Good evening – May I request you all to take your seats please .

“Captain ne peti bandhne ka sanket shuru kar diya hai” these were the words of an email that Rashesh-this was the starting line of an email that Rashesh sent out to all his management committee members last week and it has suddenly turned out to be profiting .We live through a very exciting week followed by an equally exciting day so I'd like to thank all of you and welcome you to the Edelweiss Investor Day .Thank you for taking the time to be here I'd like to start by introducing my colleagues. I will start with of course Rashesh Shah Chairman and CEO of Edelweiss face that is very familiar to all of you. Seated - seated on his right is Rujan Panjwani who's head of our insurance business and also head of corporate HR. Next to Rujan is the Deepak Mittal who heads the credit vertical at Edelweiss .On Rashesh Shah left we have Nitin Jain who heads the wealth and asset management and distressed assets businesses at Edelweiss. Venkat partner with Rashesh over 22 years the co-founder of Edelweiss and Himanshu Kaji head of risk head of the entire enterprise function basically at Edelweiss.

I will just do a maybe a small recap on who we are what we are how we are try to do things and also touch upon how we see the short term environment what we see are the current challenges or what the market is telling us, what the environment is telling us and and trying to grapple with that .We obviously had a had a very exciting you know few days and coming few more days will allow us to unravel to understand what is going on and as I was telling to somebody in all this you cannot you can only see the direction of a trend you can never see the magnitude of a trend and magnitude evolves by itself but I think as with all market connection failure is also part of the market and also for fundamental reasons for technical reasons and we are also experiencing it we will experience that but it's also the time where core-correction happens strengthening happens caution happens and I will also share with you a few of the things that we are doing what we have seen and how we are you know how we are reacting to that .I think first on our strategy and approach it just ask for intelligence for a couple of minutes in terms of how we think of Edelweiss how we always thought of Edelweiss and I am asked very often you know about who we are you know what is the business model that we are following and we have always had a challenge and that challenged always has been that we find it hard to classify ourselves because we are not just in NPFC we have not just the capital markets firm we are not just an asset management firm we are not a bank for sure. So given that there are no normal tags or you know the normal labels that apply and a few years ago many years ago we called ourselves a diversified financial services company you know DFS. The concept of DFS is not been there even in financial services we know there is something called a Bank something call it an NPFC but an obviously as an asset management companies and the insurance companies but the concept of DFS which is what who we are has always been hard to understand .We always seen that India can be very volatile in I think what last few days have taught us once again is the volatility of India is part and parcel of the growth opportunity of India. So we have this huge growth opportunity and if you have seen most industries we all stumble and that because the we either see the growth or we see the hurdles but ability to see both what we in Edelweiss office called the bifocal approach .So if you can have a bifocal approach of being able to capitalize on the opportunity but actually navigate the short term that is there and for us diversification has been a key tool for that .It's not the only tool there are many other ways of you know ability to manage the growth in India and the hurdles and the volatility of India but one of the tools we've used extensively has been diversification because that allows you to adapt that allows you to make counter cyclical investment that allows you not have all your eggs in one basket but as a result of that that makes us harder to categorize and the other one has been in financial services we have always felt that credit is a very clear large opportunity but the advisory services is equally important and for us because we are not part of a business house we didn’t start off as an NPFC . We have always been very inclined for advisory services what is called a fee based income because that for us is not capital correlated. You don’t need more because the problem with credit has been very few of us realize that credit is very is capital hungry. For every hundred rupees of loan you need about 15 to 18 Rupees of equity the more you want to grow the more equity you need while advisory is not equity linked asset management, wealth management capital markets are not so much equity depended since we are we started off with very small equity . We started off as crores of rupees 22 years ago we have always felt that “equity kam hai equity bohat scares hai” you have to use it very carefully, while if you came from a large business house or something you may not have this mindset that equity is scare because there or you are [inaudible] of a bank then usually capital is easily available or you take that for granted while we will always had to think through that and that is why we have this advisory businesses so our entire thing about the advisory insurance because insurance is insurance for us also is an asset management business in another form. So our whole idea has been this entire advisory business can compliment your credit business and you can get the best or both of possible worlds . The scale and consistency of credit business but also the extra.

Our idea was we look at trends ,we look at the customers ,we look at the need of the market place the opportunity of the market place and we will craft the business model out of that and as long as we switch in financial services we are adding value to all our stakeholders. The other thing that we always ask out is why – why are we pursuing these opportunities. You know what is the big thing because we is we want to you know do something herculean or you know do something crazy. We have in I think in 2004 also one of the other big thing we see is I think India is undergoing a big change and that is been amazing though we saw it in parts in 2004. In the last 14 years the more we see that the more we experience it the more amazed at least I also got and what is going on in India in financial services today and our own approach has been can we capitalized on it can we use that to create value for our customers for the stakeholders and employees and all of them. And that answers one of the question about why and one of the early things in 2004 we have been hypothesized and this is one thing that has become more and more clear in the last 14 years is that India is a capital surplus country. All these three constraints in India are undergoing a change food ,capital and Foreign exchange and as this constraints go away economic policies will also change but this capital surplus we slowly been shifting to in 2004 when we started feeling then maybe their opportunity because now in a capital surplus country how capital gets allocated not just by the banking sector but through the capital markets also started becoming very important and it was in that context that we we starts this Edelweiss you know the business model and structure which has capital markets asset management wealth management and credit because even credit growth has happened because it is capital surplus so so the other thing you will see until 1980 almost all the capital in the country was cornered by the government and the government agencies so until then the government took away the reason we have SLR and all of that is because government had to crowd out everybody else is borrowing because government had to decide where to deploy this capital so we had until 1980 those mainly growth came of the government balance sheet , government's borrowed and government spend money .Then for 1980 till 2010 was the corporate Balance Sheet also now we are seeing the household Balance sheet and each one is now growing because there was a more capital household have a lot of capital in terms of savings .Household even this year will save at least five hundred billion dollars for this year and we should remember that a FII’s in the last twenty year the total FII investment in equity markets in India in terms of cash in has been 250 billion dollars while household savings this year will be 500 billion dollars only in one year. So we are becoming very capital surplus and how this capital gets allocated and how it gets invested and even the availability of creditors got easier because we are the capital surplus country because as capital is available we are now saying okay if you want to buy an appliance you get a loan If you are getting hospitalized you will take a loan you have EMI culture I mean 25-30 years ago If you wanted to buy a house also mortgage loan was not available if you buying a car there was no concept of car loan all this has happened because large part of this has been this one central team that we are a capital surplus country as we look at next 20 years I think a lot of growth development opportunity in financial services will continue to happen based on this team. That what do we do in a country where we are switching over from capital scarcity mindsets and a framework to a capital surplus mindset whether its your wealth management asset management I mean all of this have to be products that are now required in .May be 30 years ago it was not required because very few people had wealth very people have needed advice on that wealth but if you look at the even growth of the stock market and all. The 80’s onward where this is started the growth of capital market and all because that was concomitant with this big team.

Our team has been on credit market in fact ironically though we started off as an equity market player and a capital market player a lot of our asset management and others they all been geared towards the Credit Opportunity in India because I think the next 10 years and I and I think IBC is a big developing in development of in growth of credit markets in India so IBC the NPA cleanup the bond market growth and all these stocks of mutual fund and all will slowly and steadily force was to develop our credit markets for.

All this strength will provide us great opportunities on what we called both side of the household balance sheet the asset side which is of wealth management asset basically the investing side and the credit side which is all your borrowings and all of that and we are gearing to capital this long term [inaudible] that has been our from 2004 we been investing we been trying to capture this opportunity but we also always said that profit will never come at the expense of the balance sheet. We always see that if you look at any financial services business anywhere in the world it’s a constant chain of between your P&L & the Balance sheet. The more you try to you know get more in the P&L you are somewhere ended in compromising the balance sheet the more you strength in balance sheet you may have to be give up something on the P&L whether it is your provisioning whether it is your accounting remuneration or fee income or whether it was amortization processing fees or you take it stay different whatever you do ultimately you are trading of being balance sheet and the P &L. In Edelweiss we always said that balance sheet is forever P&L changes every quarter because I think even I don’t remember you know what is the P&L three quarters ago. So balance sheet always stays so I think if you have to ever whether is your provisioning guidelines whether it’s your approach like I’ll speak little bit about what we are doing in the view of this liquidity involvement and change that is happened our approach is can we strengthen the balance sheet all the time and P&L can evolve P&L sometimes growth will be hard sometime growth will be lower but our whole approach is I think I spoke about this diversification is one of our key approach and that is why any particular event in one part of it should not affect this. The other is it gives us what I called long term orientation we truly think in terms of opportunities for the next 20 years for the next 30 years because asset management wealth management and all this businesses will take time to develop .In fact our current thing is that our wealth management India today is where US was in 1980 and if you ever get a chance to go back and study Schwab or you know Blackrock or any of this asset management companies or wealth management companies or Fidelity or capital group then you see how they have grown in last 40 years you can see maybe some glimpse of the opportunity what India can be in the next 30-40 years and along with that allows you to make countercyclical investment because as I said there is high volatility in India in this high amount of the corporate now than the high volatility there will be asymmetric payoffs if you're smart about it you use countercyclical as another opportunity you can make asymmetric payoff . In fact we have you know we have quite a few stories we started our ARC business actually very few people know we started our ARC business in 2008 .In fact we apply to RBI 3 month after [inaudible] crisis and between 2008 till 2013 it’s almost 5 years we had a team we invested money .This kind of all 35-40 crore as operating [inaudible] for 4-5 years then we used to do 3 cr deals and 5cr deals but for us those 5 years where the foundation of the business was create and 13th Aug the business has taken that is what we called. So we spend about 40 cr in 5 years in building the business and now that particular business end up making 400 crs pre-tax profit every year so you have this kind of .The same thing on wealth management we started wealth management business in 2010 we broke in about14-15 out of 4-5 years we spent about another about 50-60 crs on those 4-5 years but today that business makes about 200 crs of profits every year. The thought I always believed is organization before business because business kept changing we started off as an investment banking firm then we evolved into brokerage firm then we added credit then we had wholesale credit the we had retail credit then we had asset management wealth management then ARC insurance so business is evolved business has been changed but organization is forever again it is same you know P &L versus a balance sheet so for us organization is forever. An organization is about culture risk management all of them leadership and all of that if you have a good organization business risk can evolve again you can take long term bads and you can post connect you can evolve you can manage a lot of it if you have a good organization but if the organization is not strong one downturn in the business will actually make you collapse and we have seen lot of examples of that In India also but also globally a lot of examples like that where one downturn while talk about Financial Services, Quite few of you, like people like Nilesh and all who have seen IT sector over the years you have seen when growing was good everybody is growing and when growing become shady and tough only the companies with good organization are the ones who came back and the others collapse there were some scandals all of that so every cycle your only way of surviving out of us out of a cycle and coming on stronger is a good organization so I think for us organization is always lot more important than business and this is what the kind of become in the last few days the most important part of our current conversation though I think we do all of this and even this we have spoken about liquidity cushion our balance sheet our P&L management and we have always says that when you are in credit business there are two risk involved in this, the Credit risk but also the Liquidity risk .In credit risk its very obvious everybody understands its because in every quarter NPA’s and all of that but in the Liquidity risk is once in 3 years once in 5 years so we have ALCO that I share. The ALCO has [inaudible] Balance sheet management and for us the balance sheet risk management is very very important and its not now if you go back to our investor presentation couple of years ago also even in good market we were talking about liquidity cushion, Balance sheet & Risk management , P&L and all that so we have been working on we have been holding about 10% of the balance sheet as liquidity cushion which used to be 400 cr is now close to 5000 crs and we have lot of policies like we have policy that our commercial paper should not be more than 75% of our liquidity cushion + high quality liquid assets and Bank Lien we have lot of undrawn bank lien at any point we have 3000-5000 cr of undrawn bank lien we have already approved sanctions bank lein and a lot of India companies still do that if you use a commercial paper and you have the bank lien you have bank and a bank borrowing about 200 basis point more expensive so you try optimize on cost by using commercial paper but commercial paper is always unreliable end of quarter it may not be available you may not able to hold it over so while not doing you so you switch into the bank leins so 75% these are cap on commercial paper and 75% of our Liquid cushion undrawn bank Liens and plus high quality liquid assets which is our you know things like liquid funds FD’s and all that you call it [inaudible] I called it Liquid assets so that at any point of time before the commercial paper you have a more than of all that and like even this we have a lot of hypothesis they're being formed lot of you have mutual fund industry I don't know what gonna happen but assume commercial papers slows down for a NBFC’s and all what it will need all of us is your cost might go up little bit because that borrowing is slightly more expensive than commercial papers or it will also mean that may be your growth will slow down so for us given what is going on what has happened in the last few days is a hypothesis that are getting formed about Liquidity conditions & all what we expect is across the industry we currently are not seeing any acid deterioration so here is whether it is housing finance companies whether it's you know other NBFC’s and all there is no NPA lies because if we look at house prices are very stable and flagish for the last 4-5 years we have not seen housing bubble we have not seen asset rising inflation so the first concept we had all this coming out of anything going wrong on the asset side for the NBFC’s . Currently [inaudible] part of you want to follow that we are not seeing even today LTV’s and all are in the 50’s and all that home loan LTV’s and all so yeah your LAP NPA has gone up from 2.1% -2.3% but the first question we ask is is that an asset bubble is that an asset price collapse that is happening is there huge rise in NPA which are not provided for and when we look at provisioning coverage because like in days was a very critical switch over in this quarter and when we saw on in days actually most of the NBFC’s had provided more than what they had to provide under in days so that itself was a very comforting outcome in that sense so our first analysis of this entire issue that is going on is not because of any fundamental deterioration on the asset side. The second part is the Liquidity is going to get tighter rather answer to that is yes whether it would tighter for 1 month or 3 month or 6 months there is won’t be hard to see but the liquidity will get slightly tighter but if your status is our commercial paper bank liens you will only have to handle the cost you will still have liquidity that is there and the third question to ask is will there be compression of lymph because there’s cost go up if your cost of borrowing goes up will your lymph compress and on that the answer is yes but it will be vary from NBFC’s to NBFC’s because if you are really competing with banks on the asset side like home loans & all then you might have compression of limbs but if you are in things like for Eg. our ARC will actually see expansion of limbs because there is going to be scarcity of capacity on that so so depending on which asset class you are we think SME’s will see expansion of limbs or at least expansion of yield out there which will compensate so if there is a price increase on liability side some assets you will be able to pass it on some you may not be able to pass it on overall there might be some compression of limbs but I don’t think for the industry that is a larger worry and the fourth one is will growth slow down and I think on that our answer is very clearly definitely yes I think if the industry average private sector NPFCs HFC was growing and say 25 to 30 percent I think that growth will clearly come down to about 15% to 20 % now. We will see 5% to 10 % drop in growth rate across the board at least for the next year and I think that at least we also in Edelweiss have said the first thing we will give away is growth and like for example this week the last week of September there are some very juicy opportunity because as you know this is the week where liquidity is very tight so there are some very juicy opportunity out there and we ourselves have decided that we will not pursue though and we will let them be because there is lot of banks are calling our ARC because they would clean up some of the assets .The offerings of very sweet deals if you are willing to put 200 cr or 300 cr which under normal circumstances we would have we would have pursued but now we are saying let us be conservative and hold on to cash and I think it's the same think the whole industry will do is become a lot more so liquid cushion used to be about 10% of balance sheet size we have decided will be going up to 14-15 percent for the next couple of month just to be on the safe side this will come at a cost of growth. This will obviously come at some cost but that's an acceptable cost because in the 20 year journey if you lose some growth for a couple of quarters that is not a big trade-off in that sense and I and I would think a lot of other other people in the industry will give up growth because at this time if you chase growth you might get some very juicy opportunities but you are …is to be liquid foresee some growth foresee some margin depending upon your asset strategy and just make sure the next couple of quarters you stand at the organization even further because eventually this will all play out this will lead to improvement of wheel this will lead to improvement of you know capacity will shrink down in the industry last 2 years we have seen a lot of people were coming out and starting NPFC everybody wanted to start an NPFC a lot of that you know the ebullient growth the euphoric growth the thoughtless growth will start coming under pressure . If you go back I think to our conversation 2013 at the ALCO level is where a lot of the rules the balance sheet rules we have about how much commercial papers we can hold how much ALA we can have how much and we have always say that I think I have said that on the call also if you look at our cost of funding is always 20-30 basis point higher and part of it is because our long term is also higher so if you see our long term borrowing it is actually gone up every year for the last 4 years because our idea was as interest rate was coming down we didn't get any advantage of cost of fund coming down because we kept on elongating our tenure and its always once in 4-5 years that this will come back to you know make you think that you should spend money this like buying insurance in some way or the other but I think I will keen know your thoughts on how this environment evolve but we think it gonna be lower growth slightly lower growth slightly lower profitability more carefulness atleast on liquidity management for most of the people and I think the last thing is over the years as I said this gonna be very schizophrenic presentation where we will go from short term to long term so I think on the long term basis we have now established leadership in various areas of the businesses we are in distressed asset in wealth management in alternatives we have now actually now one of the largest alternative asset manager in India and we think the real growth of asset management in India is gonna be alternatives not just in mutual funds we have all seen the mutual funds growth that will continue but the alternatives is the new new new opportunity in the asset management and again all this is not new we started our first credit fund in 2011so we started a private credit fund in 2011 we're quiet forefront which is our multi strategy in 2014 so we have been investing in alternatives for 7-8 years we started investing in wealth management about 8-9 years ago, in distressed we have invested almost 10 years ago so this has taken time it always takes time and that is what when people look at opportunities in India they forget that it's not that you can go after a new opportunity and in a year or two you will see results you will have to take a 10 year view for really playing it out. Capital markets you know we been in capital market since we started so all this leadership we have we have 11,000 employees 1.1 million clients 450 offices and last I wanna just complete with what next. So in 2004 we have set up a target which was like ten by ten and which was our first time when I said a lot Edelweiss today is the thinking we started in 2004 and that time we have set a target of ten by ten which is 10 times growth by 2010 and we ended up actually achieving that in 2008 so what we started in 2004 we wanted to get somewhere in 2010 which we thought very aggressive target we achieved it in 2008 itself than in 2012 when we reignite Edelweiss with more retail more credit asset management wealth management all this was falling in place to a really diversified financial services we set up something called Aspiration 2020 and we have sets some targets some qualitative targets some quantitative targets most of them we have already hit now. And by this year we will hit all the target which were supposed to be by march 2020 so about last year ago we have set up another project called Project Everest which is effectively aspiration 2025 but this is our new aspiration setting because I don’t know about other organizations other firms but we somehow cannot work and get excited without an aspirational goal so in every few years we do this exercise to set up an aspirational goals for us so that to know where we are going. In Edelweiss we always say there is a one year budget a three-year plan and 10 years aspiration because aspiration is more open-ended I think plans and all are lot more specific so we have a embark on this project Everest and my colleagues you see out here are all the orgs restructuring and all of that we did to get ready for project Everest and I just thought I will share some of the highlights of that projects highlight about continuing growth I know in this in the last two days what is happened nobody should talk about growth at all but again as I said we are thinking about the long term and I think there will be approvals but I think growth in India is still there and all the business we have invested in where we are we still see growth opportunities continuing. It is actually very important to us to built a respected organization and you want to exceed expectation from our employees our customers all our stakeholders out there and these are the broad goals we have set for everest when we started off on this project Everest and the key aspects of that is our growth strategy on how do we do it so retail mortgages asset management wealth management where we investing there is a whole process there is a whole strategy around that where we have done market scan we have rooted which market segment we have to operate how the profitability of those particular segment will be This exercise is almost a year in making so for a year there were more than about 250 people Rujan, Rujan led this project for us. There were almost 250 people in the company that worked on this doing market scan doing understanding somebody went and study Schwab in US to see you know opportunities in wealth management how they will happen somebody looked at alternatives somebody looked at all of that so there is a growth strategy there are assumptions on profitability and all of that .We also realize that we needed to simplified a structure so in 2012 when we set up Aspiration 2020 actually it's started off in 2004 in 2004 we first set up LOB’s the light of businesses so we started off with four of them in 2004 by 2010 we had 28 LOB’s we kept on adding as we growing faster and then we combined them into one what those called SBU so in 2012 we combined all of this into 6 SBU’s which now has become 18 SBU’s because as we again grew we kept on adding SBU’s .So now about the SBU’s so we have LOB’s we have SBU’s we have also put what we called business groups about that and the business groups are credit advisory insurance so we simplify the structure. Deepak heads our Credit business Rujan heads our Insurance Business Nitin heads our Advisory business and we have just simplified the structure or you know Venkat he does all the complicated relationship management and all our global relationship all our larger relationships comes through Venkat ,he is a big force on capital market on asset management on wealth management all those businesses and Himanshu runs all the internals stuff risk enterprise technology finance accounts so we also simplified along with that all my colleagues were out here they are the one who runs specific part of the businesses whether its asset management whether its HR whether its technology whether its insurance so we simplified our structure made it a lot easier until 2 year ago there were multiple people were doing multiple things they were lot more people reporting straight into be so we simplified the structure made sure there were leadership alignment succession planning we expanded the roles we clarified what each role will deliver as we undertake Everest .We also have focused lot on improving customer experience. In fact Vikas is the one who has been leading that project over the years on customer experience because we have realized that financial services is slowly moving away from very product-centric business to very customer centric business and this will be one of the key differentiate us as we go along so we have done all of that and obviously continuous focus on risk management governance and as I said on a day like this is very awkward to talk about Everest because today is not the day anybody is worried about “ki tumhara growth kahan se aanewala hai” . Nobody's asking you that question right I mean everybody's saying how much is your ALM how much liquidity cushion you are carrying you know what is gonna happen after 3 weeks after 4 weeks after 3 months after 6 months . I think liquidity management risk management is continuous and this I have believed in every business overs the last 30 years of my career I have seen you know businesses in Edelweiss in India there is a growth and there is a treacherous you know terrain in front of us it only when you navigate the treacherous terrain in India can you get there it’s like you know the road in Bombay they always crowded some metro work is going on somebody trying to overtake you ,you have to drive through that to get to your destination but that destination is very exciting so we should never especially at times like this from the bifocal become become you know fully focal you can spend all your time on looking at the current issues and that is required but you still need to keep on investing for the future because all that will also come I think that growth is still there I think India is changing and this is as true when we are September 11 this was as true when we had the global financial crisis so if you can manage this bifocal approach if you can manage this a you know navigate the short term issues which are there and the short term issues are real. I must say we all spent the weekend looking at all the models and all the liquidity stress testing and looking at everything that is there all of us have spent a lot of time thinking through this and we will have to mange it because I don’t think this is hypothetical but it’s not something that is impossible you have been careful if you have been managed your liquidity your models were evolved and you are constantly stress testing the models you have prepared for this is what you have to be prepared for so continuous focus on risk management governance has to continue but your your optimism about India's growth and opportunity also has to continue because this are you know you don’t want to give away what the next 20 years of India is gone to be so I think for us Everest is also about execution not just about aspiration and this obviously goes without saying.