Edelweiss
Ideas create, values protect

ANNUAL REPORT 2013-14

Contents

Performance Highlights	02
The Growth Story	04
Letter from the Chairman	16
Edelweiss Guiding Principles	20
EdelGive Foundation	22
Board of Directors	26
Company Details	28
Directors' Report	29
Management Discussion and Analysis	37
Corporate Governance Report	70
Abridged Consolidated Financial Statements	81
Abridged Standalone Financial Statements	111

Rooted in Creation. Growth through Diversity.

The Edelweiss, a rare and protected species of flora grows on the steep Alpine slopes of Europe.

This little white flower's deep fibrous roots and the felt like covering of its leaves protect it from the harsh winters and chilly winds of the region. The name, Edelweiss, is a derivation of German words, 'edel' (noble) and 'weiss' (white) and has long been associated with purity, romance and nobility. The Armed forces of several European countries sport the insignia of Edelweiss on their uniforms to connote valour, protection and peace.

It is this rare flower that we use to best represent our beliefs. A purity, steadfastness and freshness of purpose combined with the rare ability to constantly seek out innovative ideas. The protective arms of the letter 'e' encircle the graphic flower and represent the values that govern our actions. We believe ideas create wealth, but values protect it.

The core inspiring thought of 'ideas create, values protect' translates into a 'diversified' approach, powered by 'passion and creativity' and 'protected' by risk management, intellectual rigour, governance and culture at Edelweiss.

As with our name, for the FY14 Annual Report we take inspiration from India's abundant and diverse flora. India's floras thrive in completely different ecosystems - swamps and marshland, hot and dry deserts, freezing temperatures and coastal salty airs. Weaving an ever-growing ecology that is diverse yet sustainable, profitable, robust and enriching.

Allow us to tell you our annual story with the help of these beautiful symbols of hope and growth…

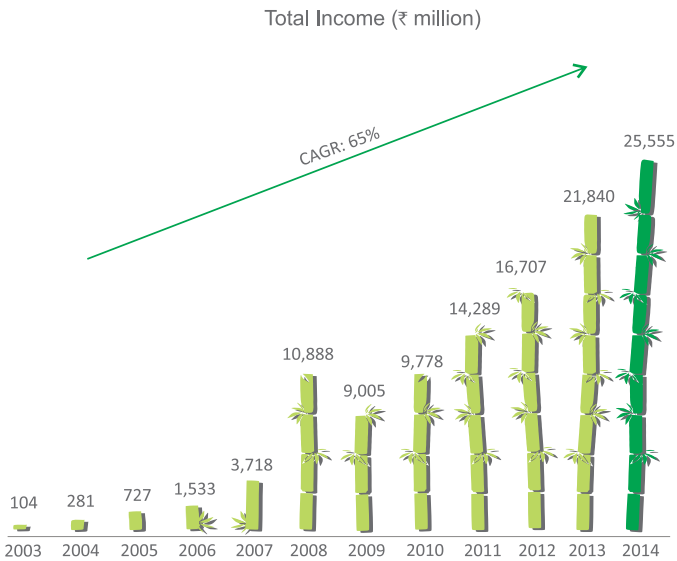
Performance Highlights

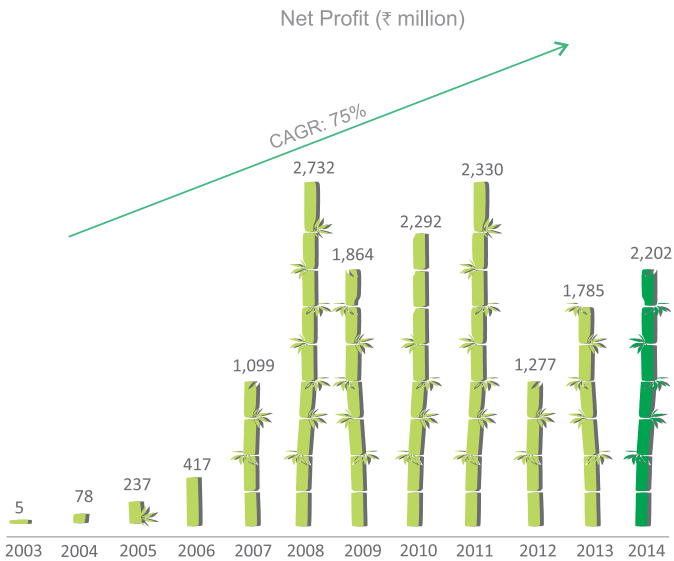
Consolidated Financial Performance of Edelweiss Financial Services Limited and its subsidiaries

(in ₹ million except per share data)

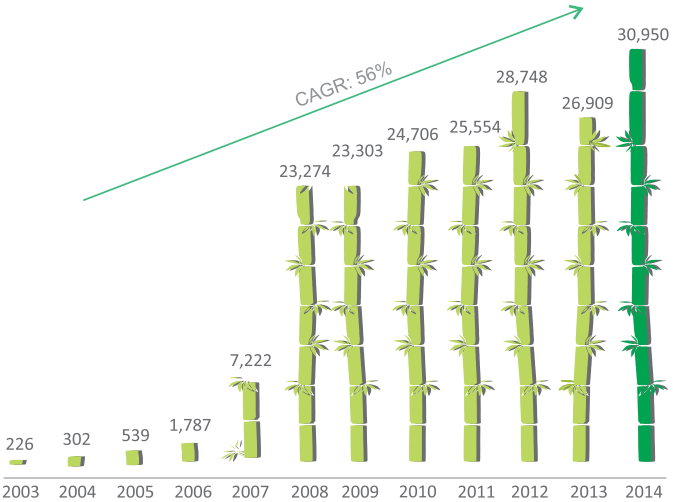
Year Ended March 31,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Income	25,555	21,840	16,707	14,289	9,778	9,005	10,888	3,718	1,533	727	281	104
Total Expenditure	22,040	19,247	14,720	10,789	6,450	5,715	6,421	1,971	898	383	175	95
Profit Before Tax	3,515	2,593	1,987	3,500	3,328	3,290	4,467	1,747	636	345	106	9
Tax Expenses	1,346	881	681	1,031	879	1,199	1,540	646	218	107	28	4
Net Profit (after minority)	2,202	1,785	1,277	2,330	2,292	1,864	2,732	1,099	417	237	78	5
Paid up Equity Capital	724	719	757	752	375	375	375	45	38	29	28	27
Networth*	30,950	26,909	28,748	25,554	24,706	23,303	23,274	7,222	1,787	539	302	226
Diluted earning per share (FV ₹ 1) (in ₹)#	2.85	2.31	1.66	3.00	2.94	2.43	4.00	2.08	0.93	0.64	0.24	0.02
Book Value per share (FV ₹ 1) (in ₹)#	35.48	32.13	34.80	30.56	30.04	28.21	24.65	9.36	3.93	1.58	0.92	0.69

Adjusted for Corporate Actions * Networth including minority Previous years' figures have been regrouped wherever necessary

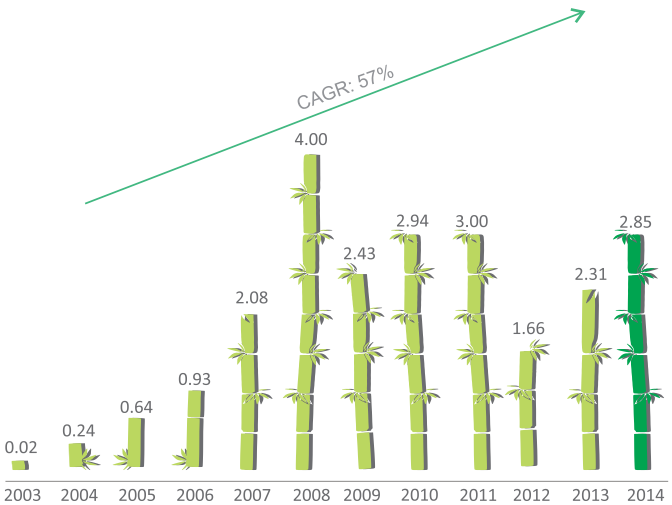




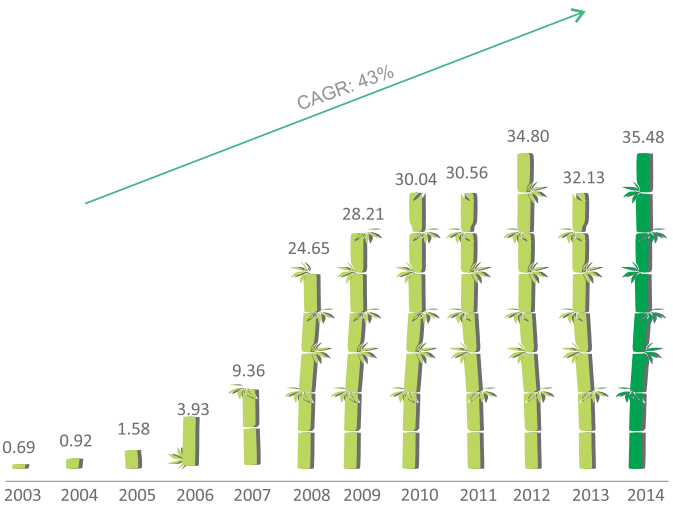
Networth (₹ million)



Diluted Earnings Per Share FV ₹1 (₹)



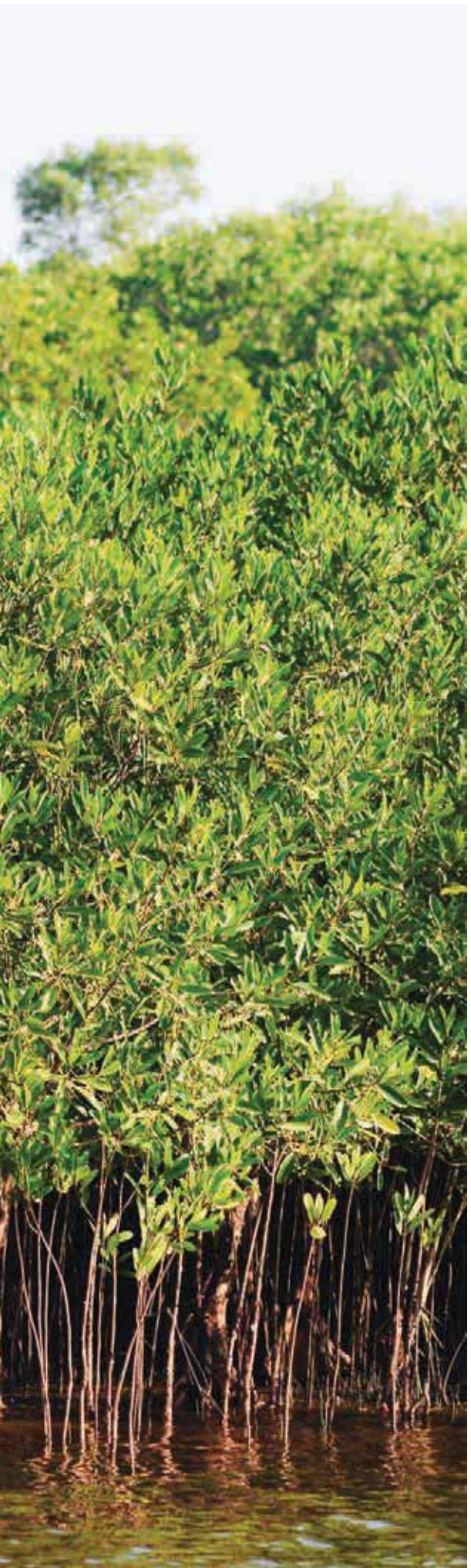
Book Value Per Share FV ₹1 (₹)



Expanding possibilities, scaling beyond boundaries.

The Mangrove is a ubiquitous plant species that thrives in the coastal areas between sea and land. While they grow partially submerged in saline sea water, they also support a large and diverse ecosystem. In India, mangroves sustain a rich and diverse fauna living in its protective environs.

The Sundarbans, straddling West Bengal in India and large parts of Bangladesh, is the world's largest mangrove forest spread across 10,000 sq.kms.

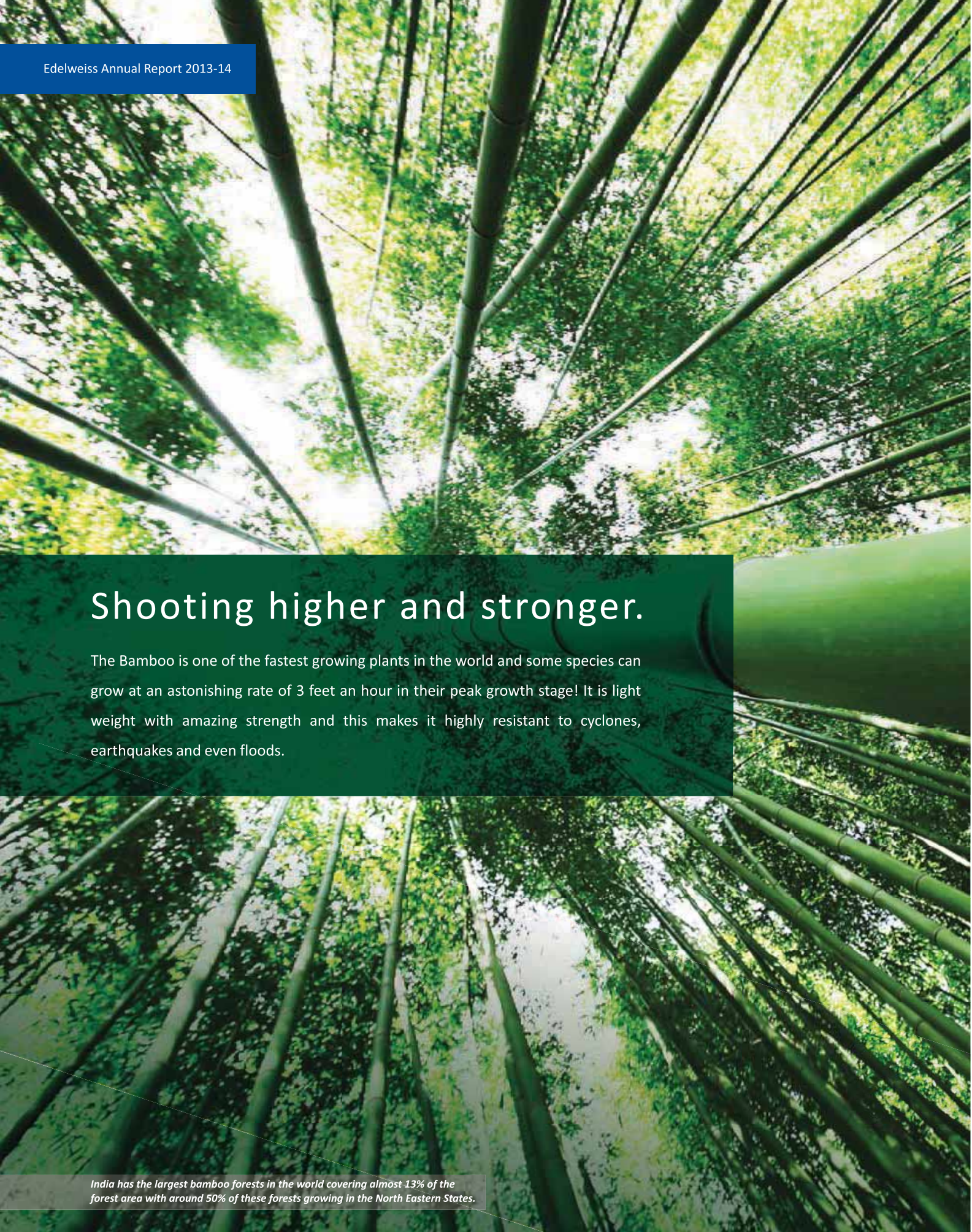


Scalability

The Edelweiss Group is one of the nation's leading financial services conglomerate. The Group operates five business clusters - Credit including Housing Finance, Financial Markets, Asset Management, Life Insurance and Commodities; covering all significant areas of financial services in India. This coverage enables the Group to address a large pool of savings and investments across diverse consumer segments.

Some Facts:

- The Group:
  - Balance sheet of ₹160 billion in FY14 compared to ₹33 billion in FY09 signifying increased focus on capital based businesses.
  - Net worth of ₹30.95 billion in FY14, up from ₹23.30 billion in FY09.
  - 216 offices in 118 cities including six international offices.
  - Over 4000 employees cater to around 500,000 retail, HNI, corporate and institutional clients.
- The Businesses:
  - Housing Finance business' Small Ticket Housing Loans expanded coverage to 14 cities and over 400 villages.
  - Institutional Equities business continues to be one of the largest Institutional broking houses in the country.
  - One of the leading Commodities players in Agri-commodities and Bullion with a sizeable market share in each.
  - Fixed Income Advisory business has scaled considerably and is one of the leading debt arrangers in the country having handled transactions totalling over ₹465 billion in public and private placement of debt in FY14.
  - Major distributor of public issues in equities and debt in FY14. Ranked 1st in IPO distribution in the combined Retail and HNI (NIB) category with 52% market share (amount procured).



Shooting higher and stronger.

The Bamboo is one of the fastest growing plants in the world and some species can grow at an astonishing rate of 3 feet an hour in their peak growth stage! It is light weight with amazing strength and this makes it highly resistant to cyclones, earthquakes and even floods.

India has the largest bamboo forests in the world covering almost 13% of the forest area with around 50% of these forests growing in the North Eastern States.

Growth & Profitability

At Edelweiss, scripting a profitable growth story has been our bedrock since inception. This has given us the leverage to invest in long term business opportunities alongside consistent investments in organisation building - leadership, risk, technology, research & analytics and robust systems & execution processes. This strong strategy has helped the Group grow from being an advisory house into an efficient, productive and profitable Credit and Financial Services Institution.

Some Facts:

- The Group:
  - Has been a profitable company ever since inception; as a publicly listed company, Edelweiss has been profitable in every single quarter.
  - Posted total revenues of ₹25.56 billion and a Profit after Tax of ₹2.2 billion in FY14.
  - PAT ex-insurance stood at ₹2.7 billion compared to ₹2.26 billion for FY13.
  - Steady revenue growth : 31% in FY13 and 17% in FY14.
  - Steady PAT growth annually and quarterly: 39% in FY13 and 23% in FY14.
  - Return on Equity (RoE) ex-insurance is 12.3% for FY14.
  - Dividend payout of ₹0.70 (₹0.55 + ₹0.15) per share (FV ₹ 1) to shareholders.

- The Businesses
  - Credit book grew 31% in FY14 to ₹86.3 billion with a 5 year CAGR of 69% .
  - Edelweiss Tokio Life Insurance gross premium rose 102% in FY14 while the Agency channel grew by 113% to 7255 personal financial advisors.
  - Alternative Asset Management AUM rose to ₹119 billion in FY14 from ₹27 billion a year ago, a growth of 440% in one year.
  - Fixed Income advisory managed a total of 53 transactions in FY14, a 36% growth over FY13.

Yielding high efficiency, all around, all across.

In Sanskrit, the coconut tree is called kalpa vriksha, meaning "the tree which provides all the necessities of life". The coconut meat and water are a good source of food and hydration. The nut hulls are used as bowls and cups. The leaves are used to thatch roofs and build shelter. The wood is used to make different types of utensils, decorative items and more.

Several coastal communities across India's coastline depend on the coconut for their complete sustenance.