



Finblage
Financial services

RESEARCH REPORT

EFSL (Edelweiss Financial Services limited)

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About Company

Edelweiss Financial Services Limited (EFSL), co-founded by Rashesh Shah and Venkat Ramaswamy in 1995, has evolved from a boutique investment bank to a diversified financial services conglomerate based in Mumbai. The company offers a range of services, including brokerage, insurance (both life and general), private equity, and other investment-related services through its subsidiaries. It operates with a strong network of sub-brokers and authorized personnel across India and is registered with major stock exchanges like the National Stock Exchange of India (NSE), Bombay Stock Exchange (BSE), and Multi Commodity Exchange (MCX).

Historical Overview

1995-2004: Formation and Initial Growth

In the mid-90s, EFSL started with a focus on private equity syndication, mergers, acquisitions, and advisory services. Their primary clients were start-ups and early-stage companies. By 2000, EFSL had become a merchant bank, helping start-ups raise funds through venture capital and private equity. A significant milestone was the acquisition of Rooshnil Securities in 2001, which expanded their brokerage capabilities.

2004-2012: Diversification and Expansion

As EFSL grew, they ventured into institutional broking and NBFC activities, broadening their financial products and services. In 2007, EFSL launched Edelweiss Global Wealth Management, offering comprehensive wealth management solutions, including asset protection and investment banking. They also entered the asset management business with real estate funds. Key acquisitions, like Anagram Capital in 2010, significantly enhanced their brokerage and wealth management capabilities. The establishment of Edelweiss Tokio Life Insurance in 2011, a joint venture with Tokio Marine, marked another strategic expansion.

2012-Present: Consolidation and Strategic Growth

Recent years have seen EFSL continue its growth trajectory through strategic acquisitions. In 2014, they acquired Forefront Capital Management, boosting their asset management business. The acquisition of fund schemes from JP Morgan Asset Management India in 2016 further strengthened their mutual fund offerings. A notable partnership with Caisse de dépôt et placement du Québec (CDPQ) resulted in CDPQ acquiring a 20% equity stake in Edelweiss Asset Reconstruction Company (EARC) for investments in stressed assets. Demonstrating their commitment to diversity, EFSL expanded their group health policy to include the LGBTQ+ community in 2022.





Business Model

Alternative Asset Management

EFSL's assets under management (AUM) have shown impressive growth. They reported a 16% year-on-year (YoY) increase to INR 52,100 Cr, with fee-paying AUM up 22% YoY to INR 29,500 Cr. This demonstrates their focus on expanding alternative investments, which continues to drive substantial growth.

Mutual Fund

Their mutual fund AUM saw a remarkable 23% YoY increase to INR 1,23,000 Cr, with equity AUM up 47% YoY to INR 40,000 Cr. This growth underscores EFSL's strategic focus on broadening their mutual fund offerings to attract more investors.

General Insurance

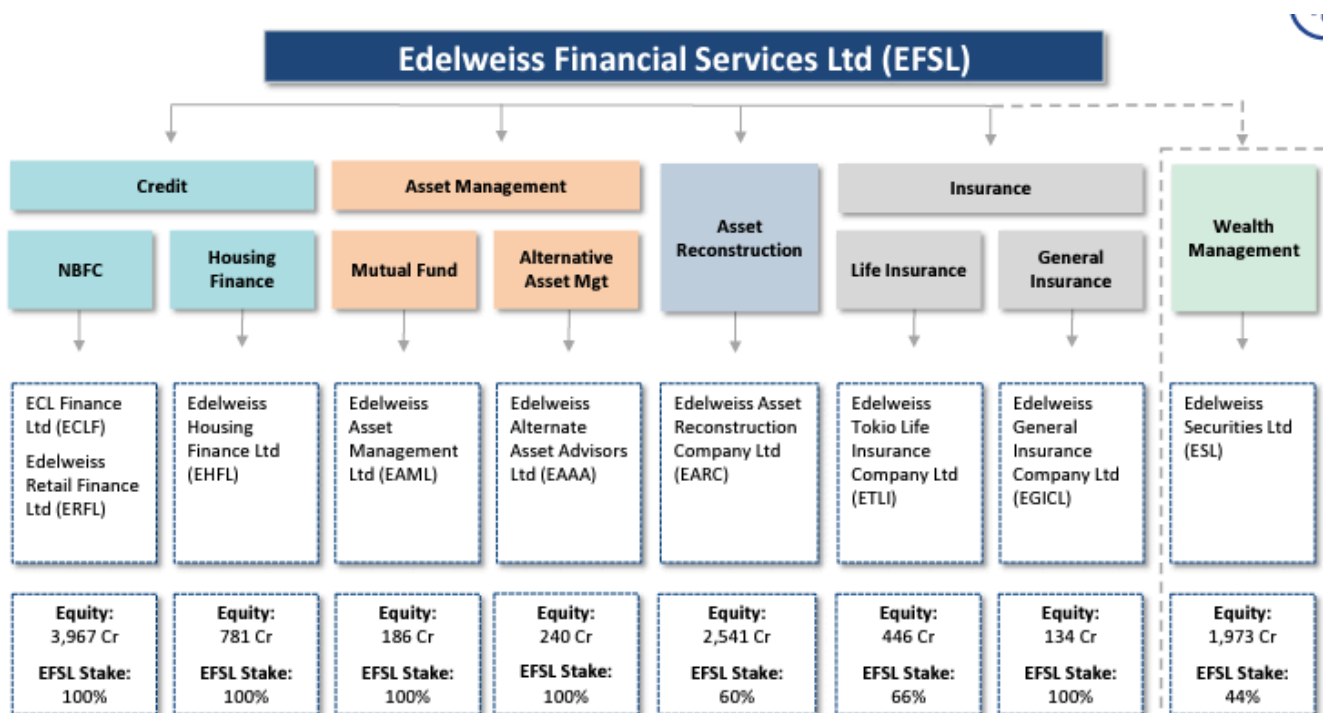
EFSL's general insurance business, Zuno, is thriving. They reported a 70% YoY growth in gross written premium to INR 254 Cr for the quarter. Their customer base expanded to 4.7 million, with over 1.25 lakh policies issued in the quarter—a 12% YoY increase. This growth highlights their strong market presence in the insurance sector.

Life Insurance

Their life insurance business also experienced growth, with gross premium increasing by 12% YoY to INR 422 Cr. They maintained a persistency rate of 77% and a claim settlement ratio of 98%. EFSL's innovative products and customer-centric approach are clearly paying off in this sector.

NBFC and Housing Finance

In the NBFC and housing finance sectors, EFSL disbursed INR 250 Cr in the quarter, with 80% under the Co-lending Model (CLM). They established new co-lending partnerships, further enhancing their lending capabilities. EFSL has also made significant progress in reducing their net debt, which decreased by approximately INR 3,350 Cr (20%) YoY, demonstrating their commitment to strengthening their balance sheet.





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Research Report
Edelweiss Financial Services

Key Management Team

Rashesh Shah (Co-founder and Chairman):

Experience: Over 30 years in the financial services industry.

Role: Strategic vision and overall leadership of EFSL.

Contribution: Growth from a boutique investment bank to a diversified financial services company.



Venkat Ramaswamy (Co-founder and Vice Chairman):

Experience: Extensive expertise in investment banking and financial services.

Role: Oversees asset management and advisory services.

Contribution: Shaping business strategies, particularly in mergers and acquisitions and private equity.

Radhika Gupta (CEO of Edelweiss Asset Management):

Experience: A seasoned professional in asset management with a background in international finance.

Role: Leads the asset management business.

Contribution: Strategic growth and innovation in mutual fund offerings.



Deepak Mittal (CEO of Edelweiss Tokio Life Insurance):

Experience: Expertise in life insurance and actuarial science.

Role: Heads the life insurance division.

Contribution: Growth in life insurance premiums and maintaining high claim settlement ratios.

Sahil Shah (CEO of Edelweiss General Insurance):

Experience: Background in general insurance and risk management.

Role: Manages the general insurance business.

Contribution: Expansion of customer base and premium growth.





Industry Analysis

Market Dynamics:

Growth Potential: The financial services sector in India is poised for significant growth due to the expanding middle class, increasing financial literacy, and technological advancements. The sector is expected to benefit from India's projected GDP growth and economic resilience.

Regulatory Environment: The sector is heavily regulated by entities such as the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and Insurance Regulatory and Development Authority of India (IRDAI). These regulations ensure market stability but require firms to be agile and compliant.

Technological Disruption: Fintech innovations are transforming traditional financial services, offering enhanced customer experiences through digital platforms, AI-driven insights, and blockchain technologies. Firms that adapt quickly to these technological changes are likely to gain a competitive edge.

Competitive Landscape:

Key Competitors: EFSL competes with large financial conglomerates like HDFC, ICICI, and SBI in various segments such as banking, insurance, and asset management. It also faces competition from specialized firms in wealth management and brokerage services.

Market Position: EFSL's diversified portfolio provides a buffer against sector-specific downturns. Its strategic acquisitions and partnerships have bolstered its market position, particularly in asset management and insurance.

Opportunities:

Digital Transformation: Leveraging technology to enhance operational efficiency, customer engagement, and risk management. The digital push also includes expanding online brokerage services and mobile applications.

Expansion into New Markets: Exploring underserved markets, both geographically and demographically, to capture new customer segments. This includes rural areas where financial inclusion remains low and new demographics like millennials and Gen Z, who prefer digital-first financial services.

Product Diversification: Developing new financial products tailored to evolving customer needs, such as sustainable investment options and microinsurance, to meet the demands of environmentally and socially conscious investors.

Strategic Alliances: Collaborating with global financial institutions and technology firms to access new markets and expertise. Strategic partnerships can enhance product offerings and distribution channels, driving growth and market penetration.



Threats:

Regulatory Changes: Stringent regulatory changes could impact business operations, requiring constant monitoring and adaptability. Compliance costs may rise, affecting profitability.

Economic Slowdown: Any economic downturn could reduce investment inflows and impact the financial health of customers, leading to higher default rates in NBFC lending. Slower economic growth may also dampen demand for financial products and services.

Competition: Increased competition from both traditional financial institutions and fintech startups could pressure margins and market share. Firms need to differentiate themselves through innovation, customer service, and brand reputation to stay competitive.

Recent Performance and Future Outlook

Stock Performance

EFSL's stock performance has been impressive, showing a positive trend with a jump of over 6% in mid-May 2024, surpassing the broader financial sector and the Sensex. Analysts at MarketsMojo assigned a "Hold" rating, indicating potential stability with room for growth.

Future Growth Factors

Looking ahead, India's economic resilience provides a favorable backdrop for financial institutions like EFSL. A robust economy translates to increased demand for financial services, fueling EFSL's business. However, reversing the negative compound annual growth rate (CAGR) in overall operating income over the past eight years is crucial for long-term growth. EFSL's ability to capitalize on growth opportunities in areas like wealth management and digital lending will be paramount. Additionally, navigating a competitive NBFC landscape will require strategic execution.

Value Chain

EFSL's value chain involves various financial services that collectively contribute to the overall value offered to clients. The primary activities include investment management, insurance services, wealth management, and NBFC operations. Supporting these activities are advanced digital platforms for customer engagement, skilled professionals in investment management, insurance, and financial advisory roles, and a robust infrastructure comprising branch networks and online platforms.

Management Guidance

EFSL's management has provided strategic guidance focused on debt reduction, targeting growth in assets under management through innovative financial products and strategic acquisitions, enhancing customer reach and satisfaction through tailored financial solutions, and investing in technology to streamline operations and improve customer experience.



SWOT Analysis

Strengths:

Diversified Portfolio: EFSL's wide range of services reduces dependency on a single revenue stream and provides cross-selling opportunities.

Strategic Acquisitions and Partnerships: EFSL has a history of successful acquisitions and partnerships, enhancing its market presence and capabilities.

Strong Management Team: The leadership team possesses deep industry expertise and a proven track record of driving growth and innovation.

Weaknesses:

Debt Levels: Despite efforts to reduce debt, EFSL's leverage remains a concern, affecting its financial flexibility and credit rating.

Negative Operating Income CAGR: EFSL's negative compound annual growth rate in operating income over the past years highlights challenges in achieving sustainable profitability.

Opportunities:

Digital Financial Services: Growing demand for digital financial solutions presents significant growth potential for EFSL. Investing in technology and digital platforms can enhance customer engagement and operational efficiency.

Underserved Markets: Expanding into untapped markets, such as rural areas and new demographics, offers opportunities to capture new customer segments and drive revenue growth.

Threats:

Regulatory Risks: Ongoing regulatory scrutiny and potential changes pose risks to EFSL's operations and compliance costs. Adapting to evolving regulations while maintaining profitability is essential.

Market Volatility: Economic fluctuations and market volatility can impact asset performance and customer sentiment, affecting EFSL's revenue and profitability. Managing risk exposure and diversifying revenue streams are critical in mitigating market risks.



What We Found During Our Research

Our in-depth analysis of Edelweiss Financial Services Limited (EFSL) revealed several key findings that highlight both strengths and areas of concern within the company's operations and market positioning.

Market Capitalization and Market Share

Despite having a diversified business portfolio that spans across insurance, non-banking financial services (NBFC), asset management, and other investment-related services, EFSL's total market capitalization remains approximately ₹8,000 Cr. This valuation suggests that the company may not be capturing a proportionate market share relative to its peers in the financial services industry. This discrepancy raises questions about EFSL's competitive positioning and effectiveness in leveraging its diverse business segments to drive growth and enhance shareholder value.

Reporting Transparency and Investor Confidence

During our research, we noted issues with the transparency and accuracy of the financial numbers reported by EFSL. Several instances of inconsistencies and lack of clarity in financial disclosures were identified, which could undermine investor confidence. Clear, consistent, and accurate financial reporting is crucial for maintaining trust with investors and stakeholders. The observed shortcomings in EFSL's financial transparency may contribute to hesitancy among potential investors and stakeholders when making investment decisions.

Peer Comparison

A comparison with peer companies in the financial services sector indicates that EFSL lags behind in terms of market capitalization and growth metrics. Competitors with similar business models and service offerings have demonstrated stronger market performance and higher investor confidence, suggesting that EFSL may need to re-evaluate its strategic initiatives and market approach.

Diversified Portfolio but Limited Market Impact

While EFSL's diversified portfolio should theoretically provide a buffer against sector-specific risks and create multiple revenue streams, the company's market performance does not fully reflect this advantage. This situation could be attributed to several factors:

Inefficient Utilization of Assets: The company may not be effectively leveraging its assets and resources across different business segments to maximize returns.

Operational Challenges: There may be underlying operational inefficiencies or challenges that hinder the optimal performance of its various business units.

Market Perception: Negative perceptions or lack of awareness among investors regarding EFSL's growth potential and business strategy could affect its market valuation.

EDELWEISS FINANCIAL SERVICES LTD



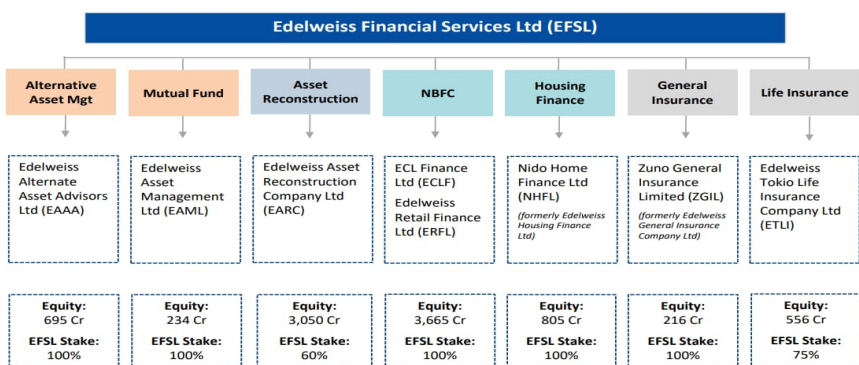
Edelweiss Group (officially known as Edelweiss Financial Services Limited) is an investment and financial services company based in Mumbai. It was co-founded by Rashesh Shah and Venkat Ramaswamy. The company deals in various financial services ranging from brokerage services to life insurance and general insurance, private equity and other investment-related services through subsidiaries. It has a network of sub-brokers and authorised people across India.

Key Financial Metrics	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Total Sales	₹ 11,078	₹ 9,544	₹ 10,775	₹ 7,151	₹ 8,500
Sales Growth (YoY%)	24.77%	-13.85%	12.90%	-33.63%	18.87%
Gross Profit Margin (%)	93%	91%	84%	75%	78%
EBITDA Margins (%)	59.32%	26.30%	38.66%	44.81%	33.33%
EBIT Margins (%)	58.92%	24.48%	36.93%	44.91%	34.81%
Net Margins	8.98%	-21.43%	2.46%	2.64%	4.05%
Earnings Per Share (In Rs)	10.67	-21.89	2.84	2.00	3.65
EPS Growth (YoY%)	13.17%	-305.14%	-112.95%	-29.40%	82.27%
Dividend Per share (In RS)	1.33	0.00	1.38	1.38	1.43
DPS Growth (YoY%)	3.80%	-100.00%	0.00%	0.04%	3.45%
Solvency Ratio	1.36x	0.49x	1.04x	1.08x	1.15x

Key Financial Ratio	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Price To Earning Ratio	10.98x	-1.04x	13.23x	17.38x	8.54x
EV/EBITDA	7.70x	10.05x	8.74x	10.02x	10.84x
EV/ Sales	4.85x	6.22x	5.43x	5.84x	6.46x
Price To Book Value	0.45x	0.95x	0.74x	1.80x	1.88x
Return on Equity (%)	12.96%	-33.37%	4.03%	2.89%	5.10%
Return on Capital Employed (%)	11.90%	4.84%	10.23%	9.99%	10.23%

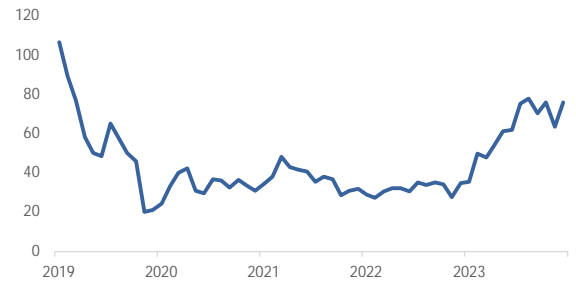
Top 10 Shareholding					
Shareholder	Promoter		Non Promoter		
	Shares	Holding %	Shareholder	Shares	Holding %
Rashesh Chandrakant Shah	14.56Cr	15.43%	College Retiree-I	4.10Cr	4.34%
Venkatchalam A Ramaswamy	5.96Cr	6.31%	The Pabrai Lp-I	2.72Cr	2.88%
Mabella Trustee Services Pvt Ltd	3.88Cr	4.11%	Tiaa-Cref Fund	2.68Cr	2.84%
Vidya Rashesh Shah	3.11Cr	3.29%	LIC	2.43Cr	2.57%
Aparna T Chandrashekar	1.22Cr	1.29%	The Pabrai Lp-II	2.09Cr	2.21%
Kaavya Venkat Arakoni	1.18Cr	1.25%	The Miri Fund	2.00Cr	2.12%
Spire Investment Advisors Llp	32.00L	0.34%	Baron Fund	1.52Cr	1.61%
Neel Rashesh Shah	20.00L	0.21%	Bih Sa	1.40Cr	1.49%
Avanti Rashesh Shah	20.00L	0.21%	1729 Capital	1.28Cr	1.35%
Sneha Sripad Desai	10.25L	0.11%	Arjuna FundLtd	95.81L	1.02%

Management Remuneration (Amount in RS)				
Name	Designation	Remuneration	Perks	Commission
Mr. Rashesh Shah	MD & CEO	7.90Cr	39,600	-
Mr. Venkatchalam Ramaswamy	Executive Director (ED)	6.43Cr	39,600	-
Mr. Himanshu Kaji	Executive Director (ED)	3.24Cr	39,600	-
Ms. Vidya Shah	Non-ED & Non ID	-	-	20L
Mr. Rujan Panjwani	Non-ED & Non ID	3.40Cr	16,500	-

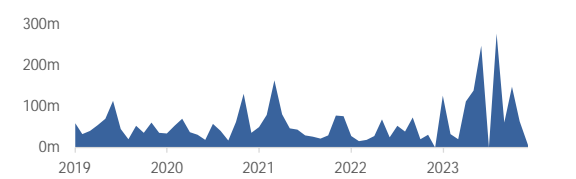


Recent updates	
Dates	Updates
09 January 2024	Edelweiss announces public issue of redeemable NCDs worth ₹250 crore.
27 September 2022	Nuvama Wealth Management makes stock market debut; lists at ₹2,699 per share on BSE
05-Apr-23	Edelweiss Financial Services to raise ₹400 crore via NCD issue
24-Feb-23	Edelweiss gets shareholders' approval for demerger of wealth management business paving way for listing
04 April 2024	Pabrai Investment sells shares in Edelweiss Financial Services

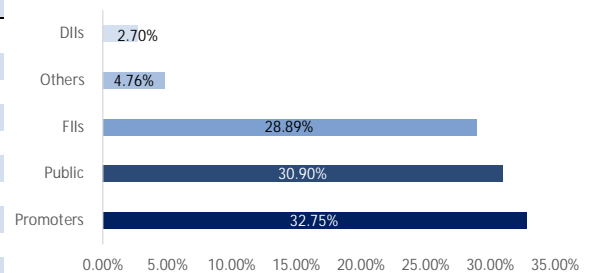
Share Price - 5Yrs



Volume -5Yrs



Shareholding Pattern



Capital Structure

Share Price as on 03/May/24	77
Numbers of O/S Shares	94.38
Market Capitalization	7,267.14
Less : Cash & Equivalents	3699.07
Add : Total Debt	21791.46
Enterprise Value	18,01,99,871.77

(In Crores)

Business	Dec 23
NBFC	6,075
Housing Finance	1,640
Alternative Asset Management	430
Asset Reconstruction	2,440
Corporate	8,270
Gross Debt	18,855
(Less) Liquidity	3,455
(Less) Liquid Investment*	1,730
Net Debt	13,670

* Liquid Investment pertains to -14% stake in Nuvama

Historical Financial Statement - EDELWEISS FINANCIAL SERVICES LTD

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Income Statement					
Sales	₹ 11,077.52	₹ 9,543.79	₹ 10,775.02	₹ 7,150.92	₹ 8,500.19
Sales Growth	24.77%	-13.85%	12.90%	-33.63%	18.87%
COGS	₹ 790.39	₹ 895.90	₹ 1,700.19	₹ 1,764.95	₹ 1,857.60
COGS % Sales	7.14%	9.39%	15.78%	24.68%	21.85%
Gross Profit	₹ 10,287.13	₹ 8,647.89	₹ 9,074.83	₹ 5,385.97	₹ 6,642.59
Gross Margin	92.86%	90.61%	84.22%	75.32%	78.15%
SG&A	₹ 1,978.57	₹ 4,670.64	₹ 3,218.11	₹ 957.74	₹ 2,477.30
SG&A % Sales	17.86%	48.94%	29.87%	13.39%	29.14%
EBITDA	₹ 8,308.56	₹ 3,977.25	₹ 5,856.72	₹ 4,428.23	₹ 4,165.29
EBITDA Margins	75.00%	41.67%	54.35%	61.93%	49.00%
Depreciation	₹ 131.63	₹ 232.23	₹ 259.88	₹ 151.12	₹ 138.16
Depreciation % Sales	1.19%	2.43%	2.41%	2.11%	1.63%
EBIT	₹ 8,176.93	₹ 3,745.02	₹ 5,596.84	₹ 4,277.11	₹ 4,027.13
EBIT Margins	73.82%	39.24%	51.94%	59.81%	47.38%
Interest	₹ 4,783.23	₹ 4,793.04	₹ 3,834.03	₹ 2,984.11	₹ 2,574.56
Interest % Sales	43.18%	50.22%	35.58%	41.73%	30.29%
EBT	₹ 3,393.70	₹ (1,048.02)	₹ 1,762.81	₹ 1,293.00	₹ 1,452.57
EBT Margins	30.64%	-10.98%	16.36%	18.08%	17.09%
Taxes	699.35	-412.88	-108.3	15.3	-20.83
Effective Tax Rate	20.61%	39.40%	-6.14%	1.18%	-1.43%
EAT/PAT	₹ 2,694.35	₹ (635.14)	₹ 1,871.11	₹ 1,277.70	₹ 1,473.40
EAT Margins	24.32%	-6.66%	17.37%	17.87%	17.33%
Dividend	₹ 124.29	₹ 0.00	₹ 129.18	₹ 130.24	₹ 134.76
Dividend Payout Ratio	4.61%	0.00%	6.90%	10.19%	9.15%
Retained Earnings	₹ 2,570.06	₹ 0.00	₹ 1,741.93	₹ 1,147.46	₹ 1,338.64
No. of Equity Shares	76.90Cr	79.18Cr	81.40Cr	83.26Cr	87.06Cr
EPS	35.03	-8.02	22.99	15.35	16.92
EPS Growth %	15.00%	-122.90%	-386.53%	-33.23%	10.28%
Dividend Per Share	₹ 1.62	₹ 0.00	₹ 1.59	₹ 1.56	₹ 1.55

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
BALANCE SHEET					
Equity Share Capital	₹ 88.78	₹ 88.95	₹ 89.09	₹ 89.82	₹ 89.84
Reserves	₹ 7,588.21	₹ 6,039.76	₹ 6,488.07	₹ 6,447.60	₹ 6,654.27
Borrowings	₹ 46,147.74	₹ 36,657.34	₹ 28,436.05	₹ 22,767.59	₹ 21,791.46
Other Liabilities	₹ 10,075.54	₹ 11,229.90	₹ 11,121.04	₹ 13,758.13	₹ 15,345.94
Total Liabilities	₹ 63,900.27	₹ 54,015.95	₹ 46,134.25	₹ 43,063.14	₹ 43,881.51
Net Block	₹ 1,264.77	₹ 2,344.91	₹ 1,780.70	₹ 1,597.36	₹ 1,367.18
Capital Work in Progress	₹ 43.68	₹ 43.24	₹ 13.21	₹ 19.63	₹ 24.77
Investments	₹ 12,712.71	₹ 10,012.41	₹ 12,881.98	₹ 14,139.30	₹ 17,162.22
Other Assets	₹ 40,500.54	₹ 31,656.93	₹ 26,192.10	₹ 23,798.78	₹ 21,214.96
Total Non-Current Asset	₹ 54,521.70	₹ 44,057.49	₹ 40,867.99	₹ 39,555.07	₹ 39,769.13
Receivables	₹ 2,754.01	₹ 1,305.24	₹ 506.05	₹ 469.17	₹ 413.31
Inventory	₹ 169.13	₹ 43.61	₹ 0.00	₹ 0.00	₹ 0.00
Cash & Bank	₹ 6,455.43	₹ 8,609.61	₹ 4,760.21	₹ 3,038.90	₹ 3,699.07
Total Current Asset	₹ 9,378.57	₹ 9,958.46	₹ 5,266.26	₹ 3,508.07	₹ 4,112.38
Total Assets	₹ 63,900.27	₹ 54,015.95	₹ 46,134.25	₹ 43,063.14	₹ 43,881.51
Check	TRUE	TRUE	TRUE	TRUE	TRUE

CASH FLOW:					
Cash from Operating Activity	₹ 5,685.30	₹ 12,098.41	₹ 3,458.03	₹ 5,592.25	₹ 1,719.89
Cash from Investing Activity	₹ (1,312.45)	₹ 199.25	₹ 4,084.91	₹ (1,057.99)	₹ 745.76
Cash from Financing Activity	₹ (3,665.13)	₹ (10,470.96)	₹ (8,586.94)	₹ (6,444.21)	₹ (1,708.35)
Net Cash Flow	₹ 707.73	₹ 1,826.70	₹ (1,044.00)	₹ (1,909.95)	₹ 757.30

Common Size Income Statement -EDELWEISS FINANCIAL SERVICES LTD

Particular	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Raw Material Cost	0.00%	0.00%	0.00%	0.00%	0.00%
Change in Inventory	0.00%	0.00%	0.00%	0.00%	0.00%
Power and Fuel	0.00%	0.00%	0.00%	0.00%	0.00%
Other Mfr. Exp	7.14%	9.39%	15.78%	24.68%	21.85%
Employee Cost	14.89%	14.76%	15.01%	14.90%	12.56%
Selling and admin	0.00%	11.14%	9.93%	14.53%	15.94%
Other Expenses	18.65%	38.41%	20.62%	1.08%	16.31%
Other Income	0.79%	0.62%	0.69%	2.21%	3.11%
Depreciation	1.19%	2.43%	2.41%	2.11%	1.63%
Interest	43.18%	50.22%	35.58%	41.73%	30.29%
Profit before tax	15.74%	-25.74%	1.35%	3.18%	4.53%
Tax	6.31%	-4.33%	-1.01%	0.21%	-0.25%
Net profit	8.98%	-21.43%	2.46%	2.64%	4.05%
Dividend Amount	1.12%	0.00%	1.20%	1.82%	1.59%

Common Size Balance Sheet -EDELWEISS FINANCIAL SERVICES LTD

Particular	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Total Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%
Equity Share Capital	0.14%	0.16%	0.19%	0.21%	0.20%
Reserves	11.88%	11.18%	14.06%	14.97%	15.16%
Borrowings	72.22%	67.86%	61.64%	52.87%	49.66%
Other Liabilities	15.77%	20.79%	24.11%	31.95%	34.97%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Net Block	1.98%	4.34%	3.86%	3.71%	3.12%
Capital Work in Progress	0.07%	0.08%	0.03%	0.05%	0.06%
Investments	19.89%	18.54%	27.92%	32.83%	39.11%
Other Assets	63.38%	58.61%	56.77%	55.26%	48.35%
Receivables	4.31%	2.42%	1.10%	1.09%	0.94%
Inventory	0.26%	0.08%	0.00%	0.00%	0.00%
Cash & Bank	10.10%	15.94%	10.32%	7.06%	8.43%
<i>Check</i>	<i>TRUE</i>	<i>TRUE</i>	<i>TRUE</i>	<i>TRUE</i>	<i>TRUE</i>

Notes

- Other Manufacturing Expenses: Increased significantly from 7.14% in Mar-19 to 24.68% in Mar-22, then slightly declined to 21.85% in Mar-23. This trend indicates rising production-related costs.
- Other Expenses: Highly volatile, peaking at 38.41% in Mar-20 and dropping sharply to 1.08% in Mar-22, then rising again to 16.31% in Mar-23. This could reflect irregular or one-time expenses.
- Interest has noticeably high but declining from 50.22% in Mar-20 to 30.29% in Mar-23. & Borrowings has declined from 72.22% to 49.66%, showing significant debt repayment or reduction.
- Other Liabilities has Increased from 15.77% to 34.97%, which include deferred liabilities or other non-current
- Receivables: Decreased significantly, indicating improved collection efficiency or changes in credit policy.

Ratio Analysis -EDELWEISS FINANCIAL SERVICES LTD

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Trend	Mean	Median
Sales Growth	24.77%	-13.85%	12.90%	-33.63%	18.87%		1.81%	12.90%
EBITDA Growth	0.00%	47.87%	147.26%	75.61%	94.06%		72.96%	75.61%
EBIT Growth	0.00%	-30.88%	-168.20%	73.35%	112.34%		-2.68%	0.00%
Net Profit Growth	0.00%	-23.57%	-294.60%	68.29%	115.32%		-26.91%	0.00%
Dividend Growth	0.00%	0.00%	0.00%	100.82%	103.47%		40.86%	0.00%
Gross Margin	92.86%	90.61%	84.22%	75.32%	78.15%		84.23%	84.22%
EBITDA Margin	75.00%	41.67%	54.35%	61.93%	49.00%		56.39%	54.35%
EBIT Margin	30.64%	-10.98%	16.36%	18.08%	17.09%		14.24%	17.09%
PAT Margin	24.32%	-6.66%	17.37%	17.87%	17.33%		14.05%	17.37%
Retained Earning %	95.39%	0.00%	93.10%	89.81%	90.85%		73.83%	90.85%
ROCE	15.19%	8.75%	15.98%	14.60%	14.11%		13.73%	14.60%
ROE	35.10%	-10.36%	28.45%	19.54%	21.85%		18.91%	21.85%
Self Sustained Growth Rate	5.33%	-0.91%	4.55%	2.85%	3.08%		2.98%	3.08%
Debtor Turnover Ratio	4.02x	7.31x	21.29x	15.24x	20.57x		13.69x	15.24x
Creditor Turnover Ratio	1.10x	0.85x	0.97x	0.52x	0.55x		0.80x	0.85x
Capital Turnover Ratio	1.44x	1.56x	1.64x	1.09x	1.26x		1.40x	1.44x
Fixed Asset Turnover Ratio	8.76x	4.07x	6.05x	4.48x	6.22x		5.91x	6.05x
(In Days)								
Days Payables	332	429	377	702	659		500	429
Days Receivables	91	50	17	24	18		40	24
Inventory Days	0	0	0	0	0		0	0
Cash Conversion Cycle	(241)	(380)	(360)	(678)	(641)		(460)	(380)
CFO/ Sales	51.32%	126.77%	32.09%	78.20%	20.23%		61.72%	51.32%
CFO/Total Assets	8.90%	22.40%	7.50%	12.99%	3.92%		11.14%	8.90%
CFO/ Total Debt	10.11%	25.26%	8.74%	15.31%	4.63%		12.81%	10.11%

Notes

The company experienced substantial growth in Mar-19 (24.77%) and Mar-23 (18.87%), but faced a sharp decline in Mar-20 (-13.85%) and Mar-22 (-33.63%). This volatility indicates potential instability in revenue streams because the company has faced significant market and operational challenges, potentially including competitive pressures, market demand variability, or strategic missteps

The net profit growth mirrors the volatility seen in EBITDA and EBIT, with peaks and troughs indicating inconsistent bottom-line performance. The peak at 115.32% in Mar-23 followed a severe decline in Mar-22, pointing to potential recovery efforts but an overall unstable profit trend. These fluctuations may reflect changes in operational efficiency, cost control issues, or significant one-time gains or losses.

Increasing Debtor Turnover Ratio, indicating improved efficiency in collecting receivables, which is a positive sign for cash flow management.

Creditor Turnover Ratio : A slight increase in this ratio indicates the company is paying its suppliers more promptly, which can affect cash flow but may also reflect better supplier relationships.

Days Payables : The high number of days payable, peaking at 702 days in Mar-21, indicates the company takes a long time to pay its suppliers, which can help in managing cash flow but may strain supplier relationship

Days Receivables : The decrease in days receivables to 18 days in Mar-23 reflects efficient collection practices, enhancing liquidity.

Cash Conversion Cycle : The consistently negative cash conversion cycle is a positive indicator, suggesting that the company quickly recovers cash from its operations

CFO Ratios : Fluctuations in CFO relative to sales, total assets, and total debt reflect variable operational cash flows, impacting the company's ability to manage debt and reinvest in growth consistently

Comparable Company Analysis -EDELWEISS FINANCIAL SERVICES LTD

Company	Ticker	Market Data					Financials			Valuations		
		Share Price	Share Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/ Revenue	EV/ EBITDA	P/E
Edelweiss.Fin.		84	94.38	7970	17027	24997	9500	324790	528	2.6x	0.1x	15.1x
Bajaj Finance		6745	61.90	417488	282722	700209	54969	3869852	14451	12.7x	0.2x	28.9x
Bajaj Finserv		1584	159.55	252719	276546	529265	110382	4066470	15595	4.8x	0.1x	16.2x
Jio Financial		358	635.33	227130	-10960	216171	1854	155837	1605	116.6x	1.4x	141.6x
Cholaman.Inv.&Fn		1270	84.00	106659	130081	236740	19140	1375373	3420	12.4x	0.2x	31.2x
Bajaj Holdings		8124	11.13	90420	9	90428	1649	150839	7365	54.8x	0.6x	12.3x
Shriram Finance		2337	37.58	87815	184323	272138	36380	2603682	7399	7.5x	0.1x	11.9x
HDFC AMC		3799	21.35	81104	-11	81093	2584	196154	1946	31.4x	0.4x	41.7x
High										116.6x	1.4x	141.6x
75 th Percentile										37.25	0.46	33.81
Average										30.4x	0.4x	37.3x
Median										12.6x	0.2x	22.5x
25 th Percentile										6.81	0.12	14.39
Low										2.6x	0.1x	11.9x

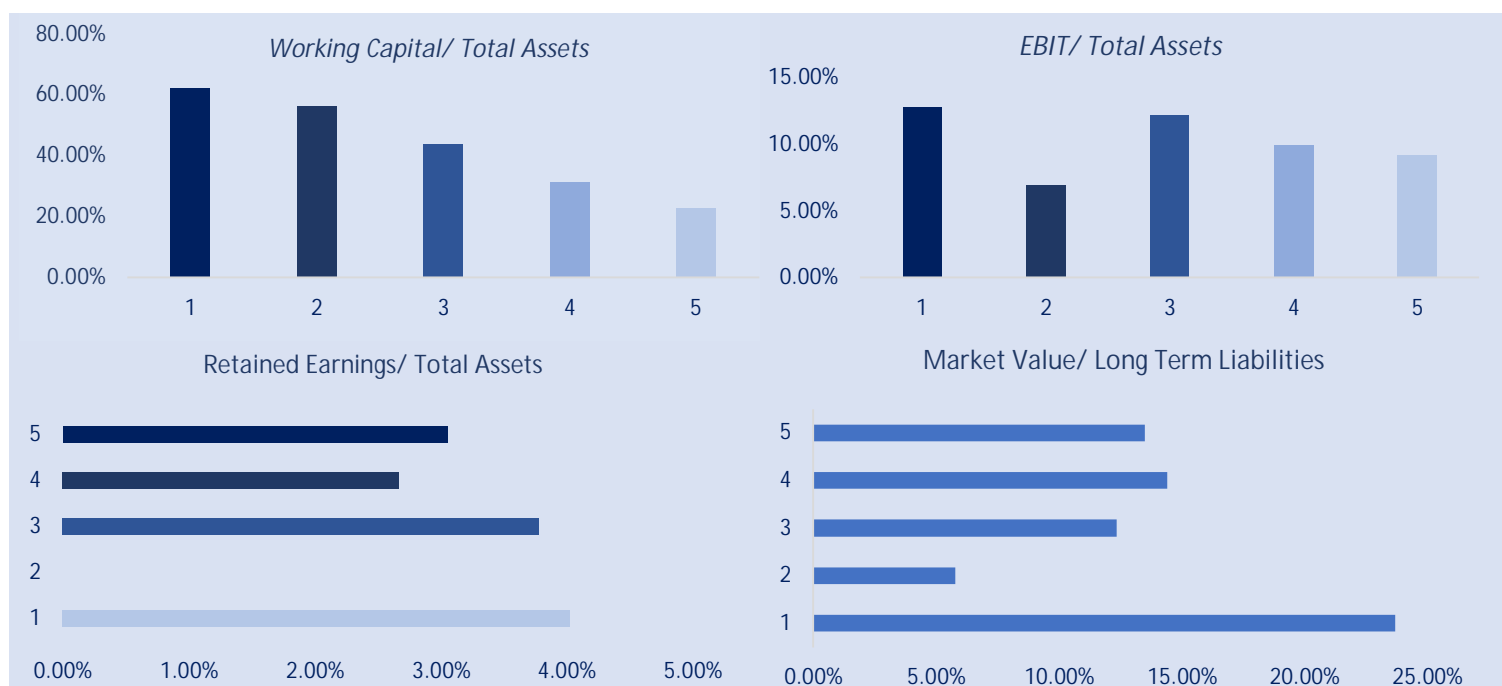
Comparable Valuations -EDELWEISS FINANCIAL SERVICES LTD

	EV/ Revenue	EV/ EBITDA	P/E
Implied Enterprise Value	119254.0	57336.4	28932.9
Net Debt	17027	17027	17027
Implied Market Value	102227	40309	11906
Shares Outstanding	94.38	94.38	94.38
Implied Value Per Share	1083.14	427.10	126.15

Source: The Valuation School, Screener.in

Altman's Z Score Analysis

Altman Z Score Equations	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
A. Working Capital / Total Assets					
Working Capital	39803.57	30385.49	20337.32	13548.72	9981.40
Total Asset	63900.27	54015.95	46134.25	43063.14	43881.51
Working Capital/ Total Assets	62.29%	56.25%	44.08%	31.46%	22.75%
B. Retained Earning/ Total Asset					
Retained Earnings	2570.06	0.00	1741.93	1147.46	1338.64
Total Assets	63900.27	54015.95	46134.25	43063.14	43881.51
Retained Earnings/ Total Assets	4.02%	0.00%	3.78%	2.66%	3.05%
C. EBIT/ Total Asset					
EBIT	8176.93	3745.02	5596.84	4277.11	4027.13
Total Assets	63900.27	54015.95	46134.25	43063.14	43881.51
EBIT/ Total Assets	12.80%	6.93%	12.13%	9.93%	9.18%
D. Market Value/ Long Term Liabilities					
Market Value	10927.51	2125.76	3509.25	3280.10	2939.32
Long Term Liabilities	46147.74	36657.34	28436.05	22767.59	21791.46
Market Value/ Long Term Liabilities	23.68%	5.80%	12.34%	14.41%	13.49%
E. Revenue/ Total Asset					
Revenue	11077.52	9543.79	10775.02	7150.92	8500.19
Total Asset	63900.27	54015.95	46134.25	43063.14	43881.51
Revenue/ Total Asset	17.34%	17.67%	23.36%	16.61%	19.37%
Z Score: $(1.2 \times A) + (1.4 \times B) + (3.3 \times C) + (0.6 \times D) + (1 \times E)$	1.54	1.12	1.29	1.00	0.89
Financial Stability *	Distressed	Distressed	Distressed	Distressed	Distressed



* If Z- Score is less than 1.8 then Distressed Financial Stability
 But If Z- Score is more than 3 then Strong Financial Stability



Conclusion

The comprehensive analysis of Edelweiss Financial Services Limited (EFSL) reveals a nuanced picture of a company with significant potential and notable challenges. EFSL's diversified portfolio spanning insurance, non-banking financial services, asset management, and other investment-related services positions it well to buffer sector-specific risks and capitalize on multiple revenue streams. However, the company's market capitalization, approximately ₹8,000 Cr, suggests it is not fully capturing the potential market share relative to its peers in the financial services industry.

Several critical issues have emerged from our research. EFSL faces significant challenges with transparency and consistency in financial reporting, which can undermine investor confidence. The company's operational efficiency and asset utilization across its diverse business segments appear suboptimal, contributing to a market performance that does not reflect its inherent strengths. Additionally, negative market perceptions and lack of investor awareness regarding EFSL's growth potential further dampen its market valuation.

EFSL's financial metrics over the past five years present a mixed picture. While there have been periods of growth in total sales and certain profit margins, other metrics such as net margins and earnings per share have shown volatility and, at times, significant declines. The company's efforts in debt reduction and strategic acquisitions have been positive steps, yet the overall operating income compound annual growth rate (CAGR) remains negative, highlighting the need for sustainable profitability strategies.

Key strengths of EFSL include its diversified service offerings, strategic acquisitions, and a strong management team with deep industry expertise. Opportunities for future growth lie in expanding digital financial services, tapping into underserved markets, and leveraging technological advancements to enhance customer engagement and operational efficiency.

Conversely, EFSL must address several weaknesses, such as high debt levels and the negative CAGR in operating income. Moreover, the company faces threats from regulatory changes, economic slowdowns, and increased competition from both traditional financial institutions and fintech startups.

In conclusion, while EFSL has a robust foundation and strategic growth opportunities, it must overcome significant challenges to realize its full potential. Improved financial transparency, operational efficiency, and strategic execution in leveraging technology and expanding into new markets will be crucial for EFSL's long-term success and market positioning.