

Background & Business

Edelweiss Financial Services Ltd. (EDEL), founded in 1996 by Mr. Rashesh Shah and Mr. Venkat Ramaswamy, is one of the leading financial services companies in India with current market capitalization of Rs.148 bn. After starting out as a boutique investment banking firm, EDEL over the past two decades has transformed itself into a diversified financial services company and consequently reduced dependence on the highly volatile agency business. Currently EDEL maintains a healthy mix of credit as well as non-credit revenue stream and envisages to grow the credit business at a higher pace compared to its non-credit (agency) business.

Investment Thesis

- a) **Strong business USP** (From being a fledgling organization incorporated in 1996, EDEL has emerged as a formidable player in the financial services space over the last two decades. We largely credit the success to its visionary management that has strategically and methodically steered the organization to emerge as a one-stop financial services firm catering to varied financial services requirement of its clientele).
- b) **Diversified revenue streams** (From the onset, EDEL has focused on building a robust business model that can offer nonlinear growth opportunities. While focusing on rapid portfolio expansion through aggressive customer acquisition and use of technology, the Company has created a synergistic business model that offers high degree of cross-selling opportunities across key verticals of – a) credit, b) non-credit and c) Insurance.).
- c) **Multiple growth levers** (We forecast overall revenue of the Company to grow at 25-30% CAGR over FY18-FY23, supported by strong growth both in the credit and non-credit businesses. Also, we expect the insurance business to break even at net profit level by FY22. Further, turnaround of insurance operations coupled with high operating leverage across other businesses is also likely to result in the profitability to improve at consolidated level).
- d) **Acquisition of Religare's securities biz** (On 20th Dec 2017, Edel announced acquisition of Religare's securities business, which includes securities and commodities broking, and depository participant services. The acquisition will help the company to instantly expand its geographical reach and distribution footprint, treble its client base and give access to a talented employee pool. It will also provide a fillip to growth in the MSME, salaried individuals and self-employed segments).

From : 15-02-2017
To : 30-11-2017
Performance : 163%
Recommendation : OPEN



Outlook

EDEL with its multi-line business model, pan India reach, strong brand equity, healthy balance sheet and high asset quality, stands to benefit immensely as economic and consequently as capital market activity picks up in coming years. Further, EDEL has harboured aspirations of transitioning into a full-fledged bank, any positive development on this front can act as an upside trigger in the foreseeable future. At CMP of Rs.297, EDEL is trading at P/BV of 4.6-xx over its Q2FY18 BVPS of Rs.64 (TTM PE of 35-xx). We believe EDEL holds a huge potential to deliver healthy returns and should be able to achieve their guided growth over the medium term.

