



# **Edelweiss Financial Services Limited**

## **Q1 FY26 Earnings Conference Call**

**August 08, 2025**



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**Moderator:** Ladies and gentlemen, good afternoon, and welcome to the first quarter FY '26 Earnings Conference Call of Edelweiss Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Priyadeep Chopra, President Edelweiss Financial Services Limited. Thank you, and over to you, ma'am.

**Priyadeep Chopra:** Thank you very much, Sagar, and good afternoon, everyone. A very warm welcome to our earnings call today. Today on the call, we have with us Mr. Rashesh Shah, the Chairman of Edelweiss; and Ananya Suneja, Chief Financial Officer of Edelweiss Financial Services Limited.

We hope you've all had a chance to review the investor presentation that we filed with the exchanges yesterday. During the discussion, we will be making references to it. Please do take a moment and review the Safe Harbor statement in our presentation. We will make statements today that may be forward-looking in nature and, hence, may involve certain risks and uncertainties.

With that, I'll hand over the call now to Rashesh to begin the proceedings. Thank you, and over to you, Rashesh.

**Rashesh Shah:** Hello, everybody, and thank you, Priya. Good afternoon to all of you for this earnings call at the end of the first quarter of FY '26. As quite a few of you know, we usually do the analyst call now every -- as our story has become more and more stable, and there is not a lot that is happening on a quarter-to-quarter basis.

But I think now given all the things that are going on in the world and we have also had quite a few things that have happened in Edelweiss in this quarter, so we thought we'll do this special earnings call at the end of the first quarter. So good to see all of you.

First of all, thank you to all of you for being on this call, for giving us your feedback and your support over the years. So as I said, a lot has been happening. Obviously, Indian economy, we are following, we're all effectively get impacted by the Indian economy. And the economy seems to be growing well, but there are headwinds of slowdown happening. And fortunately, the Reserve Bank has been aggressive, they have cut rates, they've injected a lot of liquidity. So that at least put some tailwind behind the growth issues that we have.

So we remain positive, but a lot of the liquidity transmission is still going on. Usually, in India, the liquidity gets transmitted from Reserve Bank to the financial system, and from financial system to the real economy. It's still growing slowly, and we think it will still take another two to three quarters. So by that time this liquidity that RBI has injected the interest cut they have done, it should be December onwards.

But I think along with the good news on liquidity, obviously, growth has been a challenge. Corporate earnings has been slowing down. capex has been low. All the drivers even households are slightly more indebted, government spending has been the driver for the last few years, but also now that is getting more stable, corporate investments have been slow, and exports obviously will get affected by all the global things that are going on. So I think growth is a challenge. Hopefully, liquidity should offset some of the growth issues we have.

And obviously, the tariff issue, a lot of investors have been wondering, it has been top of mind. It is in the newspapers all the time. I think our analysis Edelweiss been that out of the 50% tariff, 25% is linked to the Russian oil, which is actually a much smaller issue economically, appears to be a larger issue. And I think India approximately will import about 800 million barrels of Russian oil.

And the calculation is that now the advantage of Russian oil is not more than \$3 to \$4 per barrel. It is to be about \$20 per barrel, but the price has been shrinking. The gap has been shrinking. So now a lot of analysts feel that this is worth only \$3 billion to \$4 billion a year economic advantage. So this for a country like India should not be a big thing on which we'll fight. But of course, the optics are important.

Our strategic importance is important. All those issues will come about, but the Russian oil issue is a \$3 billion to \$4 billion issue. But the other 25% will also hurt our exporters, but I'm hoping that the US trade team is going to come to India in the end of August. Negotiations are still going on. Fortunately, the Indian government has not taken any hard stances up till now. So we do think this should get resolved and things should only improve from here, hopefully should not get worse, but we all keep our fingers crossed.

And with that, we come to the Edelweiss update for the quarter. As you all would have seen, good robust profitability growth in the underlying businesses. Consol PAT was INR103 crores, which is up about 20% Y-o-Y. But for us, more important is the PAT from the underlying businesses, the 7 businesses we have, that is at INR179 crores for the quarter, which is up 23%. And there has been a good scale-up in alternative asset management and mutual fund. The profitability in insurance is also improving. We are going closer and closer to breakeven.

And you would have seen our consolidated net debt has come down by INR4,800 crores, which is a 31% fall. So as with our story last many years, we have been bringing our consol debt down. And from a peak debt of about INR50,000 crores, we are now close to over INR11,000 crores. So I think consol net debt bringing down has been part of our strategy. It is the pivot to more asset light, more asset management, insurance, more asset-light credit businesses than a very large balance sheet business. So we continue to do that.

We have strengthened our balance sheet. All the businesses are well capitalized and the liquidity is surplus, as you can see in Slide 15, all the capital adequacy, solvency ratios in all our businesses are very, very healthy. We also continue to add retail customers. Retailization has been an important part and we now have 11 million customers, which is a growth of 31%.

We have an internal target of going to 50 million customers by 2030, and we'll keep on pushing on that. Our customer assets now stand at INR2.3 trillion. And of course, we early had Edelweiss Wealth Management will become Nuvama and those customer assets have gone away. But after that, we are about INR2.3 trillion customer assets.

Before we go into some highlights on the businesses, I just want to spend 5 minutes on the key priorities that we've been highlighting. So our first priority has been growth in underlying businesses as we have seen, they've been growing very nicely. 2 years ago, the underlying business is PAT was INR108 crores for the quarter, which is now INR179 crores, which includes insurance losses also.

So if you look at Slide 9 in the investor deck, there has been almost a 30% growth in the PAT of the underlying businesses. This is the heart of our efforts. We're confident we have an internal target of maintaining a 25% PAT growth of underlying businesses. And as we speak about the businesses, we will give more color.

Our credit businesses have been held back in the last few years. As you know, we have a lot of equity in those businesses. But because we are focused on the wholesale book cleanup, we have not grown, even housing finance business, Nido, which was not affected by the wholesale book cleanup had also been held back because while we are cleaning up the wholesale book, while we are repaying debt, we didn't want any distraction.

So Nido has also held steady for the last few years, strengthened the platform, invested in partnerships. But now we expect the credit businesses also to start calibrated growth with our asset-light strategy, which includes co-lending and all. The recent RBI guidelines, which were announced 2 days ago are very positive in that light.

So also because all our businesses are asset-light and capital light, they also now are able to throw out a lot of free cash flow, and that free cash flow helps the corporate, the holdco gets dividends for that -- from that. So even in this year, by now, we have got more than about INR500 crores of dividends from the underlying businesses, which as you will see is important for our reduction in corporate debt. .

So in insurance business, we reiterate that we are on track to breakeven by FY '27. And the insurance quarterly losses have come down, but obviously, we still expect this year to be a loss collectively for the insurance businesses. In '27, we should breakeven. The other important part has been corporate PAT. So if you look at our PAT, our consol PAT has two parts. The underlying business PAT and the corporate PAT. Corporate PAT obviously has been a drag on our earnings.

Even now, it is running at about INR400 crores per year minus. And largely, this is due to the interest cost that we are carrying. This interest cost that the corporate pays on its borrowing is partly offset by stake sale and capital gains on that. But this is a drag that is there. As we reduce the debt, this drag will also go away. And we are very voluntarily taken on this because last few years, as we pivoted as we unbundled, we make sure all the underlying businesses were well capitalized.

We ensured that they were not starved of growth capital and growth investments, and the corporate took on a little bit more burden. We also took the burden of cleaning -- helping cleanup the wholesale book in the NBFC, which is now behind us. I think 31 March 2025, we formally feel that we have cleaned up the wholesale book. And now still some recoveries are left, but there are no underlying drags of that wholesale stress issue, which is holding us back.

So now that, that is behind the corporate, we take some onus on that for strengthening the businesses underlying and for cleaning up the wholesale book in NBFC. But now, fortunately, that is behind us. So now we start -- we have started to reduce the corporate net debt. Since March '19, it has come down by INR29,000 crores our consolidated debt. And now we constantly focus on that.

As you would have seen on Slide 23, we plan to bring down the corporate debt by stake sale in businesses, dividends or businesses, and we have some properties and all which we can sell. So collectively, all of this, we think we should be able to reduce the corporate debt by about INR3,500 crores to INR4,000 crores, INR4,500 crores over the next couple of years.

Our balance sheet and liquidity position continues to remain very comfortable. In fact, for the first time, we feel we have maybe overcorrected a little bit on liquidity, and we are now looking to prepay some of the debt and reduce the liquidity we are holding. That should also help us improve our corporate PAT as we strengthen -- as we repay the debt.

So both the drags on our PAT. Last few years, friends, the two drags on the PAT were insurance losses and the corporate debt cost. They both have been coming down in the last couple of years and the next couple of years, we want to bring that down and that will result in a healthy consolidated PAT growth because the underlying businesses will continue to grow. .

Our third priority after the PAT of the business, debt has been on EAAA listing. So as you may remember, I'll give you a little bit color, we had filed for the DRHP in March -- in December '24. We were hoping to do an issue by April 2025. But in March, we received a feedback from SEBI.

And this feedback was mainly on reclassification of the revenue lines, has no impact on the overall PAT or any of the consolidated PAT expense number, everything remains the same. The issue was, if I may give a little bit of color is -- and alternate -- we are the first alternative asset manager which has filed for IPO. And in an alternative asset management business is slightly different from regular mutual fund business. In an alternative asset management business, you have three drivers of your revenue.

One is of fee income, one is of variable income, which is linked to performance and threshold and hurdle rates and all. And the third is investment income. Now unlike in a mutual fund, where investment income is very, very small because your compulsory investments are small, in alternative funds, your investors expect you to invest anywhere between 3% to 10% of the corpus as your investment.

So -- along with your investors, you also earn return on this investment that you made, which is part of the core earnings. So in India, the mutual funds only take the fee income as income from

operations, and they treat both the others, the performance-related income as well as the investment-related income as other income.

Internationally, most -- all the asset management firms take all three as income from operations, which is what we used to do. Now we've been working with SEBI and it's actually been a very positive experience because SEBI has been very proactive because they want the alternative industry to grow. They want a lot of alternative managers to list, and hence, they wanted to figure out what is the best way of classifying this income.

I think with guidance from them, now it has been agreed that both first two income -- fee income and income linked to the performance are both income of operations, while investment income is other income. So we have reclassified our income on that -- along those lines. We also reclassify our expenses in these three buckets because we want to give real color to the investors that there are 3 buckets: fee income, performance-linked income and investment income.

And there are different expenses for that. So we've been strengthening that and strengthening our articulation of that. Also, we have used this time because the business continues to grow. To strengthen the long-term strategy of the business, we are now looking at a 10-year plan. We think alternatives is really growing even faster than we thought in India, and we are putting together a 2035 kind of plan vision articulating it internally.

And along with that, also investing in leadership strengthening for that plan. So as you would have seen, my colleagues, Amit Agarwal and Subahoo Chordia have now become CEOs of the business. We elevated them. They both have been running the underlying funds for quite a few years. Both of them have been in Edelweiss from 2008 onwards, and have been part of the Edelweiss growth story.

Amit Agarwal runs the -- what we call the private credit part of the EAAA business. And Subahoo, runs the real asset part of the EAAA business. These are two verticals we have. So elevating them as CEOs of the business has also been part of strengthening the organization and strengthening the leadership of the organization.

So now we expect to launch -- we are targeting the EAAA IPO for April 2026. So earlier, it was planned for April '25. Now it has effectively got postponed by year, but we are working backwards to -- on April 2026. We can do it earlier, but usually Jan, Feb, March is a very busy quarter for our management team and all. A lot of fund raising happens in Jan, February, March.

For all of you on the asset and wealth business, you will know that almost 40% of the activity in India is in Jan, Feb, March. Usually, Jan, Feb, March is also the period where a lot of international meetings also happen, because after Christmas -- actually, after Thanksgiving and Christmas, a lot of the international investors are available to meet after Jan. So we don't want to do the IPO in Jan, Feb, March.

So we are now currently targeting for April 2026. We are also doing IPO not for liquidity. As I said, our liquidity is stronger than what we think we require. But we want EAAA to be listed as an independent institutionalized platform. We also think EAAA will be strongly positioned to be a leader plus also pursue inorganic growth opportunities because there will be a lot of

consolidation in the alternatives asset management space in the next 5 years. And we think alternatives as an investment class has truly arrived, and EAAA will actually be one of the pioneers in that. So that's the update on the three priorities.

On the business update, you would have got a chance to see the slides. I won't spend too much time on that. In our alternative asset management business, we have private credit where we have INR38,000 crores of AUM. And in enterprise -- in the real assets, we have about INR21,000 crores. We have been very strong in realizations because as you know, it's easy to invest, it's very hard to exit. So we have very strong DPIs, as we call it, which is distribution for investment, which a lot of investors like. More than IRR, they also look at DPI very closely.

Our mutual fund continues to grow well. And in the mutual fund, we are focused on the equity AUM, which is now at INR72,600 crores, which is 38% growth Y-o-Y. So we continue to focus on growing our equity, AUM. The profitability of the mutual fund has also been very strong. The first quarter, they have done almost half of what they did for the last 12 years. Our asset reconstruction business is acquiring a small amount of new assets, but the large focus is on recoveries.

We recovered INR4,753 crores in this quarter, which has been a big one. We usually recover about INR8,000 crores, INR10,000 crores every year, but we have already recovered INR4,700 crores this quarter. It's been a very good quarter from a recoveries point of view. We also acquired another INR200 crores of retail new assets. So AUM has grown on the retail side.

The profit is steady. As you all know, that there is not a lot of AUM growth. The focus is on recovery of the AUM. Our NBFC and housing finance have been steady, but now we're starting to see growth. I think the first quarter there has been a significant growth in disbursements in both NBFC and housing finance. The highlight on NBFC is the wholesale book is now reduced by another 39% Y-o-Y and now the wholesale book is only INR2,400 crores.

Insurance business on the GI business, Zuno, our gross premium As you know, the industry is not growing very well because car sales are low, but still we managed to grow at 11%. And our AUM in the life insurance business has grown by 16% this quarter. So overall, friends, to complete, our businesses are growing well as per plan. We expect the PAT growth of the underlying businesses to continue to focus on getting a 25% CAGR.

Our corporate debt will come down as planned. And with that, there will be a consistent improvement in consolidated PAT. We continue to invest in making the organization strong by investing in leadership, technology and innovation. You would have seen product innovation, whether it was Bharat Bond, whether -- there are a lot of products in insurance, whether they EAAA, in private credit and real assets. We've been very, very focused on innovation. So that continues to be a very, very key area of attention for us.

We will continue to add new customers. We have 11 million customers. We are growing at 20%. We want to keep doing that, go towards the 50 million customer target we have, which will be a large one for us, but still from an India scale point of view, will be relatively smaller, but it will be a good target to achieve. And finally, EAAA IPO, which a few of you have been asking

us. We will target to do IPO in April 2026. So with that, again, thanks a lot for your attention. And now we'll open it up to Q&A if any.

**Moderator:** Our first question comes from the line of Raghvesh from JM Financial.

**Raghvesh:** Sir, a couple of questions. First on the EAAA business. So ARR AUM has grown at around 20%, CAGR since FY '22. But recently, the growth has come down to somewhere around 5% to 6%. So is it due to industry dynamics or -- is it anything specific to our business? And the second question also straight away.

So secondly, on the ARC piece, now that business is running at a 91% kind of which is quite high. So is there room to optimize there? And can we see some kind of surplus cash flow being returned to us in the form of dividends or a buyback? Or does that business actually need that 91% and the capital question? These are my two questions.

**Rashesh Shah:** Thank you. Actually, both these are very interesting questions. So thank you for picking them up. On the EAAA ARR, we will maintain a 20% to 25% growth. What happens in the ARR, the way ARR is calculated, it gets impacted on the positive side with new fund closures, and we expect a lot of the funds that we were raising last year also to close this year.

Last year, because international market was slow and because Indian equity markets was very strong, a lot of the funds that we launched are getting closed now. So as the funds get closed, the ARR revenue goes up. So you might make efforts for 1 whole year, but only at the close of the fund, it gets added to your ARR revenue. We expect to maintain our same steady 22%, 24% growth.

It's not something you can monitor on a quarter or quarter or 2 quarter basis. The other thing that impacts ARR revenue are your exits because we have had quite a few exits, as you would have seen. It's been a great year for exit because obviously, a lot of people are also pre-paying and they are raising equity to pay off the private credit, loans and all. So -- and exits are good. I mean exits do bring your ARR revenue down. But from a risk point of view, exit is where you are making your returns and all.

So there have been -- in the Jan -- in the April, May, June quarter, there have been two or three big exit. As you would have seen, even in ARC, recoveries have been very strong because there's a lot of equity capital that is getting -- coming into special situations and stressed assets which is taking out the creditors of those stressed assets. So we expect that we will still maintain the same ARR growth that we have. We have quite a few fund closures ahead of us in this year.

On the ARC side, you are right, they have excess capital. They have currently almost INR3,500 crores of capital, and they are making INR300 crores, INR350 crores of profit every year. So we do think that they have about INR1,500 crores to INR2,000 crores of excess capital that is there. So we have started paying out dividends from there. In the first quarter, ARC paid out about INR650 crores of dividend, out of which INR350 crores came to us. We own 60% of the company.



So we do expect to rationalize the excess equity in ARC. They also did a small buyback in the month of March. So I think buyback and dividend will be one day, because if not anything, they will still add about INR800 crores to INR1,000 crores of earnings in the next 3 years. So we need -- I think if you ask me, I think in 2 years down the line, the ideal ARC equity should be INR2,000-odd crores, INR2,000, crores, INR2,500 crores. Anything more than that is excess for us, and we need to rationalize and it helps the corporate because it gives us the dividends to also rationalize our debt.

**Raghvesh:** So that means somewhere around the 45% to 50% kind of number what you are comfortable with in the ARC?

**Rashesh Shah:** Yes. Because ARCs they are almost INR1,000 crores of free cash flow every year.

**Moderator:** Our next question comes from the line of Kartikeya Mohata from Motilal Oswal Financial Services.

**Kartikeya Mohata:** So I have two questions. First was the PAT in the mutual fund business, it remains around like 5 bps, which is significantly below the industry average. So what are the structural or operational factors behind this lower yield? And what are your plans to improve it? The second question that I have that is on the housing finance business. So both the AUM and profitability in that business is largely flat over the last 4, 5 years. So now that you now that you've done the -- reduce the wholesale book, so what is the strategy to scale disbursements and growth going forward?

**Rashesh Shah:** On the mutual fund, you are right, about 5 bps is very low profitability. I think industry average is about between 10 to 15 bps on an average. Of course, there are some which are even higher than that. We have a 5-year plan. It actually has quite a few components. And you would have seen that our profit even 5 bps is an improvement over where it was a year ago and where it was 2 years ago and where it was 3 years ago.

So there is a steady state. We were spreading our distribution. We used Bharat Bond where the, obviously, profit yield is pretty low. As we build our equity AUM, which is now INR72,000 crores and growing at 38% a year, the PAT yield of equity assets is obviously much higher than the PAT yield of nonequity assets. So as we are building -- I mean, if you even track the ratio of equity AUM to total AUM, it is now getting closer to 50%. We were at about 20%, 25% a few years ago.

So as we are improving that, we do think in the next 5 years, we should get to the industry average, average PAT level, which we think is about 14, 15 basis points. It will take a little bit of work. We are tweaking our strategy. There is a lot of product -- there are products with 3 bps of profitability and there are products with 30 bps of profitability. So you need to rationalize your product portfolio, your brokerage, your scale as your TER keeps on going up, up to a point, it is good, then it becomes bad, then again, it's good from the yield point of view.

So it's a very dynamic situation, but I can only assure you that on a quarter-on-quarter basis, we'll keep on improving this. So it is not great from an industry relative point of view, it is a huge improvement from where we were, and we continue that over the next few years. There's

a clear focus and strategy on that. On NBFC and Housing Finance, as you know, we've been treading water for last few years because our primary focus was on wholesale book. We didn't want to ride two horses at the same time. So we were focused on cleaning of the wholesale book.

And the idea was that the NBFC MSME business as well as the affordable housing finance business is Nido, keep them steady state, keep them or even keel. And now that the wholesale cleanup is over, we are starting to step up on that. And NBFC, our strategy is to focus on MSME. We have had an MSME business for the last 8 years.

The book has done pretty well. We are now scaling it up. I think last year, we had total disbursement because of the RBI order and other issues, we had about INR500-odd crores of disbursement last year. This year, we are already targeting about INR1,000 crores disbursements, and we want to grow that. So the disbursement in this -- in the MSME space will continue to grow.

We have got three products out there. We got the unsecured business loan, which is a small part of the business. We got a secured business loan and we've got a micro secured business loan, which is about 5 to 20 lakh kind of a product. So all these three products have been doing well.

Our main focus is on the secured business loan and the small ticket business loans, and we continue to be focused on that. So I think there we will see some growth, but we have obviously a fair amount of capital adequacy out there. We just now have to slowly and steadily with our partners in co-lending model to grow that business.

**Moderator:**

Our next question comes from the line of Siddharth Shah, an Investor.

**Siddharth Shah:**

I just had one maybe to better understand the economics of EAAA. And I think quarter-on-quarter, the ARR AUM has been broadly flat and there were some explanations you mentioned about that. The revenue was up about 20%. So like how should we read into that? Is it that there was a lot of carry income, which in turn went our funds did really well, and the performance was good.

**Rashesh Shah:**

Yes, I think you are right. As I explained, the ARR revenue in EAAA is going to be volatile on a quarter-on-quarter basis because it is very lumpy. You close a fund, you get increase in ARC revenue. But you exit a couple of investments, your ARR revenue comes down. last 5, 6 months, especially this quarter, especially April, May, June, have been very good for exits.

A lot of the -- I mean we had a fairly good investment in things like Balarpur and all, which all got exited because of good. Banks are coming back into a lot of these funding and actually taking us out. So in a way, it's a good thing because that does reduce the risk on the portfolio. So any deal that is more than 2 years old, we are always happy for any prepayment.

We are always happy to get exit on that. We obviously don't want to be exit in 1 year. We usually have things like and all, which make sure we earn return for a couple of years. But even if it's a 3-year loan, which gets repaid after 2 years, we are more than happy. So I think one is that. And the other is there are a lot of funds closures along the way, which are going to get closed now in this quarter, Q2 and Q3, so that will bump up the ARR.

So we always guide people to look at ARR AUM as a 4 to 6 weeks average because that smoothening is required because there'll be 1 quarter, you might see a 30% growth in ARR revenue. So -- but ARR is not directly linked to your profitability. In fact, ARR -- your exits actually help your profitability because the carry income comes in. So usually, it's a slightly complex situation. When your ARR revenue falls because of exit, your PAT improves.

So ARR is only one of the factors we look at. If you see the growth in the business, the profitability in the business is actually driven a lot more by exits and how you deploy that ARR revenue. So even if you close the fund, you may not earn much because your ARR revenue has gone up, but the fee income has not started.

So I think -- we will say that ARR over a 4- to 6-quarter average, we will continue to grow at 20% to 25%, that is our plan, and that is in the works. On the profit growth, we've been growing at between 25% to 30% and that we want to maintain on that. Part of the profit will come out of carry, but almost 70%, 75% will come out of the fee income.

**Siddharth Shah:**

Got it. No, that was very helpful. And maybe one more question. I don't know if it was -- maybe I missed it earlier was now that ARCIL is kind of listing and they filed the DRHP, has that kind of changed anything around how we think about our ARC and because obviously, we had EAAA and then the mutual fund. Anything that we are thinking about from a strategic aspect ARC?

**Rashesh Shah:**

I'm happy you're asking this. I think we are also trying to see the ARCIL IPO and all. I must be candid. The ARC business is a deeply cyclical business. because, as you know, the NPA cycle in banks is also highly cyclical. I mean from 2011, '12 to maybe '21, '22, we saw a huge buildup in NPAs. And last 3 years, we have seen a huge build down of NPAs.

And I don't think until '27, we're going to see that kind of a -- I mean, I don't even know by when, but the usually NPA buildup and the NPA build down is a 5-, 7-, 8-year kind of a cycle. And ARC is a play on that cycle because ultimately, ARC's mandate is to buy stressed assets from banks and NBFCs and then resolve them.

So as you have seen for the industry as a whole, last few years as -- I mean, you might have profits, but you might not have growth in AUM. A lot of profit, again here also happens because of your exit. So for us also and for RCL also, a lot of the profits are happening because of exits are happening and you get your incentive and other fee income and all that, which comes in.

Like in a lot of ARC assets, if you don't recover cash fees for 6 months, you have to actually roll it back. But when you exit the asset, you get all the cumulative accumulated fees out there. So there is a lot of profit that will be there for the next couple of years in this industry as we have also been maintaining INR350 crores of profit.

I think growth in AUM will start coming from '27, '28 onwards. So we are trying to figure out whether a deeply cyclical business or 8-year is good for the public market because it's not a business which can every year show the same kind of growth because there can be a buildup in the banks and all will be highly cyclical.

**Moderator:**

Our next question comes from the line of Sujal Chandaliya from Wallfort PMS.

**Sujal Chandaliya:**

I had a couple of questions regarding Zuno business. So Zuno has seen some moderation in GDPI growth over the past 2 quarters and losses have narrowed meaningfully around 60% decline in FY '25 and 38% Y-o-Y decline in this quarter. So what are the key drivers behind this trend? And second question, just to double-click on a few things. Do you see breakeven achievable by FY '26 end?

**Rashesh Shah:**

So I wouldn't promise by FY '26 end. I mean, I'll be happy. But again, as you very correctly pointed out, a lot of the loss is also linked to growth. The faster you grow, the more you grow, the more is the loss because your large part of the spending is also on the customer acquisition. So you spend money to acquire the customer and then you get the profit of that customer over a period of time.

So the first quarter has been -- because I think investment income has been robust, plus the growth has been slightly more muted. The reason the growth has been muted is if you see the GI industry, there are 2 big verticals, what is called auto and health. At Zuno, we are very focused on auto. We are very small on health. We have not built out a big practice around health and retail health.

We have a small business out there. But a large part of our business is on motor. And even in motor, we do a lot of OD. Motor sales have slowed down, though there is a fairly healthy growth in renewal in motor as well as in reuse car, in used cars in motor, which also we are also focused on. So the new car sales have been low. I think it's been about 3% or so. And as a result of that, the entire industry motor insurance has been slowing down. In spite of that, we have maintained a good growth.

And again, if we grow faster, we'll spend money. But our idea is to maintain an 18%, 20% growth and breakeven by '27. So if we grow lower than that this year, our losses will be lower, but I would prefer not to have that. I would want to grow at 18%, 20%, have the loss for FY '26 and breakeven with the same growth in FY '27.

**Moderator:**

Our next question comes from the line of Rohan Mehta from Ficom Family Office.

**Rohan Mehta:**

Perfect. So what update -- what's the update on the stake sale in the asset management business? Is this still expected to take place in the calendar year 2025? That's the first question. And secondly, sir, as per publicly made interviews, the company had planned a 10% to 20% stake sale to raise about INR1,500 crores to INR2,000 crores.

So assuming the lowest possible valuation of INR1,500 crores while selling 20% stake, the EAAA business is effectively then valued at an implied market cap of INR7,500 crores. So my question on that is, would you consider this conservative? Or would you like to revise this number down at this stage?

**Rashesh Shah:**

You have asked some very interesting questions. So on the stake sale, first an update, as we said, we will do the EAAA IPO in April 2026, okay? So that is, I think, delayed, I think because of all the reasons I explained, the reclassification and all that. On the mutual fund stake sale, we are on track for doing something in this year.

We are -- quite a few conversations are going on. So the mutual fund stake sale that we spoke on the last call also is -- hopefully, it will be done in FY '26 because even after we close the agreement and announce it, we still have to get the approval from SEBI and others. But we expect that it should happen in '26. as we had announced earlier. And EAAA should be -- we should aim for an IPO in April '26.

So that's the update on that. On EAAA valuation, as you saw last year, we made INR230 crores profit. We said we are confident this business profit will grow at about 25% to 30% a year, and we are focused on targeting that for the next few years. Fortunately, a lot of these funds are 8-year funds.

So though on a quarter-to-quarter, you can't say how it will be on a year-to-year basis, you can easily see the profit. stability because of fee income, the carry income, all of that are fairly predictable. Also, when you have the performance fee, there is also cost attached to it. So if the performance fees comes, you pay the employees their share and all that. If it doesn't come, it doesn't impact profitability in a big way.

So I think it's a very good model where employees also have a lot of skin in the game. So on that basis, we expect that EAAA profit will grow. So all the valuations that we gave were for last year because we were planning this IPO in April '25. Now if you go to April '26, and you guys are the market experts, you guys know how to value companies, but an alternative asset management firm, leading one, which has a last year profit of INR230 crores growing by 25% a year, how should it be valued?

We'll allow the market to decide that. we have a range in mind, but as we want to sell only 10% to 15%, we are not so focused on getting the best possible valuation. Our idea of doing the IPO and getting it listed is to make the platform institutionalized, independent, get a good investor base, communicate with them and also get ready for inorganic growth opportunities because when you have the currency, you can use the currency.

So that's our objective. We will see how the actual valuation of that pans out. And as I said, all of you are much better experts on how to value something like this than I can ever be.

**Rohan Mehta:**

Sure, sir. On Slide 23, which you spoke about in your opening remarks, I just wanted a clarification. So out of the property and other investments worth INR2,000 crores -- what is the value of other investments currently? And what exactly does it include?

**Rashesh Shah:**

So the other investments have a few investments in our funds in EAAA funds and all that, and we have co-invested alongside a lot of -- a few deals in the earlier years. So those are the credit investments. We have some property investments also. We have the Edelweiss House office building. We have Kohinoor House, we have property in Alibaug.

So out of that INR2,000 crores that we have put, about 2/3 should be property, including our office property, Edelweiss House, Kohinoor House and Alibaug Properties. And 1/3, about INR600 crores, INR700 crores should be the investments in our funds, investments in what should I call it, co-investment alongside our deals.

**Rohan Mehta:**

Got it. Got it, sir. And just on the same slide, you have also mentioned stake sale in businesses. So given that the amount shown is INR2,000 crores and the word is plural businesses, so does that mean this -- the 30% stake sale, which you are planning to do in AMC is inclusive as well along with the 20% stake sale in EAAA. So does that together just raise only INR2,000 crores?

**Rashesh Shah:**

So I think as you have very smartly done the math, our idea is to raise INR2,000 crores. We don't have to sell 300 and 200. We will calibrate that. As I said, a lot of conversations are going on. So we are comfortable selling lower. In fact, our preference is to sell as little stake as possible and get to this INR2,000 crores number. So the INR2,000 crores number is more like what is our intention.

So if you sell 1 and 20% of other and still get there, we are happier. So I think in the next -- as I said, EAAA, the plan is April 26. And the business is growing well, and we are very confident. So I think that will get its own valuation. So whether we sell 10% of EAAA or 12% or 15% or 16% or 18% will depend on our need to get to this INR2,000 crores and the mutual fund also. I think we will sell it A plus B equal to, our idea will be to get to INR2,000 crores. And again, INR2,000 crores is indicative number.

Our idea out here is between the 3 property dividends and stake selling business, if we can get to INR5,000 crores, INR5,500 crores, then we have enough play. We also have quite a few interest in other businesses like housing finance, insurance, all that. So when we say stake selling in businesses, we're keeping our options open.

We are actively pursuing EAAA IPO and the mutual fund stake sale. A lot of others, we are passively open to it. So we keep on getting PE funds and other strategic investors keeping and coming. So opportunistically on those businesses also something comes about, we will evaluate that. These two mutual fund and EAAA are what we have announced, and we are actively pursuing that.

**Moderator:**

Our next question comes from the line of Niranjana Kumar from Equirus.

**Niranjana Kumar:**

Sir, corporate level net debt stands at around INR6,350 crores, which is significantly higher than the aggregate net debt of INR4,570 crores. And this is across operating entities, right? So why is corporate level debt so much higher? And what are the reasons for taking this debt?

**Rashesh Shah:**

So as I said earlier, corporate, as you know, under RBI also, there is -- it can be 2.5x geared. -- even a holding company can be 2.5x geared. So corporate debt at the peak pre-ILFS was about INR14,000 crores, INR15,000 crores also. Over the last few years, we have brought down the corporate debt because it was already high at that time because that is what a holding company does holding company is equity and can borrow and invest in the business.

So the corporate debt here, it should have come down to lower even faster. But last few years, our larger focus was on, a, strengthening the equity and the capital adequacy of our businesses. So as you've seen, all our businesses are very strongly capitalized because when we unbundled, we made sure that everybody had enough equity because we didn't want to separate the businesses, make them independent and have them starved of equity. So we have given them equity, and we have made sure that the corporate took the burden of that.

The other one that the corporate did over the last few years is we made sure that the NBFC debt came down. So we made sure that the -- whenever the NBFC needed liquidity, we had surplus liquidity, we borrowed and give them liquidity. So we had the interest cost that got added on that. So the corporate, ideally, what is currently INR6,300 crores, as you said, should have been about INR4,000 crores.

As you can see, we have dividends coming from business of INR1,500 crores. We have property. We have an office building and all of that, which is also funded with debt because if it's an office building, against it. So given that all of that, we should have been at INR4,000, we about INR2,000, INR2500 higher because of all the last few years, the post-ILFS because of our credit cost also went up. We had to borrow at a slightly higher rate.

Plus when ILFS happened, for 5 years, we did take some expensive borrowing from private credit funds and others to just hold extra liquidity. So -- last 5 years, we have held about INR2,000 crores of surplus liquidity at the holdco just for emergency, if anything goes wrong. So when COVID happened, when everything else happened, we had adequate liquidity at all points of time.

There was never a crisis of liquidity that we faced because the holdco said, you know what, any underlying business, you have a shortfall for INR300 crores, INR500 crores for the short term, we will have it. So there will be no cash flow mismatches and all. This excess liquidity of 5 years that we held, we had maybe INR1,000 crores additional cost on that because we were paying high interest rate and earning a lower yield because we are keeping the liquid funds.

But I think if I look back that 5 years, we have created more value in the businesses by doing all the things that we did -- and the corporate maybe has paid INR1,000 crores extra cost of holding that extra liquidity, which I think has been worth it given the uncertainty that has been there for the last few years. Now we are over that. So now we don't need to hold that excess surplus liquidity because all the businesses are now fairly stable and they have their own growth capital enough for that.

**Niranjan Kumar:**

That's a detailed explanation. And I have another question. So in the investor presentation, you have talked about some potential levers for corporate debt reduction, right? So can you give some details about the stake sales and dividends that you have mentioned?

**Rashesh Shah:**

So I think I just spoke earlier that there are 2 stake sales in Mutual Fund 1 and 1 in EAAA. EAAA, we have said we'll do the IPO in April '26. Mutual fund, I have also in detail explained where the process is. We should be able to do it in '26. So between both the asset management business, we should sell, as we have said, between 10% to 20% in EAAA and between 10% to 30% in mutual fund and raise the INR2,000 crores that we want to raise.

On the INR1,500 crores dividend over 3 years, in this first quarter itself, we got more than INR500 crores from our underlying businesses. So the INR1,500 crore dividend is not a problem. The property and all also, I mean, they are hard assets, and they can always be liquidated and there is enough demand for that.

So given all of this, we remain confident that about INR4,000 crores to INR5,000 crores of the corporate debt can be reduced through asset sales, stake sales as well as other sales and the dividend we get. So maybe after 3 years, we'll be -- the remaining corporate debt will be INR1,000 crores to INR2,000 crores, which is very easily manageable. Even the current debt is not unmanageable. It just has an earnings drag because of the interest cost on that.

**Moderator:** Our next question comes from the line of Aakash from Dron Capital.

**Aakash:** So I just have two questions, both on the life insurance part. The first question would be the life insurance business has posted profits in Q4 FY '25 and Q1 FY '26. Are these indicative of structural profitability? Or are they just one-off events?

**Rashesh Shah:** They are not -- I think I expect we will continue to lose money in the insurance business as it's coming down. So our life insurance business even this year should have a loss of about INR80-odd crores or so. So the first quarter has been profitable because of some investment gains as we have clarified out there.

So -- but now it is at a stage where a INR20 crore investment gain in a quarter suddenly makes it profitable from a loss because the losses have come down. This is a business which used to lose about INR300 crores a year. which we have now brought it down to under INR100 crores a year. And we remain on track to be breakeven by '27. So this business will break even by '27.

We can break even earlier also if we slow down growth. But as I clarified earlier, in both the insurance businesses, we want to maintain a certain level of growth and still breakeven because if you grow at 0%, you will break even in a quarter because all loss is for acquiring customers and acquiring business.

So any business that stops acquiring customers and growing can easily break even. So we want to, in the life insurance business, grow at about 13% to 15% a year and breakeven. And in the general insurance business, we want to grow at 18% to 20% a year and breakeven. So I hope I've clarified that.

**Aakash:** Understood. And the second question would be on the premium part. The gross premium growth remains below the industry averages. What's contributing to this underperformance? And how do you plan to address it?

**Rashesh Shah:** So it's not underperformance. As you know, the industry growth is not always indicative because there is the health insurance part of it. We are not in health insurance. We are in the motor. And even in motor, we are in what we call the medium car segment. We don't do intercity. We are mainly intracity. So we are a very small player. I mean, as you can see the whole industry, we are a small player in the industry, but we are very focused. We are very niche.

And the segment in which we are, the auto sales, the car sales have been coming down because of everything that is going on in the economy. So the auto sales have grown only by 2% to 3% -- and as a result of that, I think the -- this part of the industry is not growing more than 2%, 3%, we have still grown at 11% or so. So we will want to maintain that. As I said, our annual target is 18% growth in this business.



**Moderator:** Ladies and gentlemen, we'll take one last question. And the question is from the line of Shobhit Sharma from HDFC Securities Limited.

**Shobhit Sharma:** Sir, my question is on your AMC business. So on the AMC side, we have seen our equity growth has been very, very encouraging of around 38-odd percentage. But if you look at our revenue growth, that has been somewhere close to around 11, 12-odd percentage. So is it this because of lower yields which we are charging on our equity funds? Or is there something else to read into this? Can you help us understand the yields for the equity side for current quarter and last year same quarter?

**Rashesh Shah:** So I think our equity funds, what we currently have at about INR72,000-odd crores, our yield is currently averaging about INR28 or 30 in that average for this quarter. 28 to 30 bps. The industry usually is at about 48 to 50 bps. So we are lower than the industry in that -- in this category in that sense. And that is why our yield is lower.

But our profitability has been good. So if you see the profit for the quarter, we made almost the same profit in the quarter as half of what it was in the last year. So our equity yields are improving. We used to be at about 24, 25 bps. We are now at about 28, 30 bps. So our focus is going to be on that.

Also, if we add a nonequity AUM in this quarter, then it will not improve the yield as much. So I think it's a constantly moving target. A few of your funds when they cross a particular threshold, the TER comes down. So our guidance is to focus on profitability rather than on quarter-to-quarter yield.

On a year-to-year, I think yield made sense. But on a quarter-to-quarter, I think profitability is a much stronger indication of how the business is growing and the equity AUM for us. So the equity AUM has grown at 38%. Our profit has also grown at about 40% or so. So we are focused on that.

**Shobhit Sharma:** Okay, sir. I have a few questions on your life insurance side, if I may ask, please, sir?

**Rashesh Shah:** Sure.

**Shobhit Sharma:** Yes. Sir, on the life insurance side, can you help us understand what kind of segment are we catering to? What is the sum assured banks we are operating at? And how are we channelizing the premium? Is this driven by the agency channel or the corporate agents? And what would be our aspiration on to the life insurance business side?

**Rashesh Shah:** So our approach to life insurance is that it's an investment and a savings business. It's not that much of a mortality business. So we also don't do much of ULIP. So ULIP and term is a lower part for us. Par and non-Par are the 2 product categories we are very focused on. Non-par obviously a strong opportunity and par is also another one. So we are stronger on what are called traditional products.

ULIP is a good product, but it's mainly good if you have bank distribution, and it is very good if you want to scale, but it's not as profitable. It's very capital -- it does use up a lot of P&L and

capital. So we are focused on par and non-par. Of course, we have ULIP. We also have term insurance. But these are the 4 product categories. For us, par and non-par are the main categories.

We are about one third Banca, about 30% Banca, about 40%, 45% agency and the balance is all other channels, brokers and corporate agents and direct and everything else. So we have now currently a good mix between agents, which are about 40% and another 30%, which is Banca and another 30%, which is everything else.

**Shobhit Sharma:** And sir, what's our aspiration on that side of business?

**Rashesh Shah:** We focus a lot on product innovation. So we do focus a lot on agent productivity. We always have every year one marquee product, which is very unique. It's one of its kind. It's a new product. So that also gives us a lot of the pull factor. And as I said, we want to grow there. We want to be known as one of the leading offers of par and non-par products because that is where a lot of the investment and savings need is being catered to.

Like I said, we don't do ULIPs because we think there are enough other people doing it and there are good mutual funds available for investors, insurance buyers. To me insurance also we do, but for very, very select categories where we understand the risk return very well. So our main is to offer good investment solutions for people who are retiring after, say, 15 or 20 years.

That's our core thing, and we offer a lot of innovative products. If anybody studies our products, they'll see that there is a lot of product innovation that we are focusing on. So our idea is that offer focus on par understand the needs of the market, offer very, very select targeted innovative products. And because we think insurance is about providing investment solutions for people who are planning for the next 20 and 40 years of their life.

**Moderator:** Ladies and gentlemen, we'll take that as the last question. I now hand the conference back to Ms. Priyadeep Chopra for closing comments.

**Priyadeep Chopra:** Thank you all for your time today. And as always, your questions nudge us and get us to think. Please do write to us at Edelweiss Investor Relationship for any other questions and feedback or any additional information you may need. Thank you all for your time. Have a great day. Thank you, Rashesh.

**Rashesh Shah:** Thank you.

**Priyadeep Chopra:** Thank you. Bye-bye.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Financial Services, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.