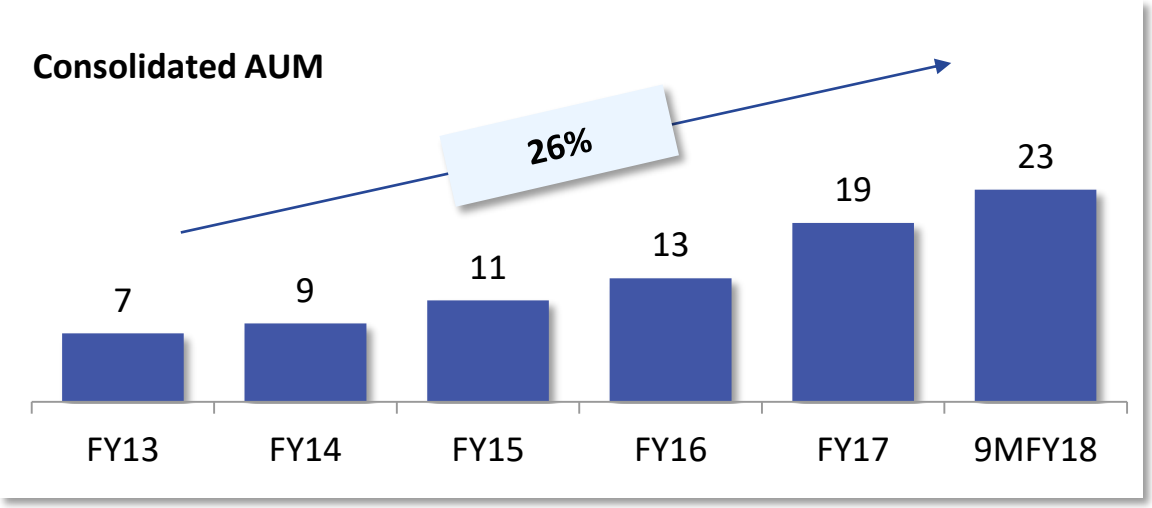
Global Asset Management

Asset Management in India is on a high growth trajectory



INR Lac Cr

Mutual Fund inflows have gained significant traction



AUM has grown at a CAGR of ~26% over the last 5 years

Source: SEBI, AMFI, IRDAI & ACE MF
Consolidated AUM: i. MF: EOP AUM ii. PMS: Discretionary - Listed Eq AUM iii. AIF: Sum of funds raised in each category

Mutual Funds Vs Alternatives

Mutual Funds

Strategies constructed primarily utilizing public stocks and bonds.

Characterized by:

- Returns primarily driven by beta
- High correlation to markets
- Assets in public markets

Alternatives

Investments that look to exploit inefficiencies in markets by focusing on non-traditional assets and investment strategies.

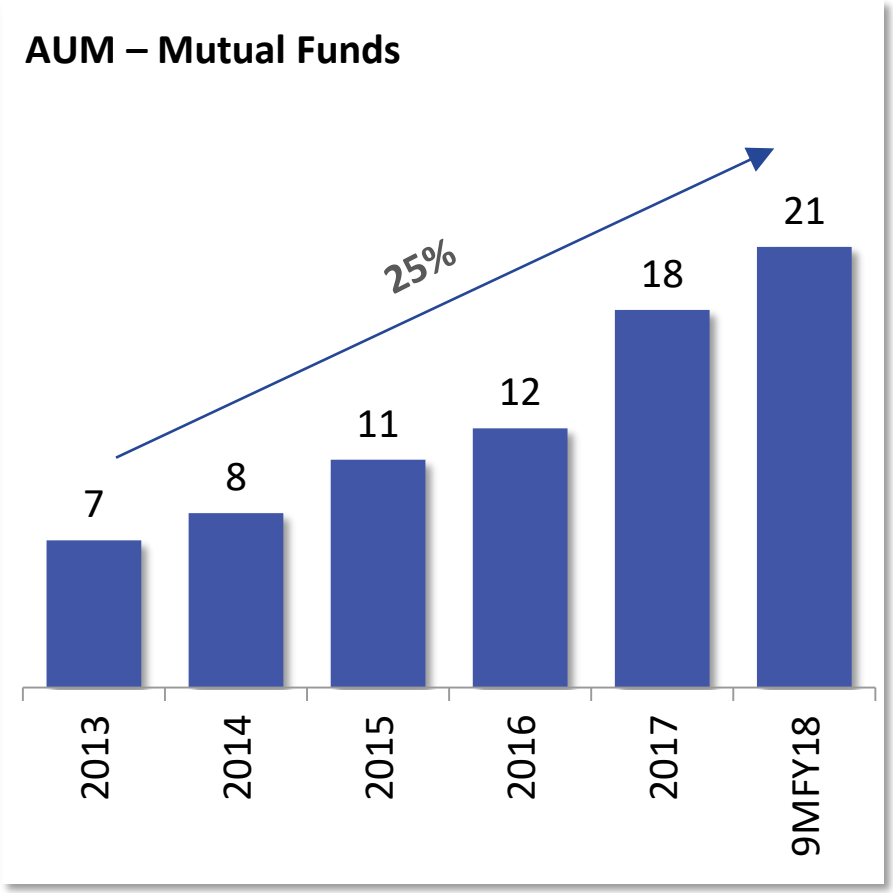
Characterized by:

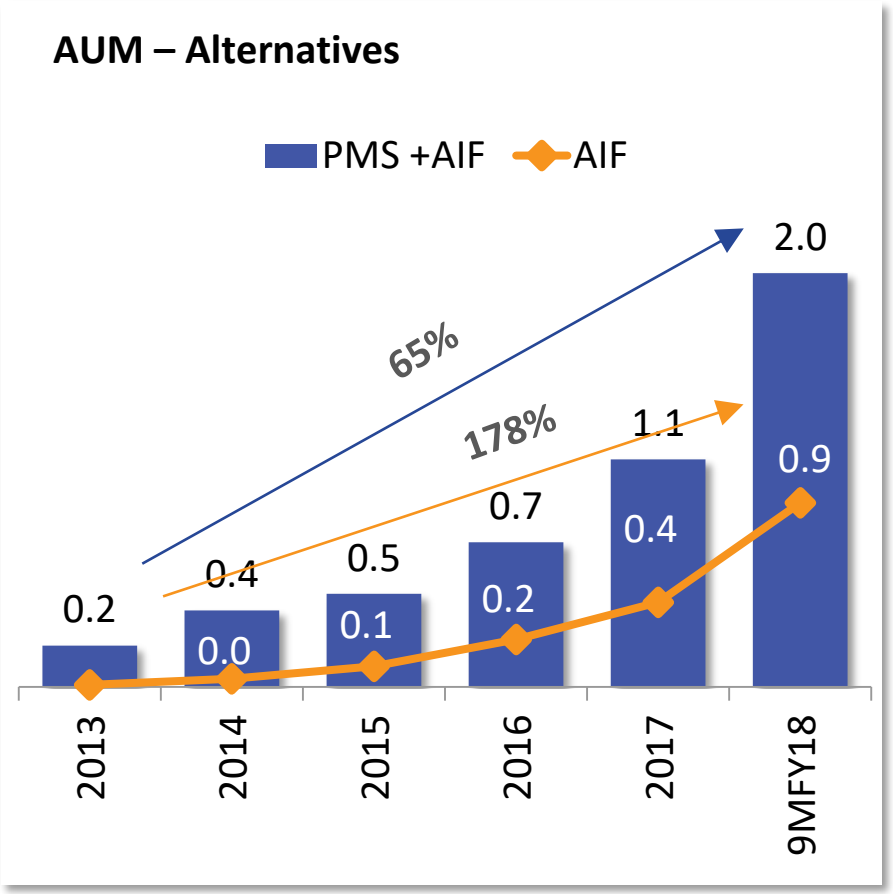
- Returns primarily driven by alpha
- Low correlation to markets
- Assets in private and public markets

- Hedge Funds
- PIPE/Private Equity
- Private Debt
- Real Assets

Alternatives is growing at a much faster pace…

INR Lac Cr





Alternatives in India are going 'Mainstream'

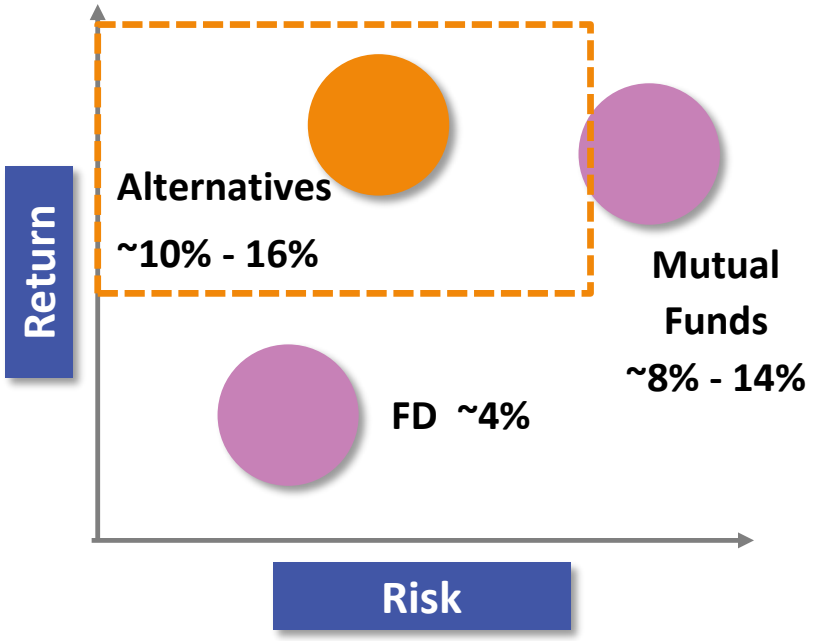
Source: SEBI, AMFI

AUM Data: i. MF: EOP AUM ii. PMS: Discretionary - Listed Eq AUM iii. AIF: Sum of funds raised in each category

What is driving this growth in Alternatives?

1. **Need for Yield**
2. **Growing Affluence**
3. **Development of AIF platform**

Alternatives offer superior risk adjusted returns with diversification



Alternatives is a highly profitable business opportunity

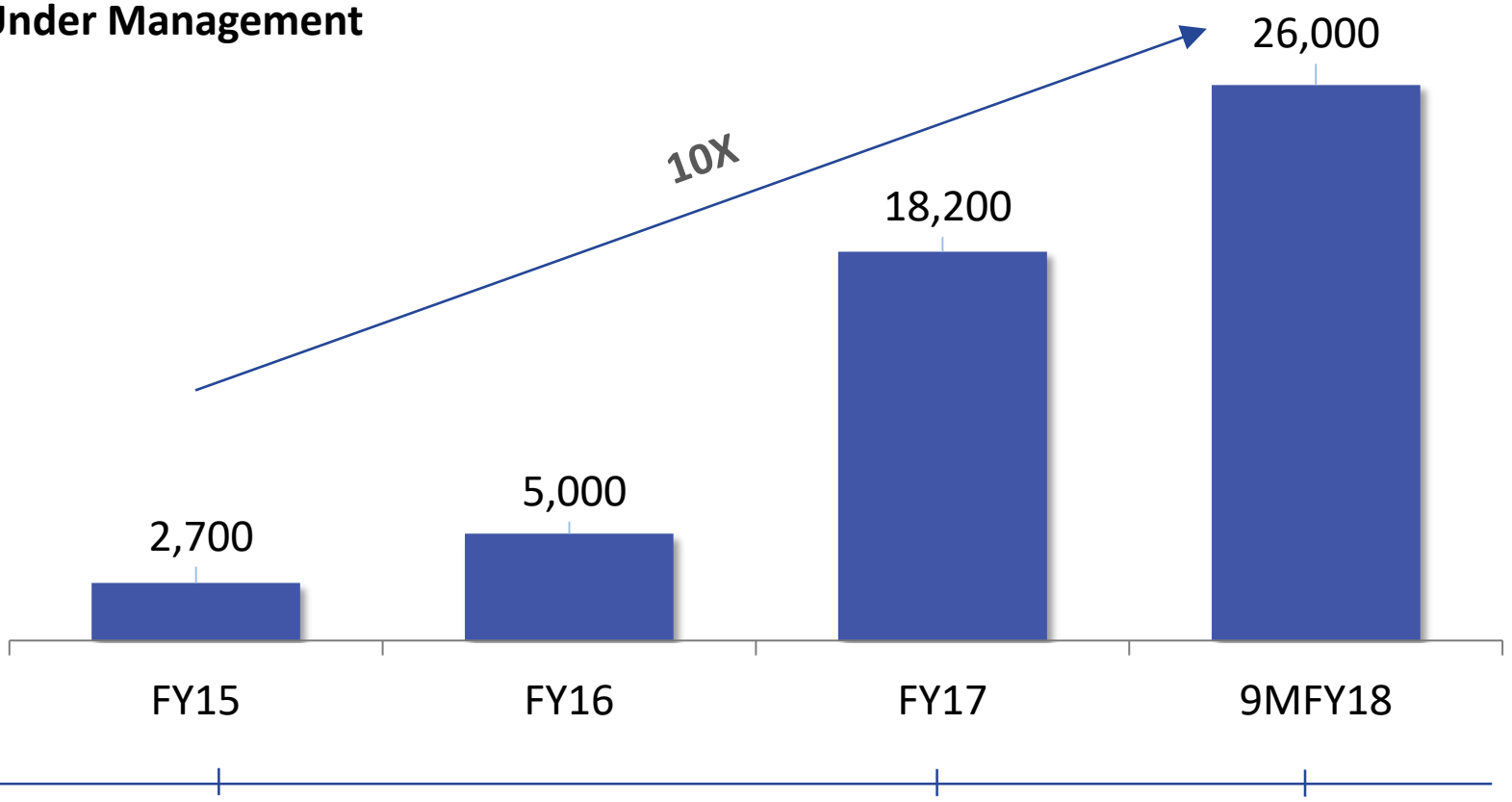
	Mutual Funds	Alternatives
Net Yield (bps)	~60-70	~120
C/I	50-60%	25%
PAT Yield (bps)	**15-20**	**50-60**

		Mutual Funds	Alternatives
2018	AUM (INR Lac Cr)	21	2
	Profit pool (INR Cr)	**4,200**	**1,200**
2025	AUM (INR Lac Cr)	80	20
	Profit pool (INR Cr)	**16,000**	**12,000**

1 dollar of Alternatives = 3-4 dollars of Mutual Funds

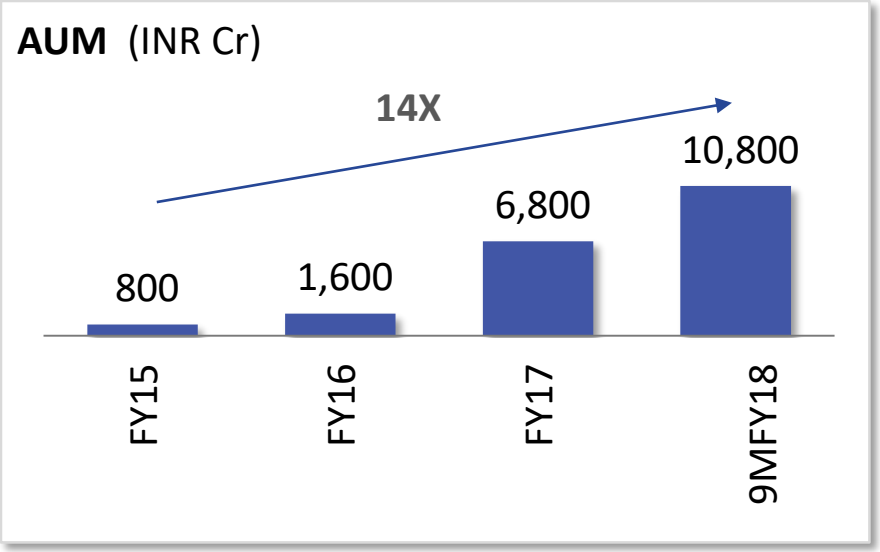
Edelweiss Asset Management has grown significantly

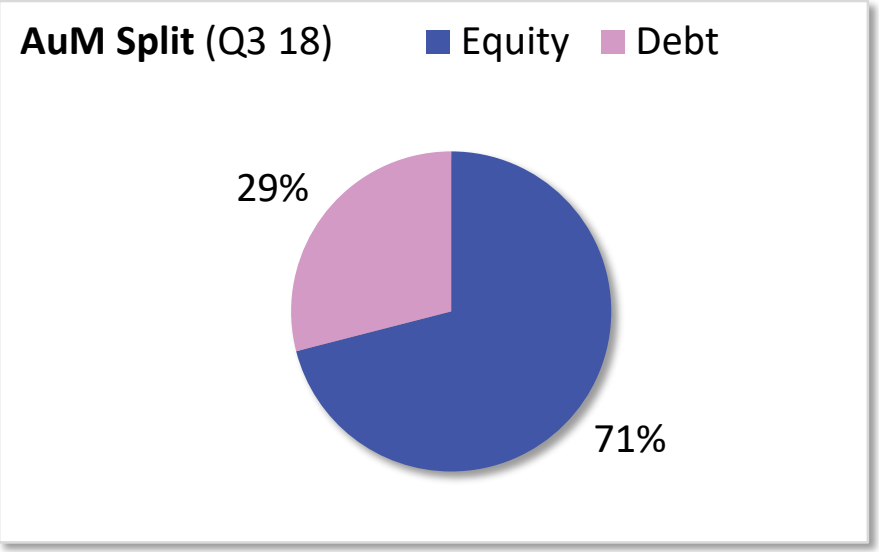
Assets Under Management
(INR Cr)



- Large onshore Private Debt player
- Acquired Forefront PMS & AIF
- Acquired Alpha (Hedge) Fund
- Partnered with CDPQ
- Acquired JP Morgan MF
- Seeded PIPE Fund
- Launched Infra Fund

While we are growing our Mutual Funds business





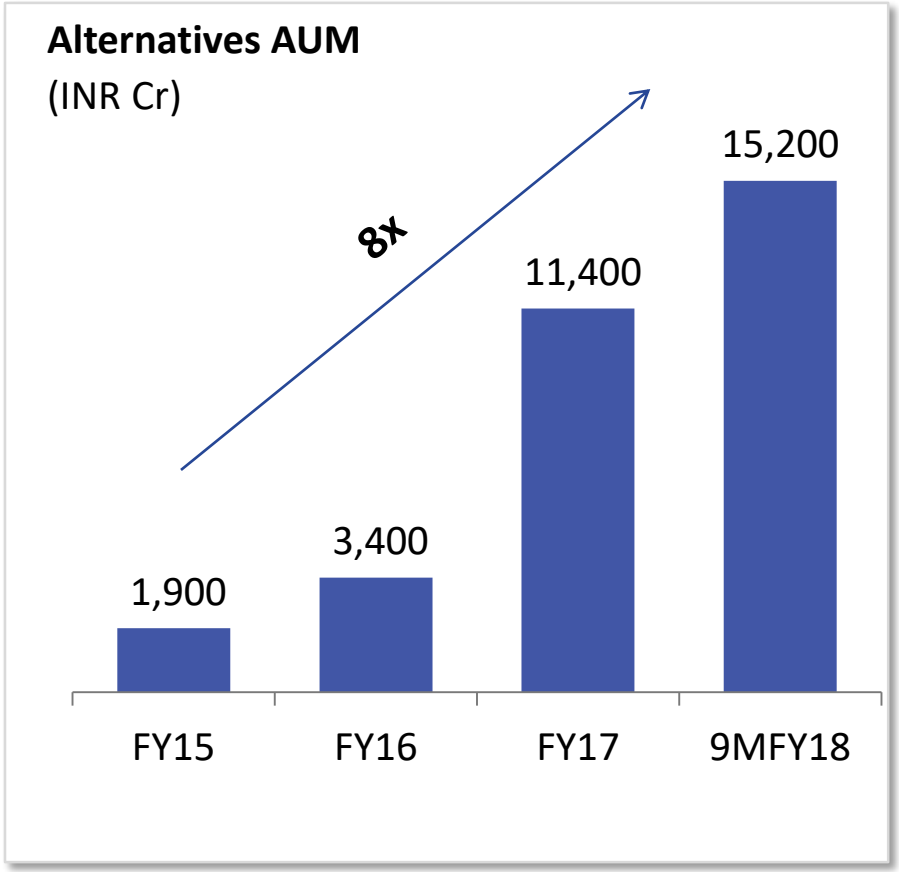
Business Growth Drivers

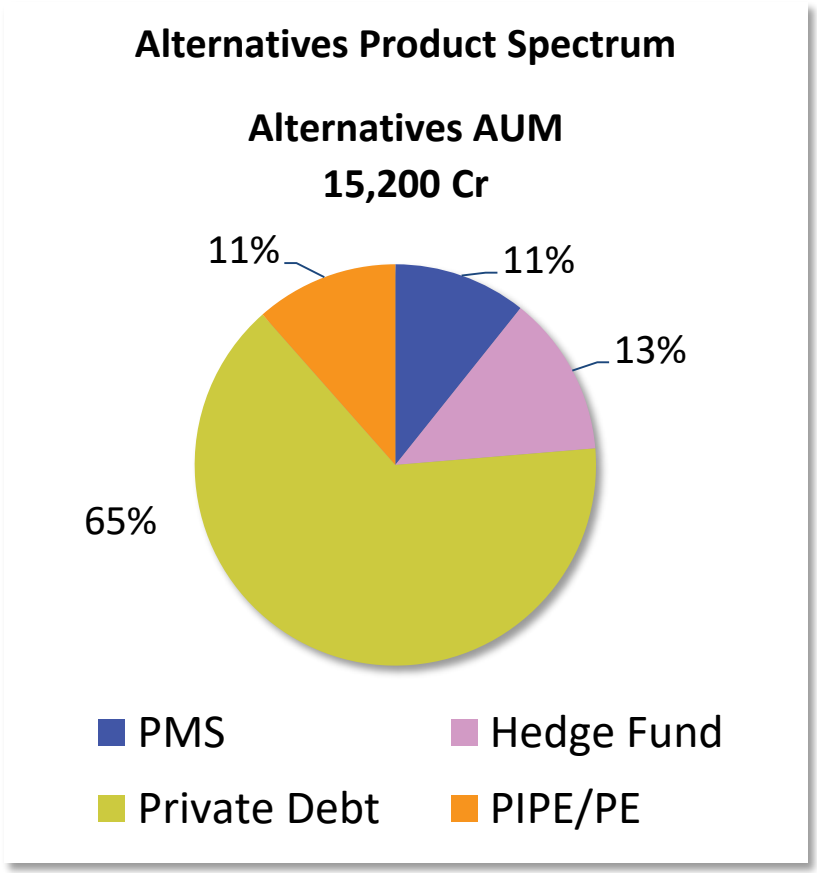
- Drive consistent investment performance
- Focus on Innovation
- Digitizing our core

Top Performing Midcap Fund

Top Performing Arbitrage Fund

We have established clear leadership in 'Alternatives'





One of the few asset managers in India with leadership position across full bouquet of product offerings

Uniquely positioned to capitalize on this opportunity

1. First movers advantage
2. Broad spectrum of products across strategies
3. Deeply entrenched relationships with clients
4. Experienced global multi asset investment teams
5. Robust Risk and Governance

Questions!

Distressed Assets

NPA/Stressed assets are not "dead assets"

Type A	• Operating assets with viable business model • EBITDA Positive • Stretched balance sheet due to downturn or other issues
Type B	• Projects which are 80-90% complete • Turned NPAs for the need for last mile funding
Type C	• Companies which have no hope for revival because these might be fraud cases, etc.

Edelweiss ARC focuses on Type A primarily - viable companies who are EBITDA positive

In a typical asset sale to ARCs..

Banks contribute up to 85% to an SPV

ARCs contribute at least 15% to the SPV

- SPV is like a distressed assets fund with the bank and the ARC as Limited Partners
- Limited Partners earn from the return of capital as the fund recovers the distressed debt
- However, the ARC is also a General Partner since it manages the asset
- It also earns returns in the form of a General Partner's management fee

Illustrative Example of ARC Economics

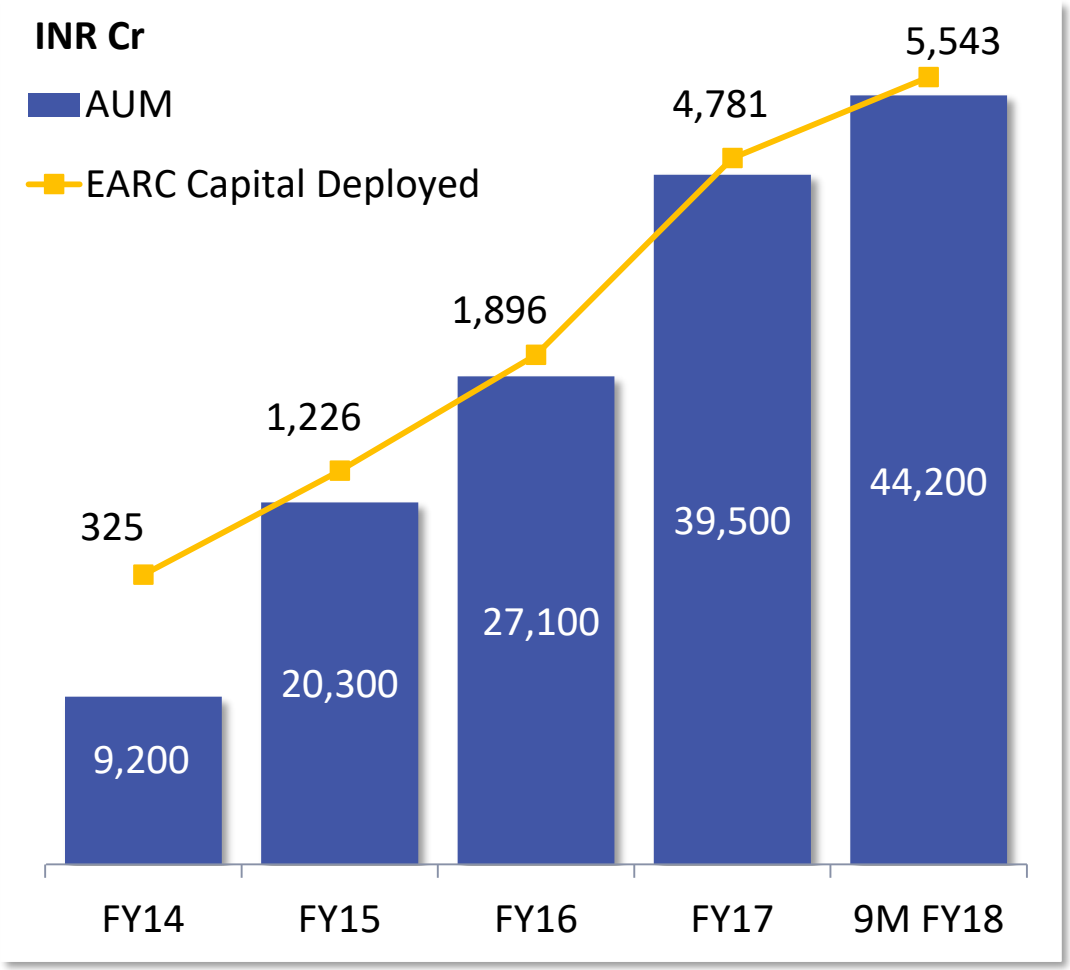
Assumptions	Rs.
Nominal Value of Debt with Coupon of 12%	200
Purchase Price of Debt	100
Issuer's ability to service at 6% per annum	12
Management Fee per annum to ARC	2
ARC 's 15% share of the remaining cash flows 15% of Rs 10 (ie Rs 12 payout – Rs 2 management fee)	1.5
Total Earning for ARC per annum	**3.5**

- We price an asset with an intention to make an IRR of 17-18% p.a.
- Collection and carry incentives can potentially add to this IRR
- The capital employed by the ARC is levered – typical DE Ratio is around 4:1

What makes Edelweiss ARC successful

1. **Experienced team with diversified skill sets across sourcing, resolution and turnaround**
   - Lead by Industry Veterans – Mr. Siby Antony and Mr. R K Bansal
   - 100+ member team with complimentary skill set
   - Dedicated turnaround team with skill set across multiple sectors
2. **Access to capital – strong parent & strong relationships with funds/institutions**
3. **Deep relationships – ARC has acquired assets from 51 banks**
4. **Industry relationships & domain knowledge; Advisory Board of leaders across sectors**
5. **Largest ARC with investing experience across enforcement, settlement & revival based deals**

Our growth has been steady over the years..



EARC is the largest asset reconstruction company in India

Total AUM of more than INR 44,200 Crores.

Well diversified portfolio of assets

CDPQ has acquired 20% equity stake in EARC

To Summarize…

INR Cr	AUM/AUA	Net Yield	Steady-state PAT Yield
GWM	84,700	70-80 bps	~0.20%
GAM	26,000	90-100 bps	~0.35%*

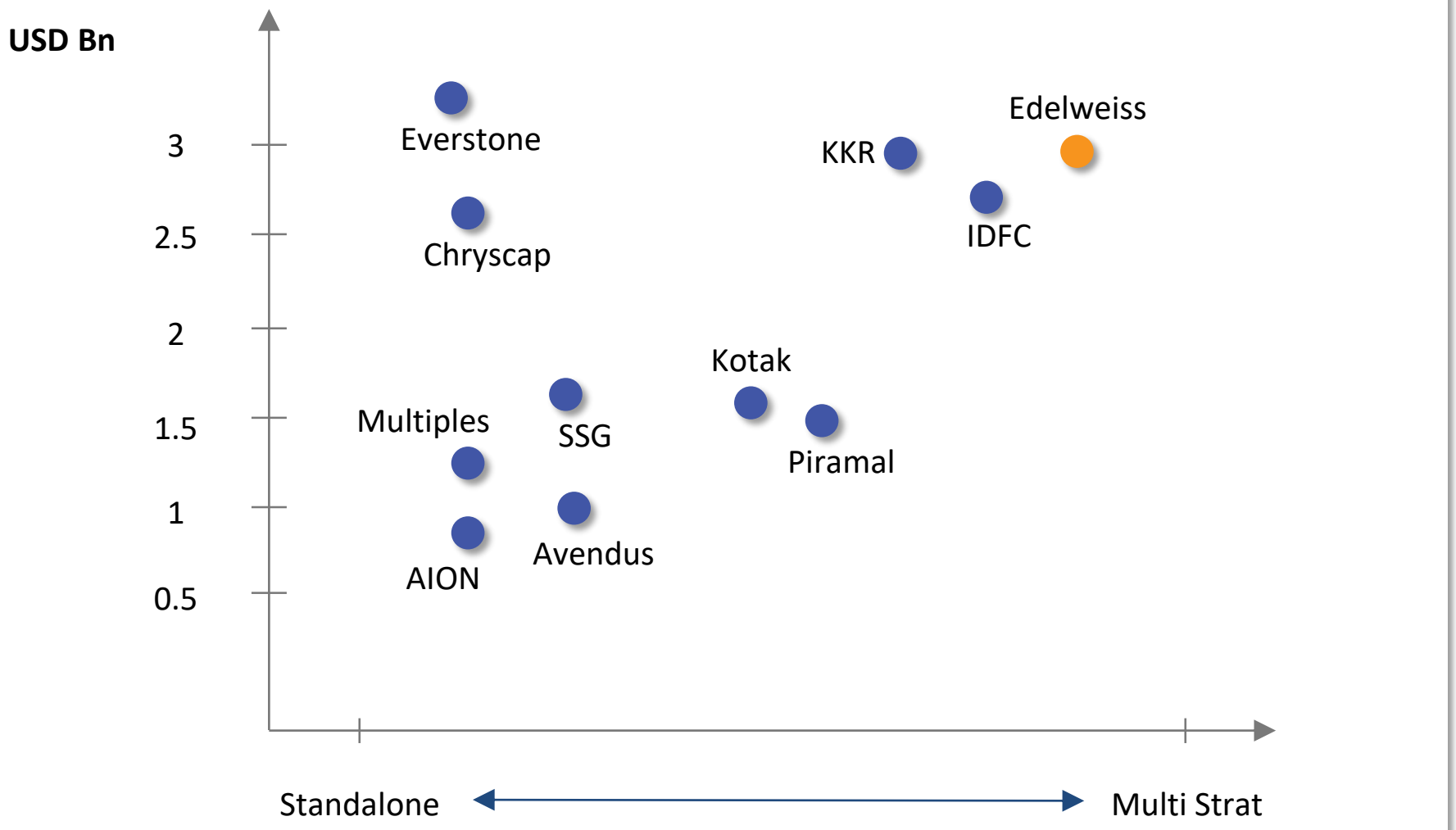
	AUM	Capital Deployed	ROA
ARC	44,200	5,543	4-5%

*Indicative number; includes carry & after 50,000 cr. Assets

Questions!

Annexure

GP Competitive Landscape



Source: Media reports/Internal Estimates

1. First movers advantage

1. One of the early domestic entrants in the Alternatives space

2. Ability to foresee trends

- Pioneered launch of structured debt product in India (2011)
- Launched distressed fund in 2012
- One of the few managers to launch ‘Infra’ Fund

3. Ability to leverage Edelweiss platform - Credit, Capital Markets

4. Core expertise in packaging complex structured opportunities into simple investment solutions

2. Broad Spectrum of Products across strategies

Hedge Funds	• Strategy: Public Markets - Long/Short fundamental driven strategy focusing on absolute returns with lower drawdowns • Returns: Target Gross Portfolio IRR of 12-15% • AuM: 3,600 INR Cr
PIPE/PE	• Strategy: Invest at Pre IPO Stage • Returns: Target Gross Portfolio IRR of 18-22% • AuM: 1,750 INR Cr
Private Debt	• Strategy: Collateralised and structured lending to companies incl. distressed and RE • Returns: Target Gross IRR of 20-24% + upside over 6-8 years • AuM: ~9,850 INR Cr
Real Assets - Infra	• Strategy: Acquire, own and operate operational Infrastructure assets including in roads, renewable power and power transmission • Risk Profile: Low counterparty payment risk, Stable & Predictable long term cash flows • Returns: Target Gross IRR of 18-21% over 7-9 years

3. Deeply entrenched relationships with clients

Sophisticated onshore and offshore investor base Sovereign and Pension Funds, banks, insurance companies, family offices and corporates

LPs across 9 geographies (incl. Marquee Investors like CDPQ)

Several large LPs are investors across multiple funds

Large investor base in India Alternatives with over ~2500 Investors

4. Experienced global multi asset investment teams

1. Experienced multi-asset team
2. Senior team pedigree – Experience of working with large global investment managers
3. 70+ dedicated investment professionals
4. Specialized teams – Operating/Investment for each product strategy

5. Robust Risk and Governance

Investment Process

- IC comprising of independent members
- Advisory Board – Comprising of eminent industry experts
- Business level CC

Governance

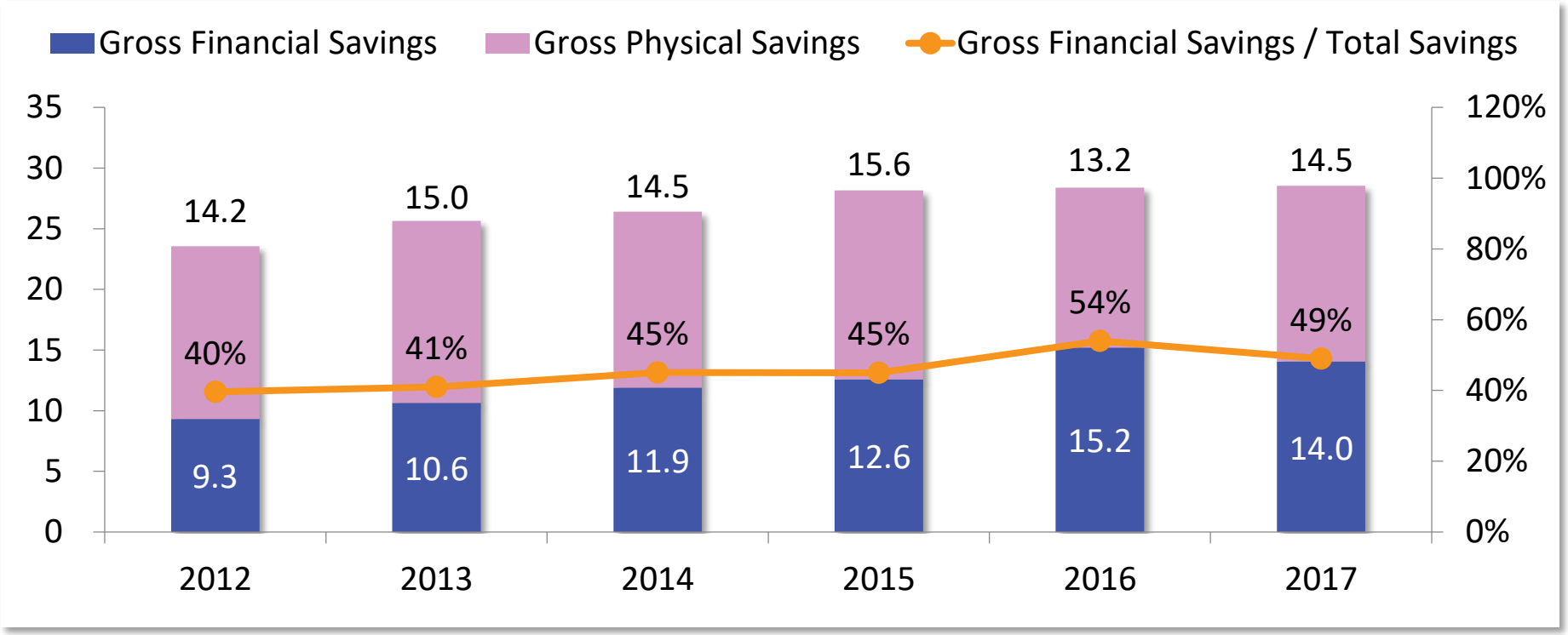
- Chief compliance / Risk officer role
- Risk and Compliance Committees
- Centralized risk team at Edelweiss level
- Investor meets for periodic updates

Oversight

- Transparency in reporting
- Internal and External Audit
- Independent custodians and fund accountants
- Third party valuation of assets

Indian savings shifting to financial assets...

Savings witnessing a shift from Physical to Financial Assets

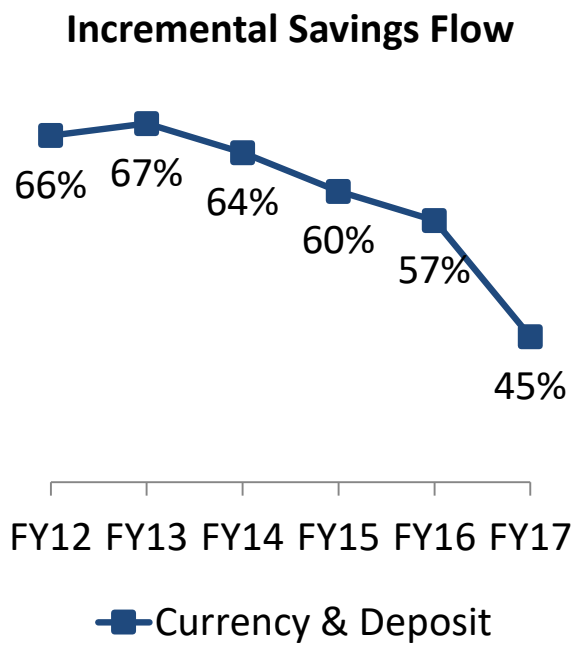


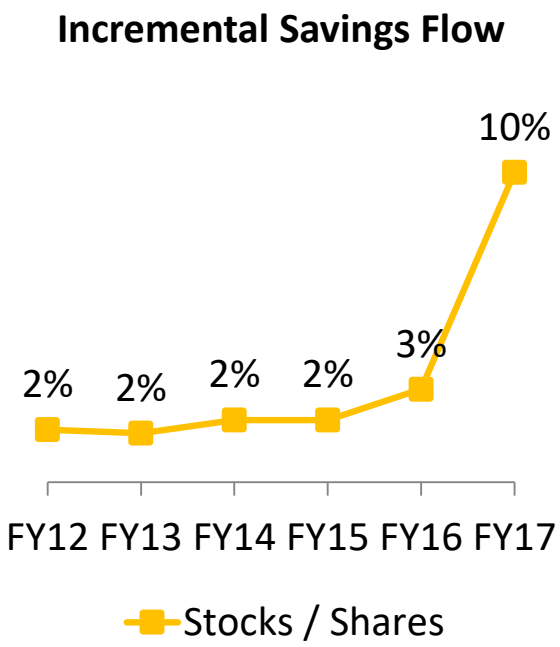
Coming decade likely to witness the trend of increasing proportion of financial assets as a proportion of total assets in line with global peers

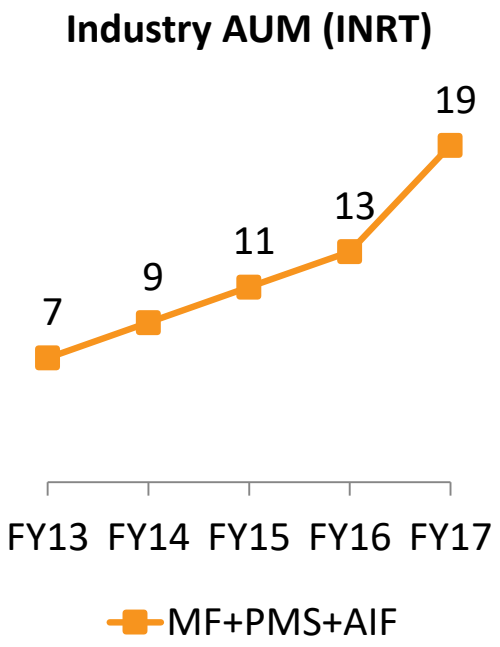
Source: CSO & RBI

...with increased allocation into capital market instruments

Shift From traditional Bank Savings towards other financial instruments for long term value creation







This shift is driven by structurally low interest rates and increased sophistication in investment choices

Source: CSO & RBI

Business Model Affluent:

Cost efficient multi-channel model for acquiring and servicing clients

1. **Low cost acquisition**

2. **Personalization @ scale (low cost but high delivery)**

3. **Hybrid delivery channel**

Business Model UHNI+HNI:

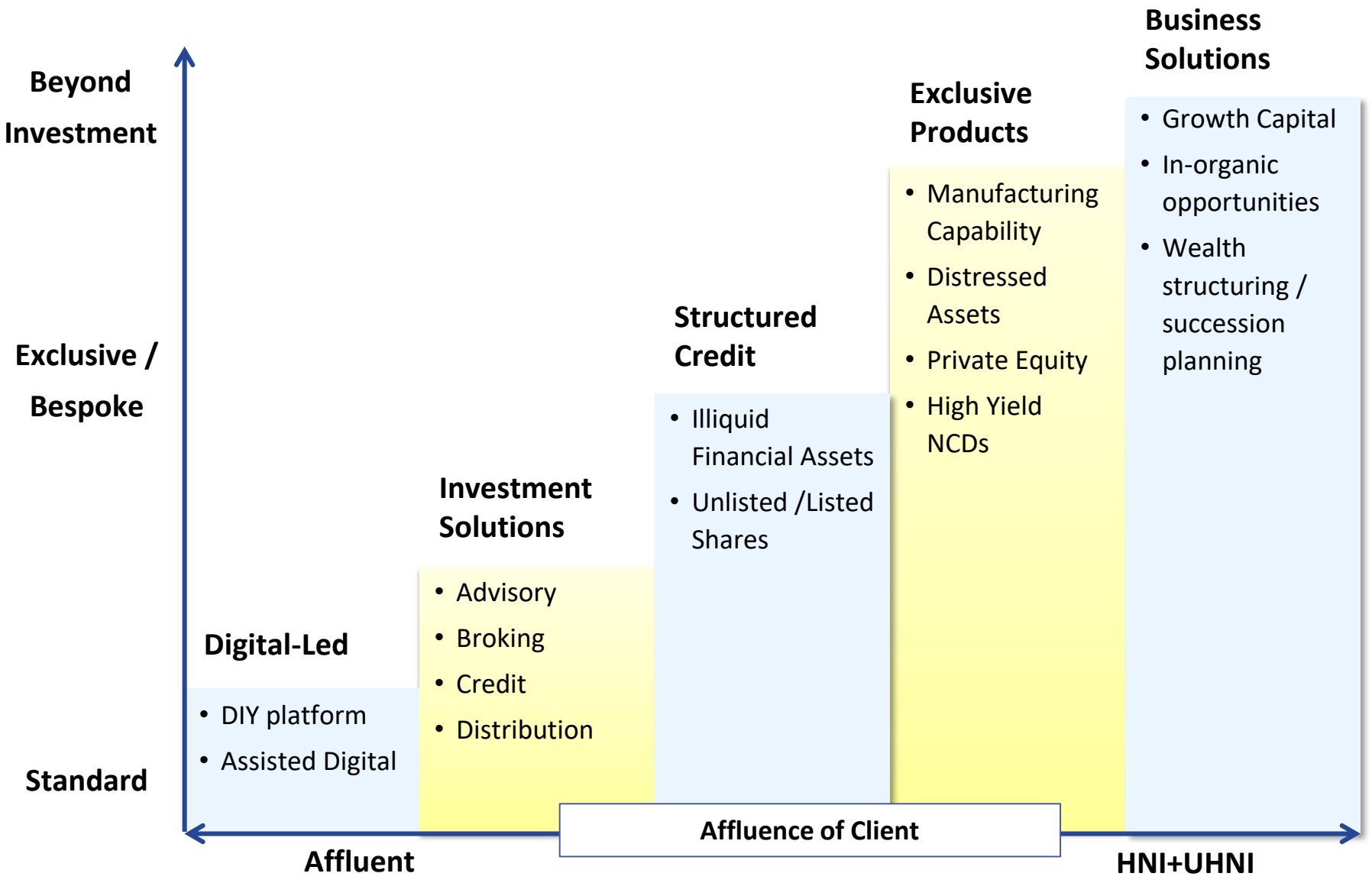
Segment specialization and solutions beyond investments

1. **Segmentation of clients around behavior, attributes and needs**

2. **Specialization around segments**

3. **“Productization” of offerings**

Comprehensive solutions platform



Digitizing Core: *Streamlined operations have improved delivery, reduced complexities, and generated savings*

Straight-through processing of key Service Requests

Single View of customer accounts & business dashboards

Centralized data repository

Digitized customer documents with easy search function

Workflow-based Sales Fulfilment and Operation

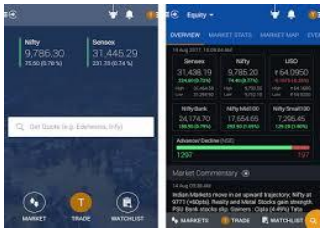
BUSINESS PRODUCTIVITY & ENTERPRISE EFFICIENCY

Digitizing Front End: *Making it easier for clients to interact with us and advisors to serve more efficiently*

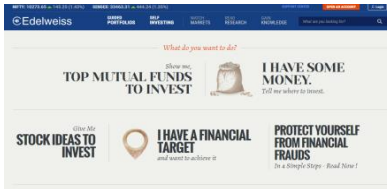
Clients

Omni-channel access

Edelweiss Mobile Trader



Edelweiss.in



ESOP Desk

Advisors

Spend more time with clients

Portfolio Analytics

CRM: 360 View

salesforce | IBM

Targeted Marketing