Operator: Ladies and gentlemen, good afternoon, and welcome to the Q2 FY27 earnings conference call of Edelweiss Financial Services Ltd. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Priyadeep Chopra, President, Edelweiss Financial Services Ltd. Thank you, and over to you, ma'am.

Priyadeep Chopra – President: Thank you, Rio, and a very good afternoon to everyone. A very warm welcome to our earnings call today. We have Rashesh Shah, Chairman of Edelweiss, Ananya Soneja, CFO of Edelweiss Financial Services, and Shanai Ghosh, CEO of our General Insurance business, with us on the call. We hope you have all had a chance to review the investor presentation that we filed earlier today.

This quarter, we have also filed an in-depth presentation on Zuno General Insurance, and during the discussion, we will be making references to it. Please take a moment to review the safe harbor statements in our presentation. We will be making some statements today that may be forward-looking in nature and hence may involve some risks and uncertainties.

With that, I will hand over the call to Rashesh to begin the proceedings. Thank you all, and over to you, Rashesh.

Rashesh Shah – Chairman: Thank you, Priya, and a very good afternoon to all of you. Again, a warm welcome to this earnings call for the quarter and the 6 months ended September 2026. It is good to have you all back with us today.

First, a couple of words on India. Obviously, in the last quarter since we spoke, a lot has changed in India. Although a couple of weeks ago it looked like India was unfavorable and not a great global market to invest in, the last 2 weeks have shown that India can come back, and when it comes back, it can come back quite fast.

Keeping the stock markets aside, I think the Indian economy has been doing well. The first half has been good for corporate earnings and growth. We are seeing fairly robust growth in the economy, and in spite of the high oil prices and the monsoon, it again reminds us that India is a very adaptive economy.

It is very hard to say how we adapt, but when something is not working, such as when oil prices went up and our import bill increased, gold imports came down, and somewhere the invisible adjustment keeps happening. So, in Edelweiss, we call it an adaptive economy. India continues to adapt.

We are obviously still not growing at our full potential, which we think is at least 10-11%. However, maintaining 7-7.5% growth looks very possible. I think adaptive and resilient India allows us to do that. If we make some more effort, deregulate, and remove the frictional elements in our economy, I think we have the ability to grow even faster.

Report is AI-generated and may contain inaccuracies.

At Edelweiss, we think that even 7-7.5% is good enough—not great, but good enough—for all of us to continue to grow. A lot of Edelweiss' future growth hypothesis is based on that. We think that over the next 8-10 years, India will maintain this growth. We will be unfavorable at times and very favorable at times, but through the middle of it, our economy will keep compounding and progressing in this very chaotic, adaptive manner.

For Edelweiss in Q2, we have moved forward in almost all the areas that we had committed to. Our consolidated PAT after minority interest has increased by 50% year-over-year to 193 crores.

Our operating businesses—we have these seven operating subsidiaries, but now that Nuvama has stopped being an operating subsidiary because we have given the controlling stake to Carlyle, we now have six operating subsidiaries—continue to witness very healthy growth, led by the Asset Management businesses.

EWM has grown by 27%, with profit at 88 crores. Mutual Fund has delivered good growth, and its profit has more than doubled to 37 crores. Our insurance business, Zuno, has reported its first profitable quarter. My colleague Shanai Ghosh, who is the MD and CEO of this business, is also with us on this call.

We have filed an addendum because many investors and analysts have expressed curiosity about this business. After my opening remarks, I will hand over to her, and she will also speak a few words about the Zuno business and the GI opportunity as we see it. She and I will answer all the questions that you have in the Q&A portion of this call.

Our customer franchise continues to grow. Our total customer reach is now about 15 million customers, which has grown by 24% year-over-year, and our customer assets are now about 2.9 trillion rupees, which is also up 24%.

Rashesh Shah - Chairman: In the last quarter, as we have done in the last few years, we strengthened our balance sheet. All our businesses continue to be well capitalized.

One piece of very good news, which is very heartening, is the wholesale SR book in ECL Finance. ECL had some stressed assets. When those stressed assets were sold, ECL received the SR, or security receipt, from them. At one point, it was more than 5,000 crores, and this was always a point of concern because it was dragging down the balance sheet and the P&L. I am happy to report that this book has now become zero. The wholesale book, which was 18,000 crores, is also now almost close to zero overall in ECL Finance.

ECL has now truly become an MSME-led business, and we are growing quite well on the MSME side, as you would have seen. All our operating businesses have executed well and delivered well, thanks to our customers and all our stakeholders whose support we have had.

We also completed 2 important transactions, one in Q2 and one after Q2, but the second one is important, so we will speak about it.

We first closed the Carlyle transaction with Nido. Carlyle has now become the majority partner. They will infuse approximately 1,400 crores into the business in 2 tranches. At the end of both tranches, we will own 26% and they will own 74%.

Report is AI-generated and may contain inaccuracies.

We remain very positive. The equity of the business will increase from 800 crores to close to 2,400 crores in the next 18 months. At 2,400 crores, it will be a very well-capitalized affordable housing finance company.

The other important transaction is that the EAAA alternative asset management business was listed a couple of weeks ago. We received a very strong response from institutional investors and quite a few marquee clients, both onshore and offshore. Both of these transactions have allowed us to partly monetize our stake in that business, which we had wanted to do to reduce our debt. They have also allowed us to strengthen those businesses and institutionalize them.

In Nido, the strengthening of the balance sheet and the entry of Carlyle will strengthen the business. There is a strong board, and even Aditya Puri has been a personal investor in that transaction. We hope that, with all these developments, Nido will continue to grow.

The EAAA listing, along with allowing us to achieve our stake monetization objective, will also allow EAAA to become more institutionalized. There will be an added level of governance as a listed company. Since we focus on managing third-party money for Indian HNI clients as well as global institutional clients, that added oversight and governance is a major advantage for us.

Both our insurance businesses remain on track to become profitable. Zuno has already turned profitable in the first half. ELI will also become profitable.

Overall, MSME continues to grow well. MSME AUM has doubled in the last year. The MSME book size is now 2,145 crores. We are slowly and steadily growing that business.

There is a lot of detail about EAAA, fee-paying AUM, and Mutual Fund. Our ARC business has also started growing again. We have seen some NPAs being sold by banks. We have increased our retail percentage in total assets.

In this quarter, we also acquired about 600 crores of assets, which is quite good because that represents an annualized run rate of more than 2,000 crores. This is a significant step up. The ARC business has also started growing again.

To sum up, the first part of our P&L is our operating business, which has grown quite well. It has been very heartening to see that. The PAT from our operating businesses is the key engine for our future. With the insurance businesses becoming profitable, the cumulative PAT from the operating businesses will become a strong engine for growth.

Our consolidated PAT will grow along with that. All our businesses have delivered healthy growth, as you would have seen in the presentation that we have issued. The 2 important transactions have also been completed.

We continue to focus on the things that we have focused on over the long term: growth, creating value, and building a strong institutionalized platform where people can excel and also have fun. One part of our culture is that while we create value, we also grow, help each other grow, and have fun. That remains part of our culture.

Report is AI-generated and may contain inaccuracies.

I will hand over to Shanai Ghosh to speak a few words about Zuno Insurance and the GI market, and then we will open it up for Q&A. Thank you again, and over to you, Shanai.

Shanai Ghosh: [pause] Thank you, Rashesh. Good afternoon, everyone.

Rashesh has already shared my big news, which is that we have turned profitable. I will lead with that. Usually, I would have led with the industry, but this is a very important milestone for us, so I will lead with it.

We have turned profitable, but what is particularly heartening for us is that this has come on the back of very robust growth. We have grown GDPI at the rate of 51% and NWPI at the rate of 49%, which is more than 4 times the industry growth. The private GI industry is growing at 12%.

In addition to this, our growth has been particularly robust in our area of focus, which is Motor. We have grown at 69%, while the industry has grown at about 12%.

Even if we look at OEM as one of our major channels, our new business growth in that channel is 37%, compared with 22% growth in sales.

Overall, this profitability has come on the back of 2 major factors. One is growth. As you all know, growth comes with a penalty under the current accounting standard because the cost is incurred upfront while the earnings are amortized.

The second point I would like to highlight is that this movement toward profitability is also a function of cost.

We have seen a structural reduction in our COR, with an almost 10-point reduction from about 128 at the same time last year to 118. A significant part of this reduction has come from expense efficiency and the operating leverage that we believe the operating model, particularly the digital operating model, would deliver. It is delivering, and it is becoming visible this year.

It is also important to highlight that our EOM, which is a point of contention and a much-debated topic, was 34.1 last year. It has come down by another nearly 3 percentage points to about 31.6, and obviously, we continue to improve as volumes grow.

This is a journey from approximately 46% about 4 years ago to nearly 30%. We closed last year at 30.5%. We have demonstrated the ability to deliver the operating leverage that we had discussed, and that is playing out along with robust growth.

As far as the industry is concerned, industry growth has been more or less consistent and range-bound in the 11–12% range, despite any other regulatory or non-regulatory changes.

Having said that, the headroom for growth is very significant. At around 1% of GDP in non-life insurance premiums, we are still one-fourth of the world's average. At about $25, we are still at about 5% of the world's average per-capita premium.

As I said, the headroom for growth is significant, so the opportunity is huge. This is just from the perspective of penetration and per-capita density.

Report is AI-generated and may contain inaccuracies.

If we look further at the opportunity by segment, that is also huge. Even the largest segment, or at least one of the largest segments, for GI companies, Motor, still has 50% underinsurance and non-penetration across various vehicles, as well as growth relating to unregistered vehicles.

We believe that the industry continues to offer tremendous growth opportunities. We believe that the industry still has some problems that need to be solved, which a digital-native insurer with a lean operating model like ours can solve.

Lastly, there are market and regulatory shifts which we believe favor models like ours that are digital and efficient. Thank you. That is all from me.

Rashesh Shah – Chairman: Excellent. Thank you, Shanai.

Rashesh Shah – Chairman: We can now open it up for questions and answers with the moderator. Can you start the Q&A?

Operator: Yes, certainly. Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking questions.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press star and one.

The first question is from Maulik Chodury from Monarch Networth. Please go ahead.

Maulik Chodury – Monarch Networth: Hello, sir. Am I audible?

Rashesh Shah – Chairman: Yes.

Maulik Chodury – Monarch Networth: Thank you, sir, for taking my question. I have a couple of questions.

First, congratulations on the successful completion of the EAAA IPO. I wanted to understand how we should think about the ownership roadmap from here, given that post the IPO, EFSL holds around 84% stake.

My second question is that our overall Mutual Fund yield has increased by 5-6 basis points year-over-year to 25 basis points this quarter. Could you throw some light on the categories in which we have seen this improvement and on our mid-term target for the yield? These are my 2 questions.

Rashesh Shah – Chairman: Can you repeat the second one? There was a little static, and I did not hear it clearly. I am sorry.

Maulik Chodury – Monarch Networth: Yes. Our Mutual Fund yield has improved by 5-6 basis points. I wanted to understand in which categories we have seen this improvement and what our mid-term target for the yield is.

Report is AI-generated and may contain inaccuracies.

Rashesh Shah – Chairman: Okay. [pause]

On the first question, we own about 84% of EAAA. We do not intend to dilute further in the near future.

Our idea behind the EAAA listing was, of course, to achieve some asset monetization, but that was not the primary reason. Our primary reason was to get this business listed, because we believe it has the potential to become the leading alternative asset management franchise in India.

By getting it listed, we can also use employee stock options as a way of rewarding our long-term employees, so long-term compensation can include an ESOP element. It allows the platform to be institutionalized with an added level of oversight and governance. We also believe that wherever you manage third-party money, it is beneficial to be listed because it provides much greater transparency.

That is the idea behind EAAA. We do not intend to sell any more of our stake in the near future.

There is obviously a minimum public holding requirement over 3 years, but 3 years is still quite far away. For at least the next year or so, we do not intend to sell any shares at all. Ideally, we would like to hold as much as possible.

We also have some ESOPs which, when converted, will help meet the minimum public shareholding requirement. We are managing the matter in that way.

On the yield side of Mutual Fund, yes, there has been an improvement in yield. Part of that has come from the product mix because we have some products with higher yields, and those products have also performed well.

Part of it is that we have also reshuffled some elements. Currently, if you calculate the overall yield, on the equity side we are at about 38-39 basis points. Over the long term, we think we can reach 45, but we are not in a hurry.

We are not improving our yield by cutting distribution costs or anything of that nature. We have new products that we can introduce, our product mix changes, and we continue to build a lot of efficiency around that to improve our yield.

We think that, over the long term, equity assets should generate a yield of approximately 45-50 basis points. We are currently at about 38-39 basis points. We have come a long way.

The improvement is happening slowly and steadily. I repeat that it will not happen at the cost of reducing our distribution partners. A lot of our distribution partners do a great deal of work to educate our customers. Many of our products have special features, and our partners communicate an understanding of those features.

We believe our yield can improve without squeezing brokerage costs, through the introduction of new and innovative products and by scaling up products that offer higher value to customers. Thank you.

Report is AI-generated and may contain inaccuracies.

Maulik Chodury – Monarch Networth: Okay, thank you, sir. Thank you for answering the question. I will fall back in the queue.

Operator: Thank you. The next question is from Vinod Birla from HDFC Securities. Please go ahead.

Vinod Birla – HDFC Securities: Hi, sir. Can you hear me?

Rashesh Shah – Chairman: Yes.

Vinod Birla – HDFC Securities: Thank you for taking my question.

In EAAA, we have seen robust fundraising of around 20,000 crores in H1 across various categories such as special situations, private equity, and CATS. What does the product pipeline look like from here? Are there any particular categories that you are keen to explore?

Rashesh Shah – Chairman: On EAAA, as was also mentioned by my colleague Amit Agarwal, who is the CEO of the EAAA business, they had an analyst call a couple of days ago. We have had fairly robust fundraising.

We currently have 4 flagship funds. One is special situations, one is infrastructure yield, one is private equity, and the other is performing credit. We have been raising money across all 4 of these.

Along with that, we listed an InvIT called CATS in April. That has also become part of the platform.

Our current target is to raise approximately 30,000 crores. About {? 11, 12 thousand crore ?} will be in InvITs and about {? 18 thousand crore ?} will be in funds.

EAAA has 2 businesses. One is the funds business, comprising the AIFs, which include special situations, infrastructure yield, performing credit, the energy transition fund, and private equity. The other business is InvITs.

We have 2 InvITs, NIIF and CATS. In the future, we may create more InvITs and REITs as new categories.

Overall, we are going to raise about {? 11, 12 thousand crore ?} during the year in InvITs, which has already been completed, and about {? 17, 18 thousand crore ?} in funds.

Vinod Birla – HDFC Securities: Okay. I have a follow-up question. Could you please share your thoughts on the recent paper released on insurance reforms? Where do you see some of the key areas in which insurance and distribution partners have voiced concerns? What could this mean for Zuno, and how are you thinking about navigating this?

Rashesh Shah – Chairman: I will add a couple of lines from the life insurance side and then hand it over to Shanai to discuss the Zuno aspect.

First, we think this insurance distribution reform is a very good development. It is similar to what happened in Mutual Funds about 8–10 years ago, when the entire TER regime was introduced and the entire Mutual Fund distribution cost structure was realigned to add more value for the customer.

Report is AI-generated and may contain inaccuracies.

I think the insurance proposal is along the same lines. Of course, it will mean a significant reshuffling of which costs are borne by the insurance company and which costs are borne by the distribution partner.

I think it has affected brokers and institutional distributors much more. There will be substantial reshuffling of costs, and cost-sharing will take place there.

Our insurance business in ELI, Edelweiss Life Insurance, is much more agency-led and direct-led, so we will also be able to reshuffle that. However, agency and direct distribution costs are not as affected.

We will wait for the final norms to be released. Overall, we think this will be positive for the industry as a whole, especially for us, as we are a smaller and more agile player and are not as dependent on bancassurance.

Over to you, Shanai. How do you see this in your industry?

Shanai Ghosh: Thank you, Rashesh.

First, I will discuss the industry. Yes, this is a consultation paper. The numbers may change somewhat, and some other aspects may also change, but I think the direction from the regulator is very clear.

First, the industry has to become more efficient. There are parts of distribution that have very high costs, and the regulator wants to bring those costs down.

As Rashesh said, we believe that the net result of this will be positive for the industry. There may be some transitional upheaval, particularly on the distribution side. Some business models will have to be rethought. [trails off]

Management: The distributors are already thinking about it. Also, as you said, many brokers and distributors had given feedback to the authority, and I think they are seriously considering it.

Anything reasonable that is in the interest of the stable growth of the industry while preserving value for the customer will be viewed very favorably. That is my understanding from our meetings with the Chairman.

That is about the industry. If we look at Zuno in particular, that is why I gave you the map from 46% to 30%, because we have been able to demonstrate the operating leverage that we have always discussed.

Our opex ratio is 12%, which is the number that the regulator was also discussing. It is honestly quite comparable, perhaps only a couple of {? 200 basis points ?} higher than that of some very scaled players.

That is one aspect in terms of operating efficiency, which is what this paper is pushing the industry toward.

Report is AI-generated and may contain inaccuracies.

The second aspect is distribution cost, which is where the caps on commission come in. Whatever the commission caps may be, Zuno has never been a player that bought market share. We have never been the highest payer. If you look at the public disclosures of various companies for FY26, you will find that this is supported by the data.

We have always focused on product innovation, services, and technology. That is what has won us market share, and that is what has won us partners who stay with us.

For us, when payouts stop being a lever of competition, it works to our advantage because we have always operated on these 3 pillars. Whatever the numbers may be, if payouts stop being the primary axis of competition, the industry will go back to the basics: product innovation, customer value, service, and claims.

Partners will also look at these factors, as well as the overall efficiency, flexibility, and empowerment that an insurer offers.

We believe that these regulatory reforms favor business models like ours, and therefore, we are preparing for them.

Having said that, there will be some changes that we will have to make. The industry had outsourced a significant amount of distribution to third-party companies and brokers. Some of that will have to shift so that distributors can manage their costs and the industry also takes up part of that work.

Eventually, I think there will be a 6-12-month transition period. However, the industry will ultimately land on its feet. As I said, there is tremendous room and opportunity for growth, and I think long-term growth will remain intact.

Operator: Thank you. The next question is from Prabhav Shah from Equitas Securities. Please go ahead.

Prabhav Shah – Equitas Securities: Hello, thank you for the opportunity. I have 2 questions.

Recently, we have seen new players entering the general insurance industry. With increasing competition, how does Zuno differentiate itself? What is its competitive advantage? Going forward, which product categories would you like to focus on? That is my first question.

My second question is regarding the Nido stake sale and the completion of the EAAA IPO. Could you tell us what your next value-unlocking plan is? ARCIL has completed its IPO, so should we think along similar lines for our ARC business, or are there any other businesses that you are considering?

Rashesh Shah – Chairman: I will answer the second part afterward, but for the first part, I will request Shanai to take it.

Shanai Ghosh: [pause] Thank you, Rashesh.

General insurance has always been a very competitive industry. In fact, we entered the market in 2018, and we have been able to build market share during a period of intense competition and in the presence of very well-entrenched players.

Report is AI-generated and may contain inaccuracies.

We have always discussed 3 things as our differentiators.

The first is product innovation. Over the last 8 years, we have successfully established ourselves as a company that thinks very differently about products and is always very agile in identifying solutions that our partners or customers may want. This has encouraged many partners to work with us and co-create products. That is one area in which we differentiate ourselves.

The second is our technology platform, which delivers operating efficiency and tremendous agility and flexibility to all our partners. As you would have seen in our deck, our integration takes place within a week. We have close to 500 APIs. All of this work helps free up a significant amount of productive time for the partner. That is the second factor that works for us.

The third factor that works for us with partners is transparency. We are extremely transparent in our communication on everything, whether it is the product, pricing, or payout.

The fourth factor, which is last but certainly not least, is our claims service. From day one, we have focused on our claims service because that is really the product that the customer sees.

The product that we sell is a promise, but the product that the customer actually experiences is the claim. For us, the proof of this entire service delivery is not only the NPS that we receive from customers, but also the NPS and feedback that we receive from partners.

Over 8 years, there has hardly been a partner whom I have met who did not have good things to say about our service.

Over the last 8 years, we have created this kind of platform for ourselves, based on service, product innovation, efficiency, and agility. We believe that this is not very easy to replicate.

In addition, we have created data and analytical capabilities that allow us to price risk at a very granular level. In this industry, as you have seen from the overall direction of reform, it is necessary to be as efficient as possible and to be as effective as possible in risk selection.

Our technology platform and data platform help us excel in these 2 areas, in addition to our being a very agile and service-driven organization. That is really Zuno's differentiation.

Rashesh Shah - Chairman: [pause] Thank you.

On your second question, as I said, our corporate debt after the EAAA IPO is somewhere around the 4,000-crore range. We think approximately 3,000 crores is sustainable debt because we have property, an office building, and other property. We will also have our stake in Nido, which is now an investment stake, as well as our other investments.

Taken together, approximately 3,000 crores of corporate debt can be sustained. We were at more than 4,000 crores after this transaction.

We now receive a fair amount of dividends from our underlying subsidiaries. You would have seen that EAAA also declared a dividend a couple of days ago. On that basis, we are now in a very comfortable position from a corporate debt perspective.

Report is AI-generated and may contain inaccuracies.

We will still want to IPO and list a couple of our subsidiaries in the next 2-3 years. As you correctly said, the 2 businesses that are getting ready and should be ready in the next 2 to 2.5 years are Mutual Fund and ARC.

I think ARCIL's listing and the awareness it has created among investors are good precursors. We believe that as the credit cycle returns, growth in the ARC industry is also returning.

In fact, we think this year will be a good year for the industry as a whole in terms of new assets being acquired. We are also seeing and experiencing growth in ARC.

As the credit cycle grows, and as you know, bank credit grew by 18% in the first half, it is inevitable that there will be some buildup of NPAs and some need for NPA sales by banks. That will return.

We think the next 3-4 years will present good opportunities for the ARC industry. In that growth, ARC could also be a candidate for an IPO.

We tell all our businesses that they should continue to prepare for an IPO because that is itself a good process from the perspective of governance, transparency, and institutionalization. Preparing for an IPO is good homework. It builds the entire platform well.

We will continue to prepare all our companies for IPOs, but I do think, as you correctly said, that the asset management AMC [trails off]

Management: ...and ARC could be candidates, but again, we will wait for a year before starting the process because we want these companies to grow and not become too distracted by the IPO process.

Prabhav Shah – Equitas Securities: Got it. Thank you so much. That was helpful.

Operator: Thank you. The next question is from Sanchei Laddha from {? Bank of America Securities Research ?}. Please go ahead.

Sanchei Laddha – Bank of America Securities Research: Hi, sir. Thank you for the opportunity.

My question is about the fact that, following the EAAA IPO, the entity continues to remain under the parent company structure, effectively making it a holding company and exposing it to a holding company discount.

In our previous call, we had indicated that management would ensure that shareholders do not suffer from a holding company discount and that it would take appropriate steps to protect shareholder value.

Does management have any plans to demerge EAAA from the parent company at some point in the future? If it continues to remain within the holding company structure, the holding company discount is likely to persist, defeating the purpose of the IPO. What is management's long-term plan to address this?

Management: [pause] I am happy that you are asking that.

Report is AI-generated and may contain inaccuracies.

First, I must be clear that the idea behind listing EAAA was not related to any objective concerning a holding company discount. We also do not call ourselves a holding company. We are an investment company. We invest in businesses and take a long-term view on how we want to create value from those investments.

The EAAA IPO was not undertaken with the objective of addressing a holding company discount. In fact, we are very focused on intrinsic value. We do believe there is a gap between intrinsic value and market value, but that gap will also close as the market better understands the intrinsic value.

The market will understand that we have a range of businesses that are diversified, and that Edelweiss, the parent organization, also provides benefits to EAAA. Whether it is IPO-related growth or anything else, there is significant enablement and nurturing that is required.

When we demerged Nuvama a few years ago, Nuvama had reached a stage where it could stand alone and operate independently because the enablement and nurturing phases were over, and a private equity partner had entered with a majority stake.

If you look at India, most companies have either an investor or a sponsor who acts as an enabling factor and makes at least some critical decisions. It is therefore important for us to nurture and grow EAAA over the next few years.

I think shareholder value in Edelweiss over the next 5 years will come largely from the growth of the underlying businesses, and not from any financial engineering that we undertake.

Having said that, we are very focused on reducing the difference between intrinsic value and market value. However, that is not entirely in our hands; it is also in your hands. As investors, if you like the business, the story, and Edelweiss as a company, then the discount will come down.

We have to create much greater awareness and communicate much more. Along with that, we have several tools besides the growth of the underlying business to ensure that Edelweiss shareholders do well.

As you clearly said, demerger is one option. There are many complexities and nuances involved. It is not something that can be done simply as one exercise by saying, “Now distribute it,” because these businesses require significant enablement. Therefore, it needs to be done at the right time.

There are many Income Tax rules and SEBI rules. Since we manage third-party money and are involved in AIFs, there are many other issues as well. We have to approach this in a very thoughtful manner.

For the next couple of years, our key focus is that, now that corporate debt is manageable, we will continue to reduce and pare it down gradually. However, the biggest thrust over the next 2 years, now that the insurance business is also turning profitable, will be on growing the underlying businesses and providing them with all the necessary enablement.

The discount to intrinsic value is determined by the market. I do not even know what this concept called a holding company discount is, because I have seen companies in the United States that trade at a holding company premium. We are not a holding company.

Report is AI-generated and may contain inaccuracies.

A word on holding companies versus investment companies: holding companies that have a 100-year view generally aim to keep control within the family. That is why investors sometimes give them a discount, because the objective may not be to grow and create IRR and value; the objective may be to retain control within the family.

On the other hand, private equity funds have a 3-5-year view and focus on their IRR, entry price, and exit price.

We are an investment company that operates in the 15-30-year range. We grow businesses and build businesses, but we also act like an investor, as we did with Nuvama.

When we interact with all our businesses, we also wear a shareholder hat. We want our businesses to generate approximately 25-30% IRR for the shareholders of the parent company over a 15-30-year period.

We have a business model called an investment company. We do hope that, as an investment company, we should not trade at a substantial discount.

However, we all come from the capital markets, and we have enough advisors to know that if the discount becomes unacceptable, there are interventions that we can undertake.

Sanchei Laddha – Bank of America Securities Research: Thank you for the clarification, sir. Thank you.

Operator: Thank you. The next question is from Siddhesh Dharmadhikari from PL Capital. Please go ahead.

Siddhesh Dharmadhikari – PL Capital: Hi, sir. Am I audible? Hello?

Management: Yes.

Siddhesh Dharmadhikari – PL Capital: We have recorded robust net equity inflows of around 11,000 crores in {? AMC ?} this quarter. I wanted to understand which categories are witnessing this kind of traction.

Further, while net equity inflows have been strong, the SIP book has interestingly fallen by 11% quarter-over-quarter. What explains this? Are the majority of inflows coming in the form of lump-sum investments?

Management: [pause] Starting with the second question, SIP has fallen because of the international funds. As you know, there is a cap on international funds, and that cap has now been reached.

We were encouraging a significant amount of SIP activity. In fact, we had kept our international funds open only for SIPs. For international funds, we were not accepting large payments outside SIPs.

The international funds have now reached that cap. We had some headroom over the last year, which we used to cultivate many more SIP investors in international funds. Therefore, part of the fall in SIP is because the international funds have reached the cap, and we can no longer accept SIPs in

Report is AI-generated and may contain inaccuracies.

international funds.

In Mutual Fund, we were early movers in the {? SIS ?} space and are currently market leaders in that area. We were therefore able to move into it quite quickly.

We also have other innovative products, such as the recently listed IPO funds. We undertake significant product innovation.

Our older funds, such as the Balance Advantage Fund and the Midcap Fund, have also been performing very well. They have grown significantly in size over the last few years.

To give you an idea, in 2020 our Midcap Fund was 1,000 crores. Now it is close to 20,000 crores. We continue to grow those funds.

The Balance Advantage Fund and the Midcap Fund are our flagship funds. Along with them, {? SIS ?} has also been performing well. All our international funds have also performed quite well.

We have the entire range of funds, and the 4-5 funds that I have mentioned are our true flagship funds in which we have seen significant interest.

Siddhesh Dharmadhikari - PL Capital: Understood, sir.

On the asset reconstruction business, we have witnessed strong recoveries during the quarter. We have also started seeing some pickup in acquisitions.

In the past, you have discussed how this industry is cyclical in nature. Are we now entering the upcycle phase? Which segments are currently seeing the most activity in terms of NPA formation and acquisition opportunities?

Management: [pause] Yes. As you correctly said, between approximately 2014-15 and 2021-22, there was a good opportunity to acquire assets because banks had a significant amount of NPAs.

After 2021-22, the focus shifted significantly toward recoveries, and we have performed quite well on that front. I think that in the last 5 years, we would have recovered more than 50,000 crores from the old NPAs that we had acquired.

We are starting to see an increase in banks' willingness to sell NPAs. The number of offers has increased. [trails off]

Rashesh Shah - Chairman: We do think the industry as a whole will experience 40-50% growth this year in ARC industry acquisitions compared with last year. There is good growth taking place.

There are 3 segments in the market. The first is retail, which includes both unsecured and secured assets such as home loans and mortgages.

The second is what is called SME and mid-market, which includes accounts ranging from 5-10 crores to 100 crores.

The third is large accounts, which are corporate accounts of 100 crores and above.

Report is AI-generated and may contain inaccuracies.

In the last cycle, we saw a lot of activity in large accounts. There were large accounts such as Essar, Bhushan, and Binani. We are not seeing many large accounts coming into the market at present because they generally emerge when significant new capital expenditure has been created, projects run into trouble, and those assets return to the market. That is not happening now.

At present, a lot of growth is taking place in the retail segment, especially mortgages, where we operate. There is also growth in unsecured assets, but we do not operate in that segment.

We operate only in retail mortgages, where we see a fair amount of growth. There is also a fair amount of traction in SME and mid-corporate accounts, which, as I said, range from 5 crores to 100 crores. Many banks are selling NPAs of that size.

The industry as a whole is seeing activity in retail and in the SME, mid-market, and mid-corporate segments.

Siddhesh Dharmadhikari – PL Capital: Understood, sir. That is all from my side. Thank you.

Operator: Thank you. The next question is from Rajesh Ganesh Kumar from JM Financial. Please go ahead.

Rajesh Ganesh Kumar – JM Financial: Thank you for the opportunity. I have 2 questions to begin with.

In our Alternatives business, FPAUM has grown by about 28% year-over-year, although it has been mostly flat quarter-over-quarter. Could you help us understand what has led to the slowdown? Was it mainly due to fundraising or deployment?

How should we think about the FPAUM growth trajectory over the next few quarters and the profit outlook from here?

Rashesh Shah – Chairman: FPAUM is driven by many factors. Every time we exit a position, FPAUM goes down. Every time we deploy money, FPAUM can go up.

Sometimes, when we raise money, such as in private equity, where fees are based on commitments, FPAUM goes up. FPAUM can move up and down in a quarter.

Therefore, we look at a 3-year moving average. We have maintained 23-25% growth in FPAUM over 3 years.

Going forward, as was also asked in the EAAA conference call, we think FPAUM will continue to grow at 20-25% per year on a 3-year average basis.

On a quarter-over-quarter basis, there could be quarters with 25-30% growth, such as a quarter in which we close a private equity fund, resulting in a significant increase.

However, if there is a very large exit, as happened in the last quarter when we closed the first infrastructure fund, FPAUM can decline. We exited all the investments in that fund, and all the money was returned to investors with a good IRR.

Report is AI-generated and may contain inaccuracies.

When we close an infrastructure fund, FPAUM goes down. Alternatives therefore operates in a slightly more idiosyncratic manner, where FPAUM can move up and down each quarter depending on the activities undertaken.

The best way to evaluate this is on a 3-year basis.

The same applies to fundraising. Sometimes, for example, the January-February-March period is usually a significant fundraising quarter. As a result, there are substantial quarter-to-quarter fluctuations in both FPAUM and fundraising.

We therefore recommend and advise investors to assess that part of the business on a 3-year moving-average basis.

Can I get Shanai to take that? Shanai?

Shanai Ghosh: Yes, certainly, Rashesh. Thank you for the question.

In the addendum that we circulated, we discussed 6 areas in which we are already using AI. Zuno has been an early mover within the general insurance industry. We partnered with external entities and created AI assets internally.

One area in which we are already using AI extensively is product development. In technology and product development, we have our own technology team, and most of the products we use are developed internally.

We have seen a significant improvement in lead times, and our go-to-market lead times have declined by about 50% through the use of this technology. We are using it across the entire software product development lifecycle.

We have therefore moved from the software developer lifecycle to the AI-DLC.

The second area in which we are using AI is pricing intelligence. Pricing intelligence is particularly important in Motor, which represents almost 60% of our book.

Motor is a very dynamic portfolio in which we have to incorporate not only our own experience but also what is happening in the market. It is impossible for even an ML model to incorporate all that data.

We have created a pricing intelligence module that combines ML and AI. It needs to be deterministic, so the model is a combination of ML and AI, with AI incorporated into the intent and the process.

It provides rule recommendations suggesting the areas in which we need to make adjustments. Once approved, the recommendations automatically move into our rule engine.

That is the second area.

Fraud is another area in which we are using AI extensively. In insurance, we have to be very careful because we are dealing with customers. AI is more probabilistic, so we use a combination of ML

Report is AI-generated and may contain inaccuracies.

and AI.

The model itself is ML, while the process of deploying it is AI. This helps us increase the scale of our operations without a corresponding investment in people.

The fourth area in which we use AI is claims intelligence. In claims, there is a great deal that we can do using AI by reading the claims, reading the documents, and interpreting them without having to go through the entire human review.

Having said that, we always keep a human in the loop because these are decisions that affect customers. While AI shortens the entire process and prepares it for a decision, a human remains in the loop to take the final decision.

These are some of the areas in which we are using AI.

The last area in which we are using AI is making large amounts of data easily understandable to a broader group of people.

Today, we have dashboards, as everyone does. Internally, however, we have created something called Zuno Lens, which is an NLP engine that sits on top of our dashboard. You can ask it anything, and it provides that insight.

These are the areas in which we are currently using AI at Zuno.

Rajesh Ganesh Kumar – JM Financial: Understood. This is very helpful. Thank you.

Operator: Thank you. We will be able to take one last question. We will take the last question from Sanjay Pandit from 1729 Capital. Please go ahead.

Sanjay Pandit – 1729 Capital: Hello. This is for Rashesh.

Congratulations on a strong quarter and on the successful IPO of Edelweiss Alternatives.

With the Nuvama and Alternatives IPOs, there is a good trend of unlocking value through IPOs.

In the case of Nuvama, investors in Edelweiss Financial were able to receive some stock directly. That stock distribution approach was very helpful. We are still holding on to some of our stock. I believe Edelweiss had substantially exited the stake that it held.

We understand that you obviously have to pay down excess net debt. However, we would like to see a return to the practice of distributing stock to investors rather than keeping everything within Edelweiss, especially once you have reduced corporate-level net debt below a certain point.

Is this something we could look forward to in future IPOs, perhaps an IPO of the AMC, or possibly a subsequent distribution relating to Edelweiss Alternatives?

Rashesh Shah – Chairman: Again, as I answered in the earlier question, the decision to use distribution as one lever to unlock value is always available, and we do [trails off]

Report is AI-generated and may contain inaccuracies.

Management {? Ashish ?}: I personally am also an equity shareholder, first and foremost, before being the CEO of the company. We think like investors. Our entire management team also has stock options, so creating value through the stock price is obviously a fully aligned objective. There is no difference in that regard.

We believe that demerger is one available tool. It has its advantages and disadvantages, and perhaps when we meet personally, I can explain holistically how those advantages and disadvantages can be evaluated. Your inputs may also be helpful.

However, we have other tools as well. The biggest and primary tool for creating value—even in Nuvama—was not the demerger but the growth achieved over the last 5 years.

We want to ensure that when we demerge or distribute shares of a company, even after Edelweiss has no involvement, that company should continue to be able to grow and deliver.

In Nuvama, we were convinced that the business had reached that stage. EAAA is still a very young and fast-growing business. There is still a great deal of nurturing and enablement provided by the corporate parent.

We were deeply involved in the IPO, and we remain deeply involved in strategy, capital allocation, and several important aspects of people development. I am the Executive Chair of EAAA.

People development, culture, capital allocation, and strategy are all still areas in which we are deeply involved. When we believe that the business can continue to grow without Edelweiss' involvement and without any nurturing or enablement, and that we can shift to being pure shareholders rather than sponsor shareholders, we can initiate that process.

We were at that stage in Nuvama. We hope to reach that stage in EAAA as well. When we reach it, we will announce it and take the appropriate action.

Many of these businesses are growing quite well. I believe that the primary driver of value creation, whether through a demerger or otherwise, is growth and not merely financial engineering.

Nuvama had grown, and we were convinced that it would continue to grow. We had undertaken almost 4 years of work before that.

The Nuvama work began in 2018, and we eventually demerged the company in 2022. We stepped away from the operating committee and the board in 2023-24. We had provided significant handholding, and we had the time to do that.

It is also important to remember that Nuvama was entirely an Edelweiss business until approximately 2012, 2013, and 2014. What became Nuvama was effectively the whole of Edelweiss at that time.

It was therefore a much more evolved business and could easily continue to grow after the spin-off. In addition, there was a PAG-type partner involved.

Whenever we undertake such an action, we want to ensure that if the business needs a partner or sponsor partner, we have all of that in place.

Report is AI-generated and may contain inaccuracies.

It will therefore be a very thoughtful decision. We also have to take into account SEBI rules, Income Tax rules, and other requirements. There are many nuances, and I do not want to burden everyone on this call with them, but there are many things that need to be put in place before undertaking an action such as a demerger.

We will do it at the right time. However, as I said, even when we do it, the more important question is whether the business is on a path to strong growth.

EAAA, Mutual Fund, and all our other businesses are primarily focused on growth. If you have seen the first-half results, the primary story is the growth of the underlying businesses.

The operating PAT of the underlying businesses increased from 110 crores in the second quarter last year to 290 crores this year. On a half-year basis, it increased from 286 crores to 355 crores.

The growth of the underlying operating businesses is what we are truly focused on over the next couple of years.

We will undertake value unlocking when required. As we create awareness and the businesses grow, many investors are also excited by that.

We will speak with investors and stakeholders such as you, take your feedback, and keep this as one of the available options.

Operator: Thank you very much. We will have to take that as the last question. I would now like to hand the conference over to Ms. Priyadeep Chopra for closing comments.

Priyadeep Chopra – President: Thank you, Reo, and thank you all for your time today. We truly appreciate you taking the time to join us.

Please write to us at Edelweiss Investor Relations with any other questions or feedback that you may have.

Thank you, Ashish. It is always a pleasure to listen to your insightful remarks. Thank you, Shanaya, for clarifying all the questions today.

Thank you all, and have a great day ahead.

Operator: Thank you very much. On behalf of Edelweiss Financial Services Ltd., that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.