



**CREDIT** CORPORATE FINANCE FIXED  
INCOME ADVISORY & MARKETS  
HOUSING FINANCE REAL ESTATE  
FINANCE SME LENDING **CAPITAL**  
**MARKETS & ASSET MANAGEMENT**  
ALTERNATIVE ASSET ADVISORY  
ASSET RECONSTRUCTION CUSTODIAL  
SERVICES FINANCIAL PLANNING  
INSTITUTIONAL EQUITIES INSURANCE  
ADVISORY INVESTMENT BANKING  
MUTUAL FUND PRIME BROKING  
RESEARCH RETAIL BROKING  
RETAIL DISTRIBUTION WEALTH  
MANAGEMENT **COMMODITIES**  
AGRI BULLION **LIFE INSURANCE**  
**TREASURY** MARKETS RESOURCES



The ancient Japanese art form of Origami crafts paper into a million possibilities. Used as a liet-motif throughout Edelweiss House, the art form represents intelligent, smart solutions offered by the organisation.





## Inside the House

Performance Highlights	02	Letter from the Chairman	18	Management's Discussion & Analysis Report	34
Welcome to Edelweiss House	04	EdelGive Foundation	22	Corporate Governance Report	52
A Foundation of Values	06	Board of Directors	24	Consolidated Financial Statements	61
Business Pillars	08	Company Details	25	Standalone Financial Statements	115
The Walls of Enterprise	14	Directors' Report	26		
A Strategy that forms the Roof	16				

## FINANCIALS

## Performance Highlights

## Consolidated Financial Performance of Edelweiss Financial Services Limited and its subsidiaries

(in ₹ million except per share data)

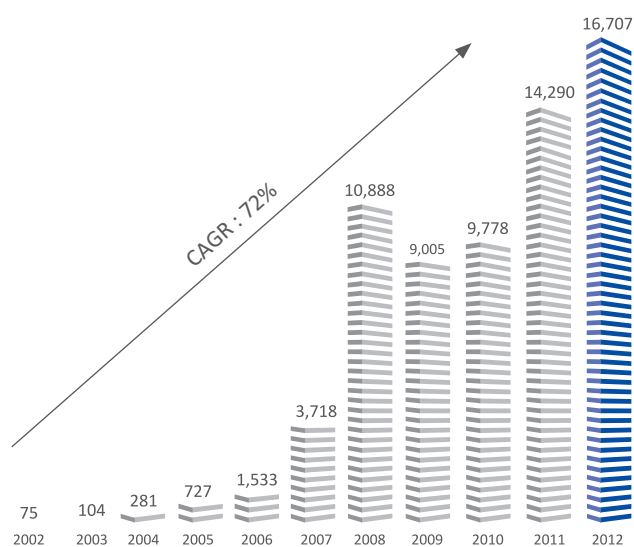
Year Ended March 31,	2012	2011 <sup>®</sup>	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total Income	16,707	14,290	9,778	9,005	10,888	3,718	1,533	727	281	104	75
Total Expenditure	14,720	10,790	6,450	5,715	6,421	1,971	898	383	175	95	71
Profit Before Tax	1,987	3,500	3,328	3,290	4,467	1,747	636	345	106	9	4
Tax Expenses	681	1,031	879	1,199	1,540	646	218	107	28	4	2
Net Profit (after minority)	1,277	2,330	2,292	1,864	2,732	1,099	417	237	78	5	2
Paid up Equity Capital	757	752	375	375	375	45	38	29	28	27	27
Networth*	28,748	25,554	24,706	23,303	23,274	7,222	1,787	539	302	226	222
BVPS (FV ₹ 1) (₹)#	34.79	30.56	30.04	28.21	24.65	9.36	3.93	1.58	0.92	0.69	0.69
Diluted EPS (FV ₹ 1) (₹)#	1.66	3.00	2.94	2.43	4.00	2.08	0.93	0.64	0.24	0.02	0.01

(#) adjusted for Corporate Actions

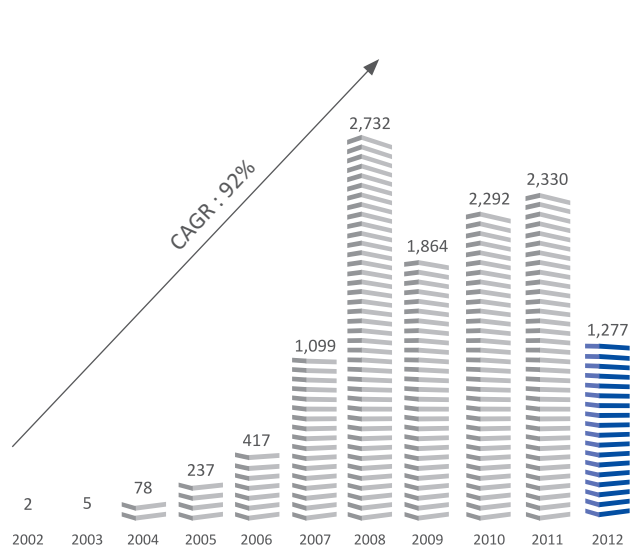
(\*) Networth including minority

(<sup>®</sup>) Previous years' figures have been regrouped wherever necessary

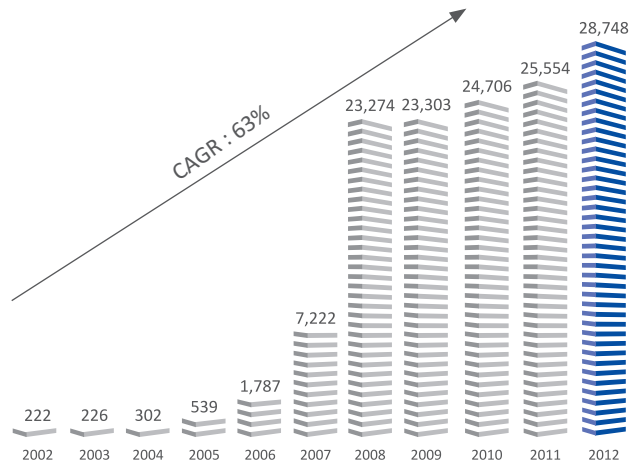
## Total Income (₹ million)



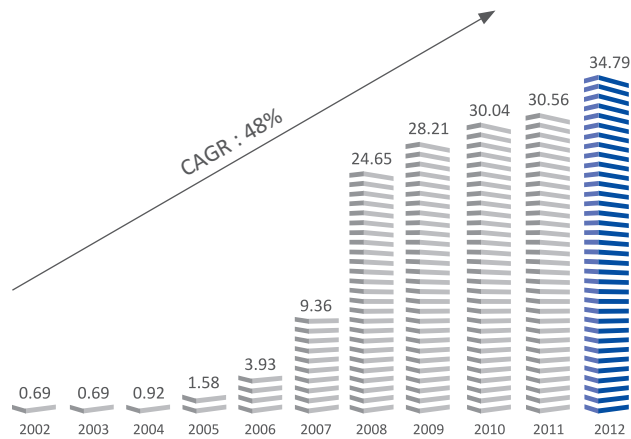
## Net Profit (₹ million)



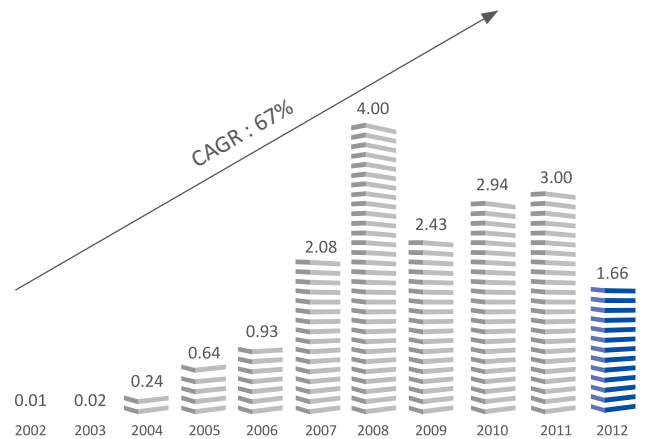
### Net Worth (₹ million)



### Book Value Per Share FV ₹ 1 (₹)



### Diluted Earning Per Share FV ₹ 1 (₹)



## Welcome to Edelweiss House

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A short distance from the financial hub of the country – Bandra-Kurla Complex in Mumbai – is a gleaming new building called Edelweiss House, headquarters of the Edelweiss Group.

This 15-storey building is the centre of pan-India operations of the Group's five businesses peopled by over 3,100 employees.

A building is like an organisation. It requires careful thought, planning, creativity and flawless execution to transform a collection of steel, cement, glass and wood into a modern, energy-filled corporate hub. The same ingredients go into building a thriving business like Edelweiss.

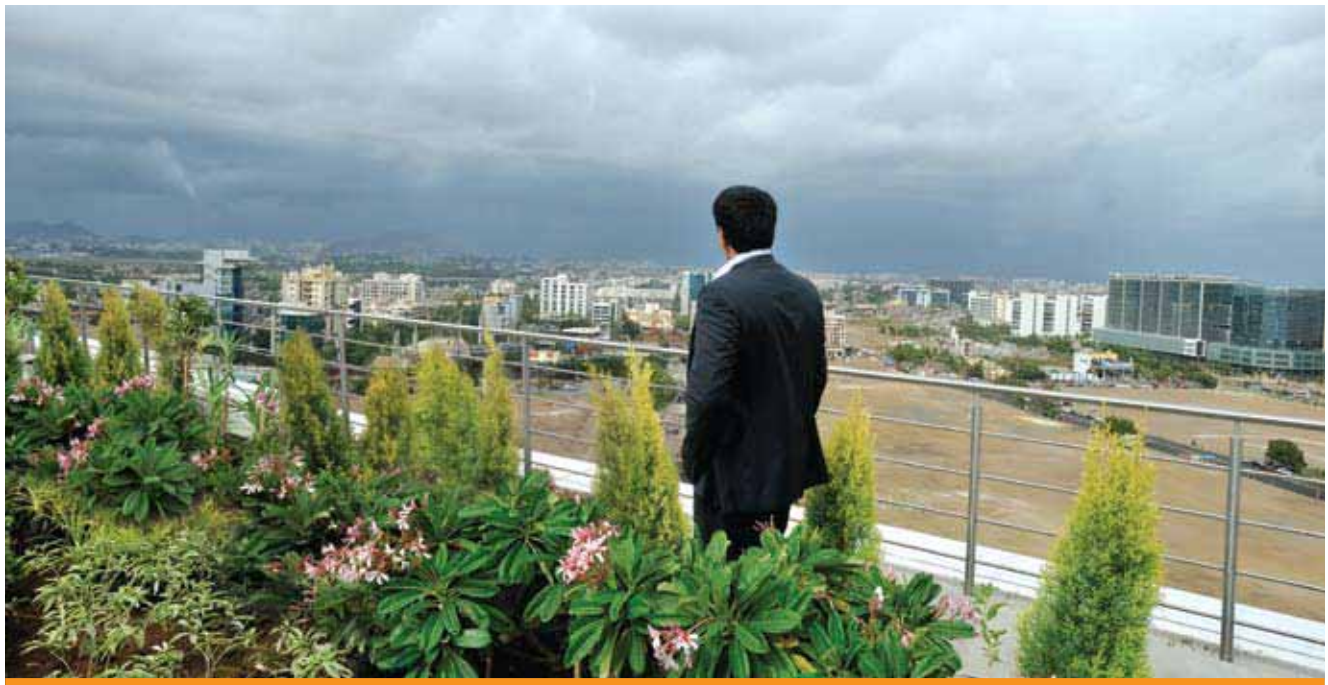


# 17%

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Top-line growth in FY12 despite adverse economic circumstances globally and in India

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Edelweiss has consistently delivered growth and profits year-on-year. In FY12 despite adverse economic circumstances globally and in India, the Group managed a 17% top-line growth.

The Group has continued to maintain its leadership position in mature businesses like Institutional Equities, Investment Banking,

Debt Capital Markets and Corporate Loans while building new businesses like Life Insurance, Commodities, Retail Capital Markets and Retail Credit. With an eye on the future, it has continued to invest in systems, processes, technologies and training to improve efficiencies and enhance skills.

This story of growth and investment is the real edifice that Edelweiss has built.

[Welcome to this guided tour of the real “Edelweiss House”.](#)

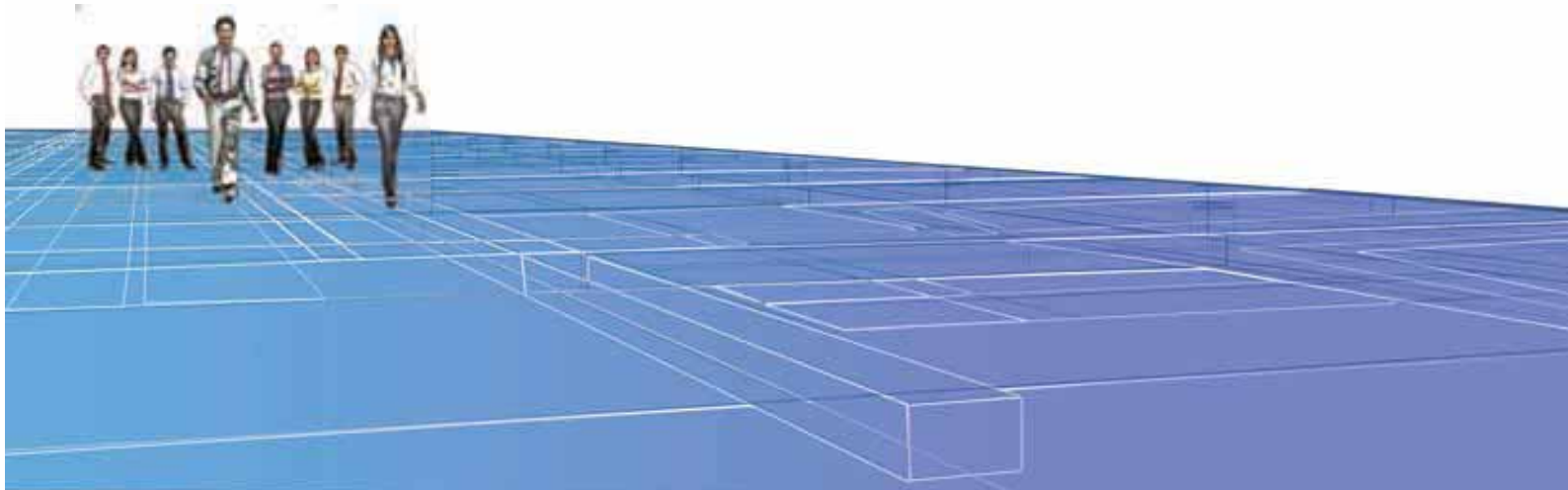
BUSINESS PRINCIPLES



## A Foundation of Values

A building is only as strong as its foundation. Building a successful business too, requires a solid foundation for it to grow. Edelweiss rests on the strongest possible foundation – the Edelweiss Business Principles.

These principles uphold the Edelweiss value proposition: “Ideas create, values protect” and have helped the Group to grow from a monoline company a few years ago to a multi-line diversified financial services group with a pan-India footprint.







- **We will focus on Growth**

In the last decade, Edelweiss' revenues have grown at a Compounded Annual Growth Rate (CAGR) of 72%. More importantly, these revenues now come from a diversified set of businesses, de-risking the business model.
- **We will focus on the Long Term**

Over the last three years, Edelweiss has invested significantly in new businesses, technology, systems and infrastructure. This was done with an eye on opportunities available in the long-term.
- **Our Financial Capital is a critical resource for growth**

As of March 31, 2012, the Group has a balance-sheet size of ₹ 145 billion. This has grown from ₹ 52 billion in 2010; a CAGR of 67%.
- **We will respect Risk**

An unrelenting focus on managing risk has ensured that Edelweiss' capital is preserved even during extremely challenging environments.
- **We will be Fair to our clients**

Customer-centricity is part of the
- Group's DNA. It is investing significant resources in making the organisation more customer-focused. Edelweiss' senior-most executives have undergone an internationally renowned orientation programme and another 1,000 employees are being given rigorous training to evangelise a culture of customer focus and service throughout the organisation.
- **We will operate as a Partnership**

Around 53% of Edelweiss is owned by the management and employees. This fosters an intrapreneurial culture and a strong sense of ownership.
- **We will take care of our People**

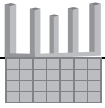
To enhance the skills of its people, Edelweiss has some of the most broad-based training programmes in the industry. Over the year, the Group has trained over 2,000 employees through 2,441 man days of investment. This employee engagement is demonstrated by low senior management attrition.
- **We will be a Thinking Organisation**

Edelweiss is a thought leader in pioneering research, cutting-edge
- technology and processes that have not only built but institutionalised the organisation. Its thematic, alternative and corporate research products provide in-depth analysis and are respected throughout the industry.
- **Our Reputation and Image is more important than any financial reward**

Financial services brands are all about trust. Edelweiss has actively invested in building a strong brand. As a result, Edelweiss was chosen as a Business SuperBrand by an independent body. The organisation has also been awarded "Best Advisor Broker, Asia" at the Exchanges & Brokers Awards 2012, organised by London based World Finance magazine.
- **We will Obey and Comply with the rules of the land**

Edelweiss has always complied with the letter and spirit of the law and ensured that all its businesses conform with the governing regulations and all sales efforts are carried out in a transparent manner.

BUSINESSES



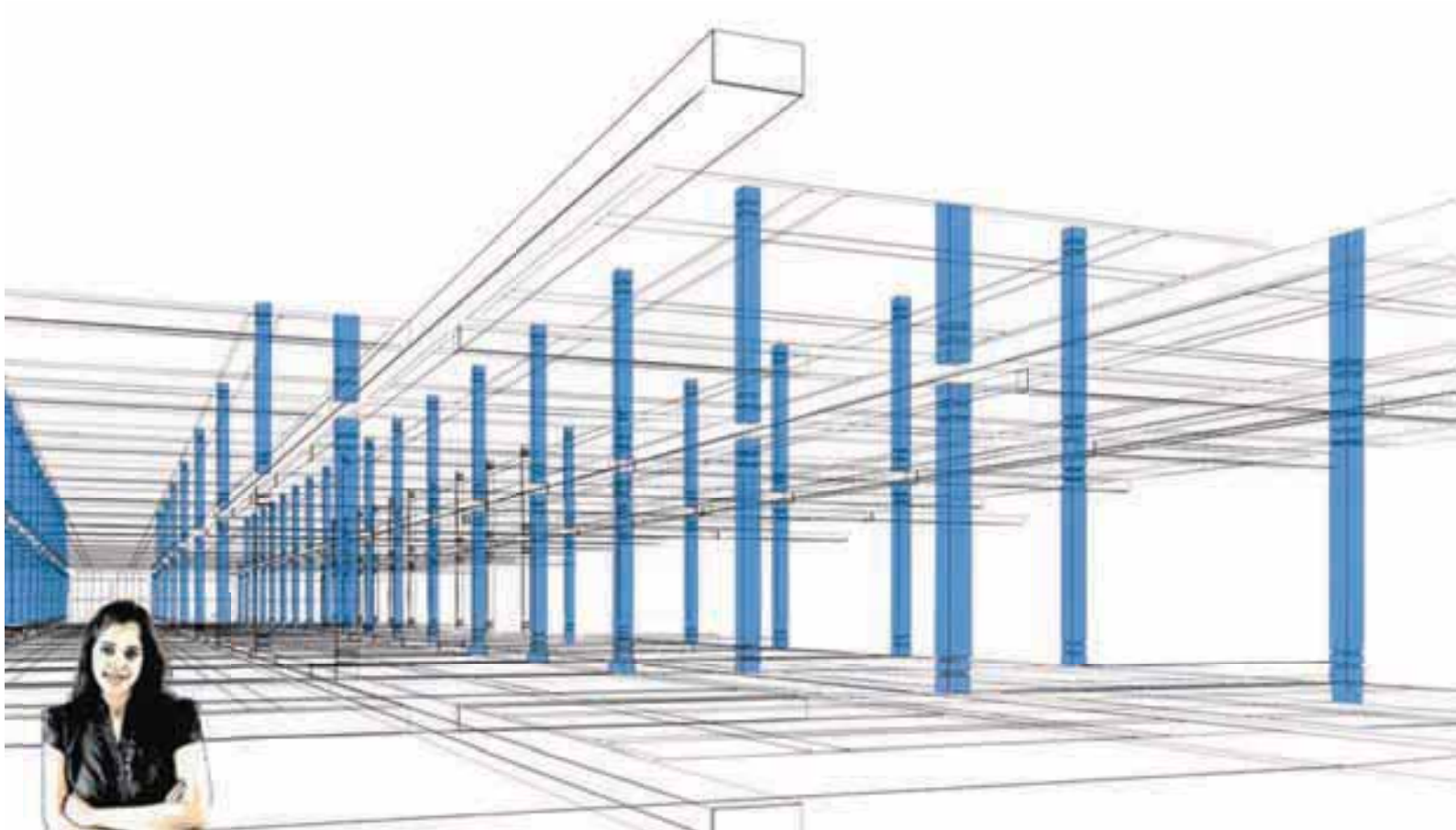
## Business Pillars

The weight of a building is borne by its pillars. The stronger the pillars, the taller the edifice can rise.

At Edelweiss, the pillars are its Businesses. Starting from one pillar, Investment Banking, the Group has consciously invested time, efforts and resources to build more pillars so that it can continue to grow taller and more robust.

Today, Edelweiss stands tall on five main pillars:

- Credit
- Capital Markets & Asset Management
- Commodities
- Life Insurance
- Treasury





## CREDIT

### Leveraging the India story

Growing a successful credit business entails efficient management of resources, a strong understanding of interest rate cycles and an unrelenting focus on risk management and mitigation. The Credit business seeks to leverage the huge consumption opportunity being generated by the growth of the Indian economy while keeping a keen eye on asset quality. Launched in 2007, in a short span of five years, the Credit business now contributes around one third of Edelweiss revenues.

The Credit business comprises of three major units – Corporate Loans, Housing Finance and Debt Capital Markets.

- Outstanding loans for the Company stood at ₹ 39.6 billion as on March 31, 2012, indicating a growth of 49% from last year. Of these, corporate loans were valued at ₹ 28 billion.
- **Edelweiss' Housing Finance** business launched in Mumbai in Q3FY11 has expanded to eight major cities across the country over the last year and aims to enter another 10 metros soon. At the end of FY12, this segment had built a book of ₹ 7.8 billion, compared to ₹ 1.2 billion at the start of the year.
- In Debt Capital Markets (DCM), in FY12, Edelweiss was ranked as the sixth largest private Debt Arranger (overall) in India and fifth in Commercial Paper (CP) issuance with a market share of 10.4%\*. The business did 30 DCM transactions in FY12, compared to 22 in FY11.
- Long-term bonds issuance included large clients like PFC, NHPC, SIDBI, REC and Tata Motor Finance.
- In keeping with the constant attempt to diversify and address new client segments, the Group launched the **SME Lending** business in FY12.



# ₹ 39.6 billion outstanding loans

49% growth over FY11

\* Source: Prime Database

BUSINESSES



(L-R) Nischal Maheshwari, Co-Head Institutional Equities & Head Research, Venkat Ramaswamy, Executive Director and Vikas Khemani, President and Co-Head, Wholesale Capital Markets, Edelweiss Financial Services at the 10<sup>th</sup> anniversary celebration of Edelweiss Institutional Equities.



Edelweiss launched its Financial Planning service in 2011 that creates customised financial plans for clients in order to achieve their financial goals and aspirations.

CAPITAL MARKETS & ASSET MANAGEMENT

Translating savings into investments

Edelweiss' Capital Markets & Asset Management business is founded on a philosophy of cutting-edge research, investments in technology, differentiated product offerings and customer focus. The Indian savings rate continues to be among the highest in the world and the Group's Capital Markets business seeks to translate these savings into investments. Capital Markets & Asset Management business includes Investment Banking, Institutional and Retail Broking, Wealth Management, Alternative Investment Funds and Mutual Funds.

- The **Investment Banking** business hosted a first-of-its-kind conference for private companies – Convergence – connecting more than 50 unlisted companies with over 150 private and public market investors.
- Edelweiss executed 10 Equity Capital Market (ECM) and Advisory transactions, including the prestigious Initial Public Offer (IPO) of MCX in FY12.
- **Edelweiss Institutional Equities** completed 10 years of robust growth and continued to be the largest Indian institutional broking house with fundamental research covering nearly 75% of the overall market cap.
- Edelweiss' total **Retail Broking** client base increased by 15% to 372,000 customers. This growth is supported by a network that has increased to 2,900

authorised persons and sub-brokers across 675 cities.

- The Company advanced its leadership position in the Indian market by emerging as the country's largest IPO broker for FY12 from being the second largest in FY11. In FY12, as per the amounts mobilised by brokers of IPOs, Edelweiss was ranked first in the Qualified Institutional Buyer (QIB) category with a market share of 4.9% and second in the Retail and High Networth Individuals (HNI) Non-Institutional Bidder (NIB) categories with market shares of 7.8% and 10.7% respectively.\*
- Edelweiss launched **Financial Planning** as a fee-based advisory service during Q3FY12 to offer individual clients a platform to achieve their financial goals.

372,000

Total client base in the overall retail broking increased by 15%

- Edelweiss launched the EW SBIH Crossover Fund in a joint sponsorship with SBI Holdings Inc, Japan. The Fund has a total sponsor commitment of \$100 million.
- An alternative assets fund – EW India Special Assets Fund – was also launched with an initial commitment of \$77 million.
- **Edelweiss Asset Management Company's** Absolute Return Fund (ARF) won two awards at the "CMO Asia Awards, 2011" for the Best Marketing Campaign and for Brand Excellence in the Banking and Financial Services Industry (BFSI).
- Edelweiss Gold S.A.F.E. Strategy was introduced as the first product under Edelweiss Personalised Managed Accounts, as a part of our Portfolio Management Services.

\* Source: Prime Database, Non-ASBA categories



(L-R) Yash Prasad, Chief Agency Officer with Deepak Mittal, CEO of Edelweiss Tokio Life Insurance, Hirsohi Endo, Director, Tokio Marine Holdings, Rashesh Shah, Chairman and CEO, Edelweiss Group, Mr. Shuzo Sumi, President, Tokio Marine Holdings at the launch of Edelweiss Tokio Life Insurance

## LIFE INSURANCE

### Helping people meet life goals

Edelweiss insurance business model is based on a simple principle – offering need-based products that help customers meet life goals. This same philosophy and approach has helped Edelweiss' joint venture partner in the Life Insurance business – Tokio Marine of Japan – build enormously successful franchisees in hyper-competitive markets like Japan. Edelweiss Tokio Life has drawn on this international experience to fine tune its product offerings.

- Edelweiss Tokio Life Insurance was launched in Q2FY12 with an initial capital of ₹ 5.5 billion, among the highest start-up capital for any Indian life insurer.
- By the end of FY12 the business had spread to 22 cities across the country with 31 offices. Over 825 carefully recruited and trained Personal Finance Advisors (PFAs) help develop the business.
- The Company has launched nine products aimed at meeting needs like education funding, wealth accumulation and enhancement, living with impaired health, income replacement and retirement funding.
- The Company has written about 6,600 policies with its New Business Premium for FY12 being ₹ 107 million.



Launch of the Thane office of Edelweiss Tokio Life Insurance; one of the 31 offices of the growing business.

## BUSINESSES



## COMMODITIES

**Grabbing a nascent opportunity**

Commodities represent one of the Group's most strategic diversifications in recent times. The global boom in commodities as an alternative asset class coupled with the increased financialisation of the space in the country has opened up large business opportunities for Edelweiss.

Edelweiss Commodities business spans the bullion and agri commodities sectors. Edelweiss' culture of research, flexibility in decision making, balance-sheet strength and risk management gives it an enormous edge in the business.

- During the year, Edelweiss emerged as one of the largest sourcing agents and distributors of bullion in India in

the non-bank, non-canalising agency category. Further, the Company distributes precious metals at over 10 centres and across 400 active dealers.

- Edelweiss' Bullion business also facilitates booking orders in smaller lots for clients through its online portal [www.edelbullion.com](http://www.edelbullion.com), giving them the convenience of lower denominations.



Edelweiss Bullion sponsored the 8<sup>th</sup> India International Gold Convention 2011 at Kovalam, Kerala.



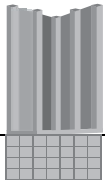
## TREASURY

### Managing liquidity and balance sheet

Treasury performs a vital function of providing liquidity to various businesses and managing the balance sheet while at the same time mitigating risk and optimising return on capital.

Edelweiss' Treasury Management strategy of diversification has enabled it to emerge as one of the few multi-asset-class operations in India. It enhances capital efficiency of assets as well as liabilities while maintaining a liquidity cushion.

ENTERPRISE GROUPS



## The Walls of Enterprise

Walls give a building its shape and size.

Edelweiss' Enterprise Groups comprising Administration & Estates, Finance & Accounts, Global Risk & Operations, Governance, Human Resources, Marketing & Brand Communication, Resources, Risk Management and Technology are the walls that rise from its foundation (Business Principles) and connect the pillars (Businesses).

By binding relationships within the organisation (processes, departments and people) and providing interoperability and scalability, these walls not only strengthen Edelweiss but also help it grow.







*The Emerging Leaders Programme at Edelweiss is an effort towards providing a path of least resistance to young talent to take on future roles of leadership within the organisation.*

- The Edelweiss philosophy of taking care of its people is articulated in its **Human Resources** initiatives. The Company invests in leadership at every level of the organisation through the Edelweiss Leadership Group (EWLG) structure and nurtures the next level of leadership.
- In FY12, under the aegis of Edelhealth, an initiative to encourage a healthy and happy workforce, several activities were organised. Chief among them were a marathon, a session on workplace ergonomics and health check-ups.
- In an effort to build a common service language of **Customer Centricity** in the organisation, a group of 20 “Course Leaders” were retrained by internationally acclaimed global experts in customer service to cascade their learning through the organisation.
- The Company’s state-of-the-art green data centre as well as the low latency and resilient central network supported its diverse businesses across the country. Adequate redundancy is maintained to ensure uninterrupted service and business continuity.
- **Risk Management** at Edelweiss is of utmost importance whose core lies in identification, measurement, monitoring and action. Accordingly, Edelweiss has an integrated, principle-based Risk Management system that is flexible, dynamic, up-to-date and focused.
- Rigour in **Governance** at every level has ensured the Company’s adherence to all regulatory norms.
- Investing in **Brand** and marketing, the Group successfully launched the Edelweiss Tokio Life Insurance brand and continued to build value for the mother brand – Edelweiss – through multi-channel campaigns.



*Customer Centricity “Course Leaders” have been trained to be evangelists at Edelweiss and ensure that a superior service culture cascades through the organisation.*

## ORGANISATIONAL STRATEGY



## A Strategy that forms the Roof

A roof protects a building and its inhabitants from the vagaries of weather. At Edelweiss, the business strategy forms the roof that protects the Group from the vagaries of economic cycles.

This strategy has ensured that the Group has diversified into adjacent spaces, invested in businesses, the brand, processes, leadership skills of its people, technologies and best practices in risk management during economic downturns, allowing Edelweiss to reap the benefits when the market cycles present an opportunity that is to the Group's advantage.

### Diversification

- Over the years, Edelweiss has progressively expanded its services basket by moving into adjacent business spaces from wholesale to retail and from equities to almost every other asset class in the financial services sector.
- Today, the Company is a well-diversified financial services organisation with businesses across Credit including Housing Finance, Capital Markets & Asset Management, Commodities, Treasury and Insurance.
- Edelweiss has created a portfolio of scalable and high growth businesses by expanding addressable market segments, client segments and geographies.
- This diversification has ensured de-risking of revenue streams at various stages of the business life cycle as well as across macro-economic cycles.

### Strong and Liquid Balance Sheet

- At the end of FY12, Edelweiss' balance sheet size was over ₹ 145 billion with a Group net worth of ₹ 28.75 billion.
- Edelweiss focuses on low gearing that provides the organisation with sufficient headroom to fund growth without compromising its balance sheet integrity.
- Nearly 50% of the Group's assets are in the form of cash and cash equivalents imparting the much needed liquidity to its balance sheet.





*Edelweiss employees undergoing a training at the Fountainhead Leadership Centre at Alibaug.*

### Risk Management

- Edelweiss continues to strengthen its risk mitigation practices through timely investments in people, processes and technology on one hand, and credible governance practices stewarded by an industry renowned Board on the other.

### People

- Edelweiss cultivates a culture of entrepreneurship and ownership among its people.
- The Group continues to invest in

developing leadership and managerial talent across the organisation through a four-tier system of identifying, nurturing and mentoring leaders.

- Fountainhead, Edelweiss' state-of-the-art leadership centre in Alibaug, is amongst a few such centres in the Indian financial services industry, promoting among others a culture of training and development across the group.

### Processes

- Edelweiss has undertaken a significant restructuring of the business to enhance operational efficiencies, dividing the organisation in operating clusters: Wholesale and Retail and SBU groupings that provide the scale and ergonomic growth.
- The Company has carried out a visioning exercise with a roll-down across the organisation to ensure clear articulation of its growth aspirations.

### Execution Expertise

- Edelweiss' focus on error free and timely execution across businesses represents the core of its success.
- Unrelenting rigour on processes, reviews and audits ensure flawless execution and build execution expertise.
- Whenever necessary, the Group re-engineers processes and innovates with state-of-the-art technology solutions that enhance efficiency.

### Brand

- Edelweiss is a respected brand enjoying widespread recognition due to consistent investment in a diverse set of brand building efforts spanning both conventional and non-conventional channels.
- The 'Ideas create, values protect' tagline underlines all its branding efforts.

## Letter From The Chairman

*Dear Investors,*

In a year characterised by an extremely challenging macro-economic environment, I am happy to report that your company has continued to invest for the long term, while growing the top line.

Our total Consolidated Revenues for FY12 were ₹ 16,707 million, a growth of 17% over FY11. The Profit After Tax (PAT) was however impacted by our continued investments in new businesses and technologies as well as the adverse economic climate. The cumulative impact of these two factors on the bottom line was in the region of about ₹ 1,000 million. As a result our PAT was down 45% to ₹ 1,277 million.

On the other hand, despite being tough quantitatively, there were several positives during the year, making it, qualitatively speaking, a great year for the company. We are now a diversified financial services company with five major Business Groups. Through the year we continued to invest in processes that increased operational efficiencies, integrated new technologies, adopted new systems and enhanced our focus on evaluating and mitigating risks. We have also increased our investments in strengthening the leadership development of our people. All these initiatives have made Edelweiss a stronger, leaner organisation; better poised to benefit from a cyclical uptick.

### **Tough Macro-economic Environment**

Since the founding of Edelweiss, we have gone through various economic cycles – from the dot com bust and stock market scam in 2000, to the global financial meltdown in 2008. Yet FY12 will go down as

among the toughest years for the financial services industry since 2000. We were caught in a cleft stick of a severe crisis in the Eurozone and depressed macro-economic situation at home.

Till last year, it seemed that the Eurozone had avoided the worst of the global financial crisis that originated in the US in 2008. But reality, however, seemed to have caught up with several economies like Ireland, Greece, Spain, Italy and even France. As these countries saw their credit rating downgraded, there was a lack of consensus among European leaders on the possible solutions. The prevailing uncertainty meant that there was a severe pull-back by financial institutions and banks from the emerging markets as funds fled to safe havens like the US and Switzerland, despite the US also losing its AAA rating.

The impact of this pull-back was amplified several times over, by the worsening macro-economic situation at home. Sticky inflation meant that the Reserve Bank of India (RBI) was forced to take a hawkish stand on interest rates, raising them five times during the year by 175 basis points. Slowing exports, negligible Foreign Institutional Investor (FII) inflows and rising crude prices resulted in the current account deficit breaching the 3% mark putting severe pressure on the ₹. Unfortunately, the government faced a series of political challenges and was unable to aggressively pursue economic reforms. All this led to

all-round dampening of sentiment as borrowing and investments dried up, adversely impacting growth.

But if the situation looked bleak for the first three quarters of the year, things were better in the last quarter. In the global space, a programme of aggressive Long Term Re-financing Operations (LTRO) by the European Central Bank pumped in much needed liquidity in the system. This resulted in record FII inflows into India. At the same time, RBI's hawkish stand in raising interest rates started bearing fruit as inflation, after a long time, showed signs of moderation. This finally led to RBI dropping the interest rates by 50 bps in April 2012, the first such move in 18 months.

These factors are allowing us to take a cautiously optimistic view of the future. We had entered FY12 with high hopes but at a time when the macro-economic situation was worsening. We now enter FY13 with more realistic expectations, even as the macro-economic situation is showing signs of stabilising. More aggressive economic reforms and policy making by the government will obviously help, but even if it continues at a slow pace, it seems the worst is behind us.

Before I end this part of my letter, let me share an interesting statistic with you. In FY10 we published a landmark report on the Indian economy – India 2020 – that forecast that India's Gross Domestic Product (GDP) will touch about \$4.5 trillion



in the year 2020. The report had predicted that this explosive growth in GDP will propel a 5x to 7x growth in the BFSI sector.

When we made this prediction, Indian GDP was a little over \$1.3 trillion. As I am writing this letter – in a little less than 30 months since we released the report – India's GDP is poised to touch \$2 trillion. If this is any indication, the predictions about the growth figures for Indian GDP as well as the BFSI sector – which sits at the heart of any economy – could well prove to be under-estimates.

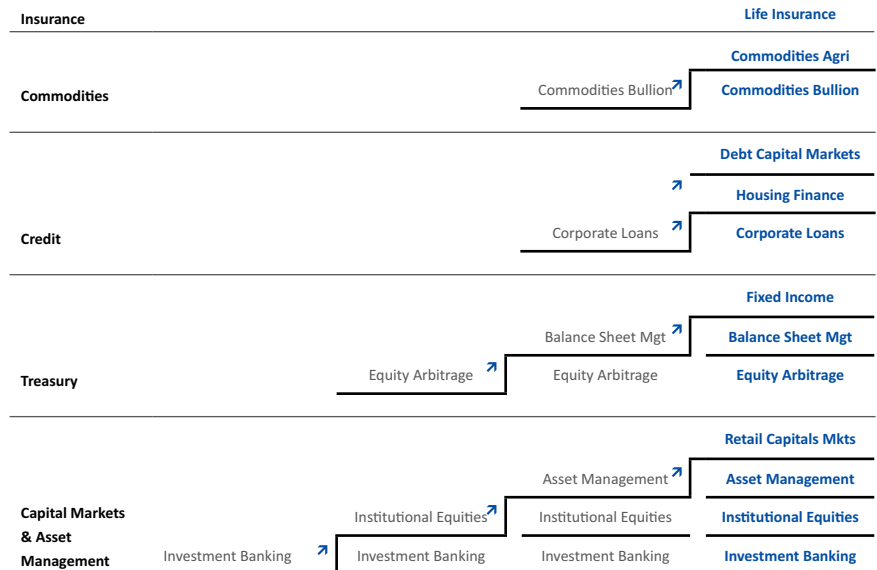
Needless to say, we are bullish about the future – the temporary cyclical blips in FY12 notwithstanding. All our business and investment decisions are based on our belief in the India story, as will become clear to you in the following sections of this letter.

## Overview of Edelweiss Operations

As mentioned earlier, while this was one of the toughest years for the BFSI industry, Edelweiss was much better prepared to cope with the cyclical downturn because of the strategic decision to diversify into adjacent spaces.

In FY08, when Edelweiss went public it was essentially a company focusing on capital markets. But the capital markets segment while being a high growth segment is inherently volatile. To de-risk the business model from this volatility as well to build a more stable and scalable business, we diversified into adjacent spaces. Edelweiss now has five major businesses – Credit, Capital Markets & Asset Management, Commodities, Treasury and Life Insurance.

These diversifications have ensured that from where we were in FY08, we have increased the addressable revenue pool 20 times. Going forward, as the economy expands, we believe that the addressable revenue pool in these five businesses will grow another five times. Edelweiss is thus well positioned to benefit from the emerging opportunities in the BFSI space.



Let me now turn to individual businesses and their performance in FY12 and provide an outlook for the future.

## CREDIT

We launched the Credit business in 2007 essentially as a Corporate Credit business providing collateralised lending to corporates. Though highly profitable, Corporate Credit has limited scalability. To address this issue, we further diversified into DCM and Retail Credit by launching the Housing Finance and SME Lending businesses. While the retail credit business may have a lower profitability, it is highly scalable and a much felt consumer need.

The credit opportunity in India is large. Over the last two decades non-food credit by banks has grown at a CAGR of 21% to touch approximately ₹ 40 trillion. Despite this, mortgages as a percentage of GDP stand at 9%, much lower than even smaller economies like Malaysia, Hong Kong or Singapore. The two specific areas that we address have also shown healthy growth over the years. Bond markets have grown at a CAGR of 18% since 1999 while NBFC credit has grown 26% since 2006.

At the end of FY12, the collateralised corporate loan book stood at ₹ 27,970 million while the Housing Finance loan book was ₹ 7,760 million. Even as the total loan book was growing, we ensured that we did not lose focus on risk mitigation.

The collateral cover for corporate loans was 2.6x of the book while the Loan to Value (LTV) ratio for retail loans was capped at ~60%.

## CAPITAL MARKETS

Capital Markets & Asset Management is the earliest business group at Edelweiss and our successes in this business have helped us diversify into adjacent spaces. Presently, this business group comprises the following businesses – Institutional Equities, Investment Banking, Retail Broking, Wealth Management, Alternative Asset Management and Mutual Funds.

Due to the tough macro-economic situation and subdued primary and secondary market activity, FY12 was a tough year for the Capital Markets & Asset Management business group. Despite this there were several positives during the year.

Edelweiss continued to hold its leadership position as the largest Indian institutional equities house, while increasing its market share to 4%. Margins were however impacted, thereby affecting profitability. The Investment Banking division has consistently been among the top ten deal makers in the league tables. During FY12, we did 40 Equity Capital Markets (ECM), Advisory and DCM deals including prestigious equity offerings like MCX.



“Edelweiss continued to hold its leadership position as the largest Indian institutional equities house, while increasing its market share to 4%.”

We acquired Anagram Capital in FY11 to scale our Retail Broking business. Since then the number of retail broking clients have increased by 15% YoY to 372,000. Despite adverse circumstances, our Wealth Management business has shown healthy growth and today has over ₹ 30 billion of assets under advice.

Edelweiss is among the fastest growing alternative asset management players. During FY12, the total assets under management increased from \$361 million to \$570 million. We now have five funds offering differentiated and innovative investment strategies. The retail mutual fund business, among the few fund houses in the country to offer quant-based fund management, continues to grow its assets under management.

As mentioned earlier, the adverse macro-economic situation however impacted the Capital Market & Asset Management businesses. Both revenues and margins declined. We however believe that this fall is a cyclical blip. India continues to have one of the highest savings rate in the world and capital markets continue to be the most efficient ways to transforming these savings into investments. Starting 2003, adjusted for cyclical dips, all key parameters – amount of capital raised from the public, FII investments into India, as well as retail participation in the capital markets have shown a healthy increase. There is no reason why Indian markets will not bounce back once the current macro-economic cycle turns.

## COMMODITIES

As capital markets have faltered over the last few years and global commodity prices have surged, commodities have emerged as an alternate asset class for investors.

Edelweiss spotted this opportunity early and in FY08 set up a bullion distribution business. This consisted of importing precious metals, which can then be distributed to end users like jewellers, manufacturers and traders.

Starting from these modest beginnings, we have since scaled up and Edelweiss today is the largest importer of precious metals in the country (in the non-bank, non-canalising agency segment). We have a presence in 11 cities, besides an office in Dubai. We have over 400 dealers as our clients, besides being empanelled with most international banks for bullion supplies.

In FY10, we expanded the Commodities business by further entering the agricultural commodities space. In this business, besides importing and/or procuring locally, we also finance traders or users through collateralised credit. Edelweiss today has a network of about 500 clients and all key warehouse service suppliers.

We believe that this is one of our most exciting diversifications and presents enormous potential for the future. Commodities turnover on the exchanges has shown a CAGR of 45% since 2008 to touch ₹ 181 trillion. Though the actual production of agri commodities has been driven by vagaries of monsoon, increased financialisation of the space is likely to reduce costs and improve demand-supply linkages. We believe that Edelweiss' research based approach, balance sheet strength and flexibility in decision making provides us with huge advantages in the market.

## TREASURY & RESOURCES

Our Treasury operations manage our Group's short-term liquidity in a way similar

to a commercial bank, while optimising risk adjusted returns. Its role has been expanded to include Balance Sheet management. For a company like Edelweiss Financial Services Limited (EFSL), where large amounts of capital flow in and flow out on a daily basis, an efficient Treasury operation provides the necessary liquidity. At the same time, robust risk management ensures capital preservation. In FY12, over 70% of our total treasury assets were held in highly liquid government securities and bank fixed deposits.

During FY12, we took steps to diversify our sources of borrowing. Similarly we have consciously taken steps to change the liability maturity profile. A significant percentage of our liabilities today have a maturity profile of one year or more. Both these are significant steps towards liquidity risk management.

## LIFE INSURANCE

Edelweiss Tokio Life, our Life Insurance joint venture with Tokio Marine of Japan, began operations during the year. At about 4%, penetration of life insurance in India continues to be low. The potential market size is huge and this vast opportunity is what Edelweiss Tokio Life seeks to address.

Tokio Marine, our partner, was a late entrant in the Japanese life insurance market and yet through rigorous customer segmentation and differentiated selling approach managed to emerge as one of the leaders. Drawing on their experience we have adopted a stringent training process to ensure that our PFAs take a customer-centric approach to selling. Initial response to this process has been very encouraging and we are confident that this will not only meet our customers' needs but also propel our growth in the business.

At the end of FY12, the business now has 31 offices in 22 cities and 825 highly trained PFAs.

### CORPORATE INITIATIVES

Let me now turn to some key corporate initiatives aimed at strengthening the organisation in the long term.

**Investments in Infrastructure and Technology:** Our investments in the new headquarters, Edelweiss House, as well as technology systems and processes have vastly improved operational efficiencies. In future, as capital markets tend to become more technology-dependent and Algorithmic Trading/High Frequency Trading become more popular, some of these investments will also result in additional revenues.

**Risk Management and Mitigation:** Several steps are being taken to ensure that risk awareness becomes part of the organisation's DNA. We take risk management extremely seriously and the Global Risk Committee consists of the senior-most executives of the Company. I am happy to note that this focus on risk has ensured that the level of Non-Performing Assets (NPAs) in the credit book is quite low, below 0.2% at the net level, and we have been able to preserve our capital in other businesses too.

**Customer Centricity:** We have tied up with a globally renowned training firm and embarked on an ambitious programme to make Edelweiss among the most customer-focused financial services companies in the country. Already over 100 of the senior-most executives have undergone an orientation programme and another 1,000 employees are being trained as evangelists who will then propagate a culture of customer focus and service through the organisation.

**Leadership Development:** Edelweiss has one of the most comprehensive Leadership Development Programmes in the industry. Each member of the Management Committee – the decision making body

of the Group – undergoes mentoring by an internationally renowned leadership skills consultant. Similar programmes exist across the organisation from the Senior Leadership Group (SLG) to the junior-most members of the Edelweiss team. Last year, we launched another exciting programme, called the Emerging Leaders Group (ELG) that identifies, trains and fast tracks young executives to take on leadership roles as they grow in the organisation. Our investment in Fountainhead, our Leadership Centre, is bearing fruit in this programme. Over the last one year, over 2,100 of our 3,100 strong workforce have undergone training relevant to their role.

**Brand:** We have actively invested in building a strong brand. Proof that our efforts in this area are in the right direction was available when Edelweiss was chosen as one of the 50 Business SuperBrands by an independent body. We have also managed to double our reach and build credibility and familiarity for our brand. The plan now is to translate this brand value and make it more relevant to a broader audience as Edelweiss continues to expand its retail footprint.

### Challenges ahead

While we continue to remain bullish about the India Story and the opportunities it offers a diversified financial services company like ours, let me also be candid about the challenges ahead.

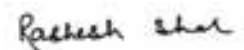
**External:** It seems increasingly likely that Indian polity will continue to be polarised, making consensus on economic decision a long and arduous process. As a result, it is quite possible that – irrespective of the party or coalition in power in the centre – several much needed economic reforms and measures could be delayed or stalled for lack of a political consensus. Under such circumstances, the economy would be much less prepared for both – dealing with a global financial crisis or exploiting the opportunities offered by such a crisis to attract more investments.

**Internal:** For some years, it seems that we will continue to face a conflict between investing for the long term and showing better results in the short term. Several new businesses that Edelweiss has embarked upon – especially Credit, Commodities and Life Insurance - are capital intensive businesses. We will have to continue to make investments for a few years before the Life Insurance business becomes accretive to the bottom line. Our Return on Capital Employed (ROCE) and consequently our valuations could, therefore, tend to suffer in the short term. Resolving this conflict between long-term goals and short-term aspirations is going to be the biggest challenge confronting the management.

I believe that there are no easy answers to these situations. They lie in the focused, systematic, daily grind of going to office and doing what you believe is right – day in and day out. It is a bit like running a marathon.

From my experience of long distance running, I have realised that it looks almost impossible from the sidelines. Once you start training for it, you realise that it is not impossible, but merely difficult. If you train hard enough and long enough, you suddenly realise – as you are approaching the finish line during the race – how effortless it all seemed. You actually have the stamina to go on for a few more kilometres, beyond the finish line.

While the management trains for this business marathon ahead, admittedly it is going to be tough on the shareholders. But I believe that as we consolidate our various businesses, the rewards will start to come in. I thank you for your patience in supporting us in the long distance run ahead.



**Rashesh Shah**  
Chairman

Place: Mumbai

Date : May 16, 2012

## EDELGIVE FOUNDATION

## Building Capacity & Capability for a Better India

Started formally in 2008, EdelGive Foundation is the strategic philanthropic arm of the Edelweiss Group. It aims to leverage the capacity and capital of the for-profit world to empower the social sector. Since inception, EdelGive has committed ₹ 17 crore to support over 20 non-profits at a pan-India level with a clear focus on education, livelihoods and women's empowerment.

### Investments

EdelGive's investments in education reflect the need to move beyond literacy and enrolment to improvements in the public delivery system, particularly to impact children's learning competencies.

In its livelihoods portfolio, EdelGive focuses on organisations working to reduce social and economic vulnerability, enhancing the earning potential and negotiating abilities of those at subsistence levels.

In the women's rights sphere, EdelGive Foundation runs the EdelGive Social Innovation Honours (ESIH) to reward and recognise organisations innovating to empower women in India. This year, four winners were awarded in the categories of Health & Well Being, Economic Security & Livelihoods and Rights & Representation.

### Capacity Building

EdelGive recognises that while funding ensures financial support to the organisation's programmes, capacity

building is essential to bring about programme efficacy. Through Edelweiss employees, the foundation provides capacity building support in the following areas:

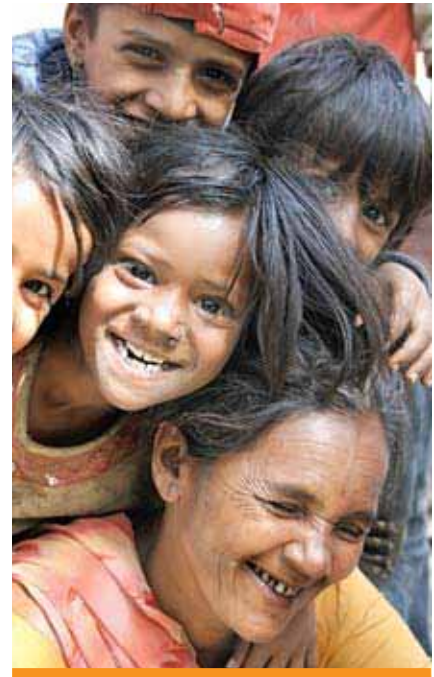
- Strategy & Leadership
- Financial Planning
- Systems & Technology
- Human Resources

### Employee Engagement

EdelGive leverages Edelweiss' intellectual capital with an employee engagement model that encourages them to volunteer and support non-profits and social entrepreneurs. In the last few years, Edelweiss employees have provided over 4,000 hours of pro bono support.

### Co-funding Support

EdelGive partners with investors, philanthropists and international foundations and provides them a zero-cost platform to invest in credible non-profits in India.







“EdelGive has been so much more than a funder, they are truly partners. Community visits, events, brainstorming sessions, volunteers, connecting us to relevant partners - EdelGive is about solid hands-on support.”

**Suparna Gupta**, Founder, Aangan Trust

### Key events of the year 2011-12

- A roundtable conference organised by EdelGive at the Sankalp Investor Forum brought together 25 social investors investing in India from across the world to discuss the role of collaboration.
- An Education Forum was organised to give the foundation’s non-profit investees a platform to showcase their work to a panel of investors.
- Eminent Indian corporate stalwarts and philanthropists including Rakesh

Jhunjhunwala, Anu Aga, Amit Chandra and Rashesh Shah joined a panel discussion on ‘Beyond Cheque Book: Towards Impactful Philanthropy.’

- EdelGive initiated the EdelGive Impact Workshop, which brought together its portfolio of 20 plus investees to share and learn through interactive pre-designed sessions facilitated by expert practitioners from the industry. It was a 3-day residential workshop at Fountainhead-Alibaug, the Edelweiss Leadership Centre.

Even as the Group continues to build Edelweiss House, it believes in strengthening its commitment to empower the development sector by making impactful investments, leveraging people’s skills and building networks leading to a systemic change.



Amit Chandra, MD, Bain Capital Advisors, Rakesh Jhunjhunwala, Partner, Rare Enterprises, Rashesh Shah, Chairman & CEO, Edelweiss Group and Anu Aga, ex-chairperson Thermax Ltd. at a panel discussion on Impactful Philanthropy with Vidya Shah, Director, EdelGive Foundation at the EdelGive Social Innovation Honours 2012.

## Board of Directors

### Mr. Rashesh Shah, Chairman & Managing Director

Mr. Shah, co-founder of the Company has over 20 years of diverse experience in the financial services industry in India and has been instrumental in building Edelweiss into one of India's leading diversified financial services companies. Prior to founding Edelweiss, he worked with ICICI Limited. He serves on the Boards of various companies and has also served on the Executive Committee of the National Stock Exchange, India's premiere securities exchange. He is currently Chairman, Maharashtra Council of FICCI as well as Chairman, ASSOCHAM National Council on Capital Markets. His academic qualifications include an MBA from IIM, Ahmedabad and a Diploma in International Trade from the Indian Institute of Foreign Trade, New Delhi.

### Mr. Venkat Ramaswamy, Whole-time Director

Mr. Ramaswamy, co-founder of the Company spearheads one of the Company's most strategic businesses Capital Markets & Asset Management. He brings significant experience and expertise on client relationships to Edelweiss. Prior to Edelweiss he worked with Spartek Emerging Opportunities Fund and ICICI Limited. His academic qualifications include an MBA from the University of Pittsburgh, United States of America and a Bachelor's Degree in Electronics Engineering.

### Mr. Himanshu Kaji, Executive Director

Mr. Kaji is the Group Chief Operating Officer. He is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Stakeholder Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group. Mr. Kaji is a qualified Chartered Accountant with a post graduate diploma in securities law. Mr. Kaji has over 20 years experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange (BSE) between 1999-2002.

### Mr. Narendra Jhaveri, Independent Director

Mr. Jhaveri specialises in public finance and has over 40 years of experience in the financial services sector. He has occupied important positions in various prestigious institutions including National Council of Applied Economic Research (NCAER), Reserve Bank of India and ICICI Ltd. Mr. Jhaveri rose to become Joint Managing Director and then the Executive Chairman of ICICI Securities Ltd. His academic qualifications include a Masters in Economics from Gujarat University and M.Sc. in Economics from the London School of Economics.

### Mr. Kunnasagar Chinniah, Non-Executive Director

Mr. Chinniah is Managing Director/Global Head of Portfolio, Strategy & Risk Group with GIC Special Investments ("GIC SI"), the

Private Equity arm of the Government of Singapore Investment Corporation ("GIC"). He joined GIC in 1989 and has held various positions with the Special Investments Department of GIC in their North American, European and Asian regions. Mr. Chinniah is a Chartered Financial Analyst and his other academic qualifications include a Bachelor's Degree in Electrical Engineering from the National University of Singapore and an MBA from the University of California, Berkeley.

### Mr. P N Venkatachalam, Independent Director

Mr. Venkatachalam has over 35 years of experience in the banking sector in India and abroad and 5 years of experience in the software industry in Banking & Finance verticals. He joined State Bank of India in 1967 and retired in 2004 as its Managing Director. He was a member of the Interim Pension Fund Regulatory Authority of India and a Director on the Board of Small Industries & Development Bank of India (SIDBI). He holds a Master's Degree in Economics and is a Certified Associate from the Indian Institute of Bankers.

### Mr. Berjis Desai, Independent Director

Mr. Desai is the Managing Partner of J. Sagar & Associates, one of India's leading law firms. He has been practicing for more than 30 years and has a rich and varied experience in the legal field, with specialisation in corporate law, Mergers & Acquisitions, derivatives, securities & financial laws, International Business laws and International Commercial Arbitration. He holds a Masters degree in Law from the University of Cambridge.

### Mr. Sanjiv Misra, Independent Director

Mr. Misra has a rich and varied experience of over 25 years in the financial services industry, having worked with various organisations including Goldman Sachs and Citigroup. Mr. Misra is the President of Phoenix Advisers Pte. Ltd., an advisory and principal investing firm and Senior Advisor with Apollo Management. Mr. Misra holds a Bachelor of Arts degree in Economics from St Stephen's College, Delhi University, a MBA from IIM, Ahmedabad and a Master of Management from the J. L. Kellogg Graduate School of Management.

### Mr. Sunil Mitra, Independent Director

Mr. Mitra holds a bachelor's degree in Science from Delhi University and belongs to the 1975 batch of the Indian Administrative Service. He possesses rich and varied experience in public administration and general management having held diverse positions in Government of India such as Disinvestment Secretary, Revenue Secretary & Finance Secretary. In his stint with the Ministry of Finance, Government of India, Mr. Mitra was engaged in the design of significant tax reforms. During his earlier stint with the West Bengal Government, Mr. Mitra was responsible for designing and implementing widespread policy reforms in the State-owned public sector. He also played an important role in the successful demutualisation of the Calcutta Stock Exchange.

**Board of Directors**

Rashesh Shah

Venkat Ramaswamy

Kunnasagaran Chinniah

Narendra Jhaveri

P. N. Venkatachalam

Berjis Desai

Sanjiv Misra

(appointed w.e.f. May 16, 2011)

Himanshu Kaji

(appointed w.e.f. November 1, 2011)

Sunil Mitra

(appointed w.e.f. December 7, 2011)

**Company Secretary**

B. Renganathan

**Statutory Auditors**

B S R &amp; Associates

**Internal Auditors**

Haribhakti &amp; Co.

**Bankers**

Andhra Bank

Axis Bank Ltd

Bank of Baroda

Bank of India

Canara Bank

Citi Bank N.A.

DBS Bank Ltd

Federal Bank Ltd

HDFC Bank Ltd

ICICI Bank Ltd

IDBI Bank Ltd

Indian Overseas Bank

IndusInd Bank Ltd

Karur Vysya Bank Ltd

Kotak Mahindra Bank

Oriental Bank of Commerce

Punjab National Bank

Ratnakar Bank

Standard Chartered Bank

State Bank of India

State Bank of Bikaner &amp; Jaipur

Syndicate Bank

Union Bank of India

Vijaya Bank Ltd

Yes Bank Ltd

**Edelweiss Presence**

Across 675 cities

Covering 372,000 clients

**Major Cities****Domestic**

Ahmedabad, Allahabad,

Bengaluru, Bhavnagar,

Bhopal, Bhubaneshwar,

Chandigarh, Chennai,

Goa (Panaji), Hyderabad,

Indore, Jabalpur, Jaipur,

Jalandhar, Jamnagar, Jamshedpur,

Kochi, Kolkata, Lucknow, Ludhiana,

Madurai, Mangalore, Mumbai,

NCR, Rajkot, Ranchi, Surat,

Thiruvanthapuram, Udaipur,

Vadodara, Varanasi,

Vijayawada, Vishakapattanam

**International**

Dubai

Mauritius

Singapore

**Registrar & Share Transfer Agent**

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (West),

Mumbai – 400 078.

Tel: 022-2594 6970 | Fax: 022 – 2594 6969

Email: rnt.helpdesk@linkintime.co.in

**Registered Office**

Edelweiss House,

Off C.S.T. Road,

Kalina,

Mumbai - 400 098.

## Directors' Report

To the Members of Edelweiss Financial Services Limited,

The Directors hereby present their 17<sup>th</sup> Annual Report on the business and operations of the Company together with the audited statement of accounts for the year ended March 31, 2012:

### Financial Highlights

I. Consolidated Financial Information:

	(₹ in million)	
	2011-12	2010-11
<b>Total Income</b>	<b>16,706.87</b>	<b>14,290.12</b>
Total Expenditure	14,719.90	10,790.00
<b>Profit Before Tax</b>	<b>1,986.97</b>	<b>3,500.12</b>
Provision for Tax	680.86	1,030.97
<b>Profit After Tax</b>	<b>1,306.11</b>	<b>2,469.15</b>
Less: Share of Minority Interest	28.68	138.99
<b>Profit for the year after Minority interest</b>	<b>1,277.43</b>	<b>2,330.16</b>
Add: Surplus brought forward from previous year	7,716.86	6,407.19
<b>Profit available for appropriation:</b>	<b>8,994.29</b>	<b>8,737.35</b>
Less: Appropriations		
Interim Dividend	226.99	187.98
Proposed Dividend	227.34	263.24
Transfer to Reserves	272.22	493.69
Dividend Distribution Tax	85.24	75.58
<b>Surplus carried to the Balance Sheet</b>	<b>8,182.50</b>	<b>7,716.86</b>
Earnings per equity share (Face Value - ₹ 1/-)		
Basic (₹)	1.69	3.10
Diluted (₹)	1.66	3.00

## II. Standalone Financial Information of Edelweiss Financial Services Limited:

	(₹ in million)	
	2011-12	2010-11
<b>Total Income</b>	<b>2,072.91</b>	<b>4,395.55</b>
Total Expenditure	1,313.13	3,771.84
<b>Profit Before Tax</b>	<b>759.78</b>	<b>623.71</b>
Provision for Tax	73.44	36.46
<b>Profit After Tax</b>	<b>686.34</b>	<b>587.25</b>
Add: Surplus brought forward from previous year	106.23	42.76
<b>Profit available for appropriation:</b>	<b>792.57</b>	<b>630.01</b>
Less: Appropriations		
Interim Dividend	226.99	187.98
Proposed Dividend	227.34	263.24
Transfer to Reserves	68.63	58.73
Dividend Distribution Tax	(13.83)	13.83
<b>Surplus carried to the Balance Sheet</b>	<b>283.44</b>	<b>106.23</b>
Earnings per equity share (Face Value - ₹ 1/-)		
Basic (₹)	0.91	0.78
Diluted (₹)	0.89	0.76

## Dividend

Your Directors have recommended a final dividend of ₹ 0.30/- per share (on the face value of ₹ 1/- each) for the financial year 2011-2012.

The payment of the final dividend is subject to the approval of the members to be obtained at the ensuing Annual General Meeting and shall be paid to those members whose names appear in the Register of Members of the Company as on the book closure date.

During the year, your Directors had declared and paid an interim dividend of ₹ 0.30/- per share.

The Register of Members and the share transfer books will remain closed from July 16, 2012 to July 26, 2012, both days inclusive. The Annual General Meeting of

the Company is scheduled to be held on July 26, 2012.

## Change in the name of the Company

Pursuant to the approval of the members obtained at the Annual General Meeting of the Company held on July 25, 2011, the name of the Company stands changed from Edelweiss Capital Limited to Edelweiss Financial Services Limited with effect from August 1, 2011.

## Transfer of Portfolio Management Services business of the Company

Pursuant to the approval of the members of the Company and the Securities and Exchange Board of India, the Portfolio Management Services business of the

Company has been transferred to Edelweiss Global Wealth Management Limited, a wholly owned subsidiary of the Company, with effect from February 2, 2012.

## Share Capital

During the year under review, the Company had allotted 4,773,000 equity shares of ₹ 1 each on the exercise of the options granted to the employees under various ESOP Schemes of the Company.

The disclosures required under the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are given as an annexure to the Report.

## Information on the status of affairs of the Company

Information on the operational and

financial performance, among others, is given in the Management Discussion and Analysis Report which is annexed to this Report and has been prepared in accordance with Clause 49 of the Listing Agreement.

## Finance

Your Company had raised money through issue of Commercial Papers from time to time.

Your Company had obtained credit rating of CRISIL A1+ from CRISIL for an amount of ₹ 48.50 billion with respect to short term borrowing, ICRA AA-/Stable from ICRA for an amount of ₹ 5.55 billion and CRISIL AA-/Stable from CRISIL for an amount of ₹ 220 million with respect to various long term debt programme.

## Public Deposits

Your Company did not accept public deposits during the year under review.

## Subsidiaries

During the year under review, the following companies became the subsidiaries of your Company:

- Edel Commodities Trading Limited;
- EFSL Commodities Limited; and
- EFSL Comtrade Limited.

During the year under review, Edelweiss Advisors Limited (presently known as Styra Commodities Limited) ceased to be the subsidiary of the Company.

Subsequent to the year end, Edelweiss Trading & Holdings Limited (ETHL) merged with Comfort Projects Limited. Consequently, ETHL ceased to be the subsidiary of the Company.

In terms of the General Circular No. 2/2011 dated February 8, 2011 (the Circular) issued

by the Central Government in respect of Section 212 of the Companies Act, 1956, the Board of Directors of the Company had accorded their consent for not attaching the balance sheet of the subsidiaries with the accounts of the Company.

Pursuant to the Circular, the financial data of the subsidiaries have been furnished under "Summary of Financial information of Subsidiary Companies" and forms part of this Annual Report.

The consolidated financial statements prepared in accordance with the Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006, forms part of this Annual Report and are reflected in the consolidated accounts of the Company.

The Annual Accounts of the subsidiaries and the related detailed information shall be available to the members of the Company and its subsidiaries on request and also for inspection at the Registered Office of the Company.

A statement pursuant to Section 212 of the Companies Act, 1956 is set out as an Annexure to the Report.

## Directors

In accordance with the requirements of the Companies Act, 1956, Mr. Berjis Desai and Mr. Kunnasagar Chinniah, Directors of the Company retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment.

Mr. Himanshu Kaji and Mr. Sunil Mitra were appointed as Additional Directors of the Company with effect from November 1, 2011 and December 7, 2011, respectively.

Mr. Himanshu Kaji and Mr. Sunil Mitra hold office upto the ensuing Annual General Meeting. The approval of the members for appointing Mr. Himanshu Kaji and Mr. Sunil Mitra as Directors of the Company is sought at the ensuing Annual General Meeting.

Mr. Himanshu Kaji was appointed as an Executive Director of the Company for a period of three years with effect from November 1, 2011. The approval of the members for appointing Mr. Himanshu Kaji as an Executive Director of the Company is sought at the ensuing Annual General Meeting.

## Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time, forms part of this Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the members of the Company excluding the aforesaid information.

Any member interested in obtaining a copy of this information under Section 217(2A) of the Companies Act, 1956, may write to the Company Secretary, at the Registered Office of the Company.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption are not applicable to the Company.

Foreign exchange earnings and outgo (including dividend) during the year under review were ₹ 133.53 million (previous year ₹ 114.40 million) and ₹ 46.01 million (previous year ₹ 46.79 million) respectively.

### Auditors

B S R & Associates, Chartered Accountants, the auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their re-appointment for the current financial year 2012-13 and authorise the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224 (1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

### Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance together with the Certificate issued by M/s P. K. Pandya & Co, Practising Company Secretary on compliance in this

regard forms a part of this Annual Report.

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) we have selected such accounting policies and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profits of the Company for the financial year ended on that date and changes in the accounting policies are stated in the notes to accounts;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing

and detecting fraud and other irregularities; and

- (iv) the annual accounts have been prepared on a going concern basis.

### Acknowledgments

The Board of Directors wishes to place on record appreciation for the continued support and co-operation extended by the Securities and Exchange Board of India, Reserve Bank of India, Stock Exchanges, Commodity Exchanges, Insurance Regulatory and Development Authority, Forward Markets Commission, other government authorities, Banks and other stakeholders. Your Directors would also like to take this opportunity to express their appreciation for the dedicated efforts of the employees of the Company.

**For and on behalf of the  
Board of Directors  
Edelweiss Financial Services Limited**

**Rashesh Shah**  
Chairman & Managing Director

May 16, 2012

## ANNEXURE TO THE DIRECTORS' REPORT

## Disclosures as required under SEBI (Employee Stock Option Scheme &amp; Employee Stock Purchase Scheme) Guidelines, 1999

The Company has seven employee stock option plans, the details of which and the details of options granted upto March 31, 2012 are as under:

Particulars	ESOP 2004 (Scheme F)	ESOP 2006 (Scheme G)	ESOP 2007			ESOP 2008				ESOP 2009	ESOP 2010	ESOP 2011
			I	II	III	I	II	III	IV			
Approval	Approved by a special resolution passed by the Company at its EGM held on September 17, 2004 for the grant of 2.4 million options under ESOP 2004 -Scheme F.	Approved by a special resolution passed by the Company at its EGM held on January 9, 2006 for the grant of 4.8 million options under ESOP 2006 -Scheme G.	Approved by a special resolution passed by the Company at its EGM held on July 20, 2007 for the grant of 8.1 million options under ESOP 2007 Scheme I, II & III.			Approved by a special resolution passed by the Company at its AGM held on July 11, 2008 for the grant of 1.2 million options under ESOP 2008 Scheme I, II, III & IV.				Approved by a special resolution passed by the Company by a postal ballot on March 30, 2009 for the grant of 5 million options under the "ESOP Scheme 2009".	Approved by a special resolution passed by the Company by a postal ballot on June 30, 2010 for the grant of 3 million options under the "ESOP Scheme 2010".	Approved by a special resolution passed by the Company by a postal ballot on April 26, 2011 for the grant of 100 million options under the "ESOP Scheme 2011".
Options granted*	27,771,000	18,882,000	6,537,500	11,645,000	21,749,000	Nil	5,600,000	5,600,000	Nil	26,375,000	22,810,000	20,710,000
The pricing formula												
Options vested	23,349,320	15,780,000	6,537,500	11,645,000	21,749,000	5,452,000	5,452,000	5,452,000	Nil	Nil	4,606,500	Nil
Options exercised	14,144,560	3,750,000	819,000	56,000	122,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total number of shares arising out of exercise of options	13,304,580 <sup>1</sup>	3,588,000 <sup>2</sup>	819,000 <sup>3</sup>	56,000	122,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Options forfeited/lapsed/cancelled	9,693,140	1,542,000	3,417,000	6,348,000	7,845,000	5,600,000	2,892,000	2,892,000	Nil	9,765,500	5,586,500	3,690,800
Variation of terms of options	Nil	Nil	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	During fiscal 2011, the members of the Company approved the extension of the exercise period of the vested options by three years.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Money realised by exercise of options (₹)	54,958,875	39,089,373	19,769,166	5,774,932	10,182,920	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total number of options in force	3,933,300	13,590,000	2,301,500	5,241,000	13,782,000	Nil	2,708,000	2,708,000	Nil	16,609,500	17,223,500	17,019,200

\* includes re-issue of forfeited/lapsed/cancelled options. <sup>1</sup> 36,000 Options were exercised in FY2010-11 but the equity shares were allotted subsequently in FY2011-12. <sup>2</sup> 840,000 Options were exercised in FY2011-12 but the equity shares were allotted subsequently in FY2012-13. <sup>3</sup> 162,000 Options were exercised in FY2011-12 but the equity shares were allotted subsequently in FY2012-13.



**Notes: -****1. Details of options granted during the fiscal 2012 to:**

Particulars	ESOP 2011
(a) Directors and key managerial personnel	
Mr. Narendra Jhaveri	50,000
Mr. Berjis Desai	50,000
Mr. P. N. Venkatachalam	50,000
Mr. Himanshu Kaji	750,000
Mr. S. Ranganathan	300,000
Mr. B. Renganathan	40,000
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	NONE
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NONE

**2. Pricing Formula :**

(a) ESOP 2004 Exercise price of options	₹ 1.04 to ₹ 16.67
(b) ESOP 2006 Exercise price of options	₹ 7.92 to ₹ 16.67

**(c) ESOP 2007 (I)**

Period during which vested options are exercised	From the date of vesting to September 30, 2008	From October 1, 2008 to September 30, 2009	From October 1, 2009 to September 30, 2010	From October 1, 2010 to September 30, 2014
Exercise price payable for such vested options	In case the shares are listed, 10% discount to the Market Price or ₹ 116.70 whichever is higher; Otherwise ₹ 116.70.	In case the shares are listed, 25% discount to the Market Price or ₹ 83.30 whichever is higher; Otherwise ₹ 83.30.	₹ 58.30	₹ 21.70

**ESOP 2007 (II)**

Period during which vested options are exercised	From the date of vesting to June 30, 2008	From July 1, 2008 to June 30, 2009	From July 1, 2009 to June 30, 2010	From July 1, 2010 to June 30, 2011	From July 1, 2011 to June 30, 2015
Exercise price payable for such vested options	In case the shares are listed, 10% Discount to the Market Price or ₹ 116.70 whichever is higher; Otherwise ₹ 116.70.	In case the shares are listed, 25% Discount to the Market Price or ₹ 83.30 whichever is higher; Otherwise ₹ 83.30.	In case the shares are listed, 50% Discount to the Market Price or ₹ 66.70 whichever is higher; Otherwise ₹ 66.70.	₹ 50.00	₹ 33.30

**ESOP 2007 (III)**

<b>Period during which vested options are exercised</b>	From the date of vesting to December 31, 2007	From January 1, 2008 to December 31, 2008	From January 1, 2009 to December 31, 2009	From January 1, 2010 to December 31, 2013
<b>Exercise price payable for such vested options</b>	₹ 116.70	In case the shares are listed, 25% discount to the Market Price or ₹ 83.30 whichever is higher; Otherwise ₹ 83.30.	In case the shares are listed, 50% discount to the Market Price or ₹ 66.70 whichever is higher; Otherwise ₹ 66.70.	₹ 51.70

**(d) ESOP 2008 (I)**

<b>Period during which vested options are exercised</b>	From the vesting date to December 31, 2010	From January 1, 2011 to December 31, 2011
<b>Exercise price payable for such vested options</b>	Higher of price after 10% discount to the Market Price as on the exercise date or ₹ 120.00.	Price after 10% discount to the Reference price.

**ESOP 2008 (II)**

<b>Period during which vested options are exercised</b>	From the vesting date to December 31, 2011	From January 1, 2012 to December 31, 2012
<b>Exercise price payable for such vested options</b>	Higher of price after 10% discount to the Market Price as on the exercise date or ₹ 120.00.	Price after 10% discount to the Reference price.

**ESOP 2008 (III)**

<b>Period during which vested options are exercised</b>	From the vesting date to December 31, 2012	From January 1, 2013 to December 31, 2013
<b>Exercise price payable for such vested options</b>	Higher of price after 10% discount to the Market Price as on the exercise date or ₹ 120.00.	Price after 10% discount to the Reference price.

**ESOP 2008 (IV)**

<b>Period during which vested options are exercised</b>	From the vesting date to December 31, 2013	From January 1, 2014 to December 31, 2014
<b>Exercise price payable for such vested options</b>	Higher of price after 10% discount to the Market Price as on the exercise date or ₹ 120.00.	Price after 10% discount to the Reference price.

**(e) ESOP 2009**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

**(f) ESOP 2010**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

**(g) ESOP 2011**

The Exercise price of the Vested Options will be higher of the closing market price of the shares on the date of the Grant or Book Value of the shares as per the last audited balance sheet as on the date of the Grant.

- 3 Diluted EPS for Fiscal 2012 — ₹ 0.89 per Equity Share
4. Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options):

The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, the employee compensation would have been higher by ₹ 133.03 million and the profits would have been lowered by ₹ 133.03 million.

5. Impact on the profits and EPS for Fiscal 2012, if the Company had followed the accounting policies specified in Clause 13 of the ESOP Guidelines:

Impact on Profit	Impact on Basic EPS	Impact on diluted EPS
lower by ₹ 133.03 million	lower by ₹ 0.18	lower by ₹ 0.17

6. Significant assumptions made during the year to estimate the fair value of options:

i. Risk-free interest rate	6.50% - 8.00%
ii. Expected life	3.19 – 9 years
iii. Expected volatility	16.29% - 47.70%
iv. Expected dividend yield	0.4% - 2.19%

The following statement summarises the information about stock options outstanding as at March 31, 2012:

Particulars	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010	ESOP 2011
- Range of exercise price	₹ 1.04 to ₹ 16.67	₹ 7.92 to ₹ 16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	₹ 39.44 to ₹ 50.26	₹ 41.40 to ₹ 61.00	₹ 24.60 to ₹ 37.80
- Number of shares arising out of options	3,933,300	13,590,000	2,301,500	5,241,000	13,782,000	-	2,708,000	16,609,500	17,223,500	17,019,200
- Weighted average life of outstanding options (in years)	1.92	2.76	2.50	3.25	1.75	-	1.75	4.18	4.37	5.10
<b>Weighted average exercise prices of stock options</b>										
- outstanding at the beginning of the year (₹)	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88	N.A.
- granted during the year (₹)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	36.85
- forfeited/cancelled during the year (₹)	N.A.	7.92	21.70	33.30	51.70	46.30	34.82	41.10	48.56	34.94
- exercised during the year (₹)	8.10	7.92	21.70	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year (₹)	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	40.11	48.93	37.27
- exercisable at the end of the year (₹)	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	N.A.	N.A.	N.A.

The weighted average market share price during the year is ₹ 30.61 (Previous year: ₹ 47.81).

Note: Exercise price of grants and number of Options have been computed after adjustment for splits, bonuses and consolidation since institution of the employee stock option plans.

**For and on behalf of the Board of Directors  
Edelweiss Financial Services Limited**

**Rashesh Shah  
Chairman & Managing Director**

May 16, 2012

## Management's Discussion & Analysis

### Macro-Economic Environment

#### ECONOMY: REVIEW AND OUTLOOK

The current macro-economic environment is passing through a severe slowdown led by weakening in investment activity. Indeed, GDP is tepid around 6.5% in FY12, compared to a healthy ~8.4% in FY11. While the fall in consumption also played a part in slowdown, the investment decline was much more pronounced. Worryingly, this trend of disproportionate decline in investments is being witnessed for the last 3-4 years (post-Lehman crisis). This does not augur well for the long-term growth of the country, as, low rate of investment means lower growth in the coming years. The key reasons that led to a slump in investments are:

- a) **Elevated inflation:** Inflation concerns continued in FY12 (third year in a row) as demand pressures rose significantly, especially in H1FY12. Elevated levels of inflation led to aggressive monetary tightening by RBI and this had an adverse impact on investment and growth. Moreover, high inflation also had undesirable impact on savings rates and brought about an increase in business uncertainty. However, easing of inflation (specially on demand side) in Q4FY12 provided much needed relief and barring a deficient monsoon or a spike in global commodity prices, inflation is likely to be contained from present levels in FY13. Interestingly, RBI also appears to be reconciled to having a higher inflation rate of 6.5% in FY13 compared to their earlier comfort zone of 5% or lower. Recent data, however, unfortunately, again indicates rise in inflation.
- b) **Tight monetary policy:** Throughout H1FY12, RBI was in an aggressive tightening mode to contain demand pressures in the economy. Accordingly, on a couple of occasions, RBI increased

the policy rate by 50 bps rather than a calibrated 25 bps hike. This aggressive tightening in monetary policy led to significant constriction of the overall monetary condition in the economy. Moreover, excessively tight liquidity also led to hardening of money market rates. This, in turn, slowed down investments during the year.

However, in Q4FY12, acknowledging the slowdown in inflation and tight monetary conditions, RBI began easing and slashing the CRR by 125 bps followed by an aggressive, and surprising to some, repo rate cut in April 2012. In FY13, RBI is expected to continue to ease, albeit at slow pace, which in turn is expected to improve the investment sentiments. The downside risk to this scenario may be a truant monsoon or a spike in crude prices.

- c) **Decline in business confidence:** One of the major reasons for the investment cycle slowing down is the significant erosion of business confidence. Due to a slew of corruption charges, government too went into a shell and dithered from taking important policy actions, eroding business confidence further. Overall, this resulted in the businesses holding back capex plans due to lack of approvals/clarity in a weakened political setting. However, towards the end of FY12, government realised the gravity of the issue and is now trying to address it. To what extent government supports investment in FY13 would be a key variable that will determine the extent of growth.
- d) **Slippages in fiscal and Current Account Deficit (CAD):** FY12 saw significant slippages in fiscal deficit (~1.1% of GDP) as the subsidies overshoot budgeted amount. This elevated fiscal deficit had

a cascading impact on inflation, growth and interest rates. Meanwhile, CAD is likely to be a record ~4.0% of GDP in FY12 and played a major role in rupee's slide during H2FY12. The major reason for the widening of CAD in FY12 was petroleum and gold imports. In the coming year, we expect gold imports to normalise due to various measures taken by government and accordingly, CAD is expected to contract from the elevated levels of FY12.

- e) **Global developments:** The worsening of the domestic economic condition was exacerbated by continued global uncertainties, including the Eurozone sovereign debt crisis and a weak U.S. recovery. This affected investor confidence, making them risk-averse and reassess their allocation to India. As a result, capital inflows in India remained subdued in 9MFY12 with a brief improvement in the last quarter. The FII sentiments were again dented due to certain budgetary provisions related to foreign investments, though some of these have been rolled back in May 2012. Trends in capital flows in coming quarters, therefore, will largely depend on global and domestic economic and financial conditions, including the pace of domestic policy reforms.

#### CAPITAL MARKETS

With the country facing a host of challenges in the economic front, the Indian capital markets and India as a favoured investment destination lost a lot of shine during FY12. As a result, the markets went through extremely challenging times for most part of FY12 and finally under performed most other markets for the year despite a rally in the closing stages. As mentioned above,

with investment climate being uncertain, most corporates put their capex plans on the backburner with the result that primary market equity raising and other investment banking activities like mergers and acquisition slumped. We believe FY12 was one of the toughest years in recent memory for capital markets. However, with economic conditions improving gradually, we see the year ahead of us as better than FY12 though there is no scope for undue euphoria or optimism. We see growth returning slowly in the capital markets in the latter half of FY13.

With increased financialisation of the commodities market that has already happened in developed markets and India now catching up, we see commodities along with bonds as an asset class that will grow significantly going forward and deepen the markets.

We expect the regulators and government to continue to work towards policy liberalisation and structural reforms bringing in higher efficiencies and growth in markets. Despite a lower growth projection for India for FY13, we expect the Indian economy to outperform most developed economies. This should ensure a reasonable growth in the capital markets, throwing up exciting business opportunities. Forward-looking organisations would think ahead and place themselves in the right place to catch these opportunities.

## EMERGING MARKETS

FY12 was a lacklustre year for equities. The general risk averse environment resulted in a market slump in most of the countries. However, the developed world outperformed emerging markets with the U.S. and Japan posting positive returns, despite the U.S. losing its AAA rating. Among the emerging markets, China, Russia and India were among the worst performers. While the first three quarters were abysmal, Q4FY12 witnessed a brief recovery. ECB's actions for liquidity easing were a game changer propping up risk assets globally. Ample liquidity was on offer from other major central banks as well. Consequently, India

witnessed a tremendous Q4FY12 with net FII flows topping \$8 billion. FII flows in FY13, however, will depend on global and domestic conditions, including how the government addresses foreign investors' concerns arising out of recent budget proposals covering foreign investment.

## COMMERCIAL CREDIT MARKETS

The commercial banks' non-food credit growth came in relatively weaker in FY12 around 17% as against 21% in FY11. Prolonged period of elevated interest rates coupled with slowing investment demand resulted in this muted credit growth. Significant slowdown came in the Services sector with growth coming off from 24% last year to 15% in FY12. However, over the last two decades, bank credit has grown at an impressive CAGR of 21% remaining the main source of debt capital in India. This is also supported by the non-banking credit in India which grew at a higher CAGR of 26%, due to a smaller base, in the past 5 years. The non-bank credit growth thus presents large and growing opportunity in both corporate and retail finance.

## DEBT MARKETS

Developing the bond markets with an objective of attaining the depth and activity level observed in the equity markets continues to be among the top priorities of the RBI & SEBI. This effort got a significant boost this year as fixed income emerged as a powerful asset class during a period when equities suffered due to a host of global and domestic concerns. The space for foreign investment in local currency bonds was widened to accommodate the FII investment demand – the limits were increased by \$5 billion each in the government and corporate debt categories while the infrastructure category limits were hiked to \$20 billion. The FII appetite is also exemplified in the unprecedented \$10 billion of net foreign inflows into Indian bonds. FY13 may see another round of increased limit allocation to FIIs depending on the utilisation of existing limits in the government and corporate debt segments.

However, some of the major initiatives like Treasury bill interest rate futures, corporate bond repos and credit default swaps have not taken off at the expected pace. These are crucial to the overall progress of debt markets and should develop along expected lines in due course as and when regulations open up these segments to a broader class of participants.

Indian economy hinges on infrastructure growth and to this effect, tax-free infra-bonds and other public issuances have been useful capital-raising tools for government-backed companies as well as an attractive investment opportunity for institutional and retail investors. Retail investor interest in these issues has been a highlight for the year and attracting further participation from this voluminous segment will be the key in transforming the Indian debt market landscape. The Union Budget has recognised this fact and doubled the permissible quota under tax-free infra-bonds from ₹ 300 billion to ₹ 600 billion for FY13. It is expected that corporate India too should latch on to this avenue with the advent of required structural reforms, thereby attracting a wider investor base and deepening the corporate bond market.

## Edelweiss Overview

### A FULLY DIVERSIFIED FINANCIAL SERVICES GROUP

Edelweiss Financial Services Limited, incorporated in 1995, started as a niche Investment Banker with focus on private equity advisory. Over the last 16 years, Edelweiss Group has constantly followed a strategy of synergistic diversification into adjacent markets, asset classes, client segments and products to build a fully diversified financial services group with a portfolio of cutting-edge high growth businesses covering most parts of the financial services space. These diverse businesses are conducted through an organisational structure consisting of 44 subsidiaries and seven associate companies. We have a presence through 241 offices (including 18 franchisee-led and

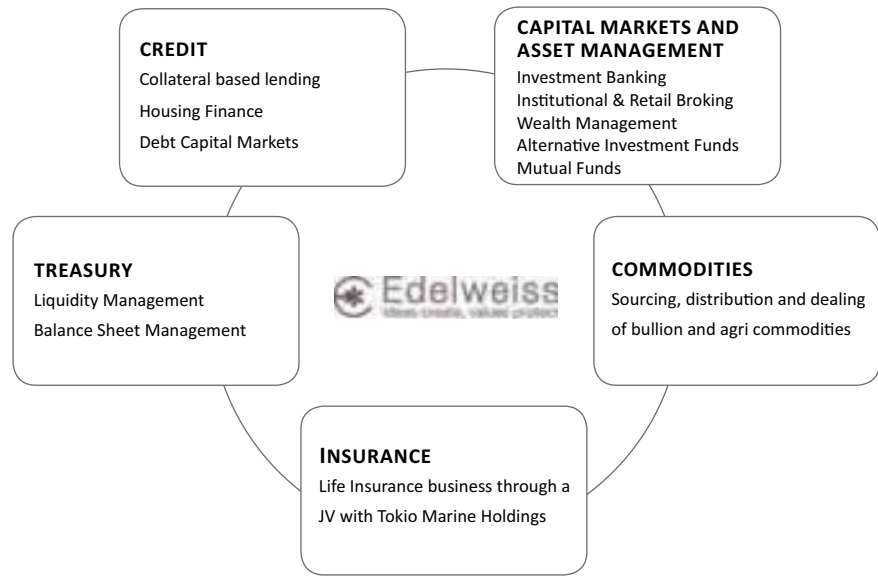
three international offices) in 120 major cities as on March 31, 2012.

## ORGANISATIONAL STRUCTURE

At Edelweiss, we have spent the last decade building our product lines and managing our growth. As we pursue more business opportunities, as the firm grows and becomes more complex, we have to ensure that we remain efficient and effective. This requires constant effort towards organisation building, leadership growth and sharpening our backend systems, processes and technologies. Further, as our client base gets larger, more diverse and geographically spread, we must find newer ways of meeting their expectations in an innovative, sustainable and consistent manner as also identify and control newer risks.

To meet these future challenges, we have organised the businesses of Edelweiss around five broad business groups – **Credit including Housing Finance, Capital Markets & Asset Management, Commodities, Treasury and Life Insurance.** Each of these five business groups is, in turn, organised around Strategic Business Units (SBUs) catering to a specific vertical within the business group, based on commonality of business drivers, client segments, resources and backend support required. Finally, each SBU comprises several lines or sub-lines of businesses (LoBs) to impart greater focus on customer centricity and performance evaluation of their specific business.

These five business groups are controlled and supported by a core of Enterprise Groups that provide consistent quality and rigor to key process functions. These groups focus on improving efficiency and productivity and improve our ability to deal with increasing complexity. As a part of organisation build out, we have also invested significantly in our risk management policies, processes, people and technology under the Global Risk Group so that we are able to identify and measure risks across our diverse businesses in time and take appropriate mitigating measures to preserve our capital and reputation.



Our organisational structure is nimble and flexible. While all the SBUs will drive synergies as well as address common needs, at an overall Edelweiss level there is oneness on key areas such as value systems, culture, long-term strategy and allocation of key resources.

## EDELWEISS STRATEGY

Ever since its inception, Edelweiss has successfully followed the strategy of synergistic diversification while focusing on people, processes and structure. This strategy has been well demonstrated by the resilience of our business model across cycles, as, despite severe economic downturn in the recent past, Edelweiss has recorded significant improvement in its topline by adding newer lines of businesses. At the core, our broad strategy, which has resulted in our success over the years, has remained tied to the following cardinal tenets:

- Pursue new opportunities and grow in adjacent spaces
- Diversify Revenue Streams and ensure a balanced mix of revenue from various businesses
- Ensure a strong and liquid Balance Sheet with a reasonable leverage
- Focus on Cost Management
- Enable prudent risk taking and ensure robust risk management

- Support the business with strong enterprise functions
- Create a culture of leadership development
- Constantly invest in organisation building

As a result, Edelweiss has de-risked and reduced volatility by diversifying across businesses with a large range of products and services covering multiple asset classes and consumer segments. We have created a portfolio of scalable and high growth businesses by expanding our addressable market segments, client segments and geographies. We have a core leadership team, a broad array of products and services, strong financial underpinnings, a brand that is well recognised and most of all: clients who want to do business with us. Following this broad strategy, while the environment in the recent past has been challenging and affecting the bottomline, we have been able to grow our share in the financial services industry in both relative and absolute terms.

To aptly reflect this diversified nature of the businesses of Edelweiss and the transition to a financial services firm from a capital market-led firm, the shareholders of the company approved a change in the name from Edelweiss Capital Limited to **Edelweiss Financial Services Limited** in the last Annual General Meeting held on

July 25, 2011. Following the approvals of the regulators, the change was effected on August 9, 2011. The renaming vindicates our breadth of strength and opportunity besides marking the beginning of the next phase of our journey of growth. In line with this change in our name, we also launched our new and more comprehensive corporate website [www.edelweissfin.com](http://www.edelweissfin.com).

## FINANCIAL PERFORMANCE HIGHLIGHTS

After the blockbuster year of 2007-08, global financial meltdown resulted in a sharp deterioration in the financial services industry. The business climate briefly improved in early part of FY11 leading to a short-lived belief that the growth was back. However, in the latter part of FY11 and most parts of FY12, global developments around Eurozone sovereign debt crisis and a weak U.S. recovery coupled with a host of domestic issues vitiated the environment. This led to an even sharper deterioration in the business climate in India with most businesses witnessing lower activity levels and sentiments getting affected by external forces. The year FY12 thus was tough in terms of environment and the headwinds most of our businesses had to battle.

In addition, we at Edelweiss continued to follow our core strategy of synergistic diversification and continued to invest in incubating new businesses and infrastructure build-out for securing future growth. As a result, while we recorded a YoY growth of 17% in our total revenue this year, the profit after tax and minority was affected and was lower by 45% over FY11. At the same time, over the last 10 years, our total revenue has grown at a CAGR of 72% and the net profit has increased at a CAGR of 92% as at the end of FY12. Thus, our performance across market cycles demonstrates our ability to withstand the impact of external forces and yet be able to build a robust and agile firm that can exploit growth opportunities and turn them into business whenever they re-appear.

The net worth of Edelweiss was ₹ 28.75 billion including minority interest and ₹ 26.36 billion excluding the minority interest as on March 31, 2012. The Balance Sheet size was ₹ 145 billion as on March 31, 2012.

### Consolidated Financial Highlights for FY12

- **Total Revenue of ₹ 16,707 million** (₹ 14,290 million for FY11)
- **Profit after Tax of ₹ 1,277 million** (₹ 2,330 million for FY11)
- **Diluted EPS of ₹ 1.66** (₹ 3.00 for FY11) (FV ₹ 1)

The Board of Directors has recommended a final dividend of ₹ 0.30 per equity share (on a face value of ₹ 1) for FY12, subject to the approval of the members of the company at the ensuing Annual General Meeting. During the year, the Company had paid interim dividend of ₹ 0.30 per equity share (on a face value of ₹ 1).

### BUSINESS INCOME HIGHLIGHTS

Of the five business groups of Edelweiss, Capital Markets and Life Insurance businesses are agency businesses generating fees & commission and premium income. The remaining three, namely, Credit, Commodities and Treasury are capital-based businesses largely contributing to the revenue by way of interest and other capital-based income. Some of these capital businesses also generate fee & commission income while executing client transactions.

#### Capital Based Revenue

Following the growth in our credit book and emergence of Commodities business as an independent business, our capital-based businesses earned interest and treasury related revenue of ₹ 13,387 million for FY12 (₹ 10,150 million for FY11), a significant rise of 32% over the previous year. Out of this, interest income is ₹ 10,661 million (₹ 7,553 million for FY11), up 41%, and the revenue from Treasury operations and investments is ₹ 2,534 million (₹ 2,413 million for FY11).

With the growth in our capital-based businesses, the revenue from these businesses has become more relevant for us. 80% of our total revenue now accrues from capital-based businesses compared to 72% in the previous year.

Continuing our efforts since FY11 with the scale up of the credit book this year, interest on loans has now emerged as a major revenue stream for us and accounts for 26% of our total revenue for FY12.

#### Net Revenue

With growth in income from our capital-based businesses, the concept of Net Revenue (net of interest cost) has become more appropriate to us. This is because interest cost, as with all Banks and large NBFCs, should reflect above the expenses line. On a net revenue basis, our Agency fee & commission revenue for the year is ₹ 3,320 million while the Capital based net revenue – net of interest cost, all the interest cost being for capital revenue – is ₹ 5,090 million with the total net revenue at ₹ 8,410 million for FY12. Thus, at the net revenue level, the Agency revenue and Capital based net revenue contribute in a balanced mix. The strategy of de-risking our businesses and diversifying our revenue streams continues to stand in good stead for us.

#### Agency Fee & Commission

With the environment turning challenging since the third quarter of FY11 and spilling over into FY12, capital markets witnessed lower levels of activity during a large part of FY12. Broking, investment banking, retail financial products distribution, mutual funds and other agency businesses across industry bore the brunt of the downturn. However, our agency businesses performed in line with the markets, holding their market share or even improving it in certain lines of businesses (LoBs). We recorded a fee & commission revenue of ₹ 3,213 million for the year, a fall of 22% over FY11 revenue of ₹ 4,140 million. This included Broking Income of ₹ 1,543 million (₹ 1,911 million for FY11), down 20%, Investment Banking Fees of

₹ 411 million (₹ 1,117 million), down 63%, and Advisory & Other Fees of ₹ 1,259 million (₹ 1,112 million), up 13% over FY11.

As a result of lower fee & commissions this year and a higher growth in capital-based revenue, Agency businesses now account for 20% of our total revenue this year compared to 28% in the previous year.

### Premium from Life Insurance Business

Our Life Insurance business was launched in second quarter of FY12 and it recorded a new business premium of ₹ 107 million for the year. With the planned scale up of this business, we expect this revenue stream to grow significantly going forward.

### EXPENSES

Our total costs this year were ₹ 14,720 million compared to ₹ 10,790 million in FY11, an increase of 36%. Within the total cost, our operating expenses went up by 13% over FY11 level, employee cost went up by 15% and finance cost went up by 56% in the same period.

As mentioned in the previous Annual Report, we had purchased our new office building, Edelweiss House, close to Bandra Kurla Complex (Mumbai) for over ₹ 4 billion to consolidate all our businesses under one roof. The impact of higher depreciation on this was felt this year with FY12 depreciation being ₹ 422 million compared to ₹ 204 million in the previous year. While we started progressively occupying the new building since May 2011 and completed the process by October 2011, we had to continue to occupy the earlier leased premises for the intervening period too, adding to our expenses. Barring two locations, we have surrendered all the leased premises occupied earlier by the businesses that have moved over to Edelweiss House. The benefits of consolidating all our businesses in the Edelweiss House have already started accruing to us by way of higher operational efficiency and its benefits on operating costs will become clearer gradually.

Despite economic downturn, we continued to invest in build-out of our new and growth businesses and carried on hiring for some of the new businesses like Life Insurance and Home Finance. We also continued to hire selectively in senior positions as a part of our firm building process. As a result, we added about 460 employees during the year contributing partly to the 15% escalation in our employee costs in FY12.

As the interest rates in the economy rose higher during FY12 (RBI raised rates by 175 basis points in five stages) and a liquidity crunch set in during the second half of the year, our average cost of borrowings increased by about 85 basis points. This, coupled with scale up of our capital based businesses during the year, led to our finance cost increasing by 56% in FY12 over FY11.

### PROFIT AFTER TAX

Our Profit after Tax and Minority for FY12 was ₹ 1,277 million compared to ₹ 2,330 million for FY11.

### ANALYSIS OF PROFITABILITY

Our results for the year demonstrate a significant growth in topline as an outcome of the diversification strategy that we have actively pursued. At the same time, we have been able to limit the impact of difficult operating conditions on the bottomline. Our results for the year need to be viewed in the backdrop of the following factors:

- FY12 was one of the toughest years from the point of view of operating conditions with high inflation and interest rates, liquidity crunch, weak global confidence and lower economic activity levels leading to industry revenue pool not growing. For some of the capital market activities such as broking or investment banking, the industry revenue pool in fact shrunk in FY12. The impact of lower earnings and higher cost of borrowings was felt across our businesses.
- Despite marked slowdown in the industry, we continued to invest in

incubating our new businesses, namely, Life Insurance and Retail platforms – Broking, Housing Finance and AMC for long-term growth. Investment in all these initiatives by way of build out cost passed through our Profit & Loss Account.

- We also continued to invest in upgrading infrastructure, such as Edelweiss House and Fountainhead, our Leadership Centre, and technology to meet the challenges of our fast growing firm. Higher depreciation on these fixed assets also impacted our bottomline. In addition, certain investments such as loan to our employee trust, which are currently non-yielding but long-term accretive, also caused a drag on our profitability.
- These investments for securing future growth also present a predicament of balancing short-term growth with long-term growth as our current bottomline growth appears subdued. However, this is part of the learning and growing process and we will continue to take prudent decisions in the best interest of your company.

All these factors, therefore, have affected our bottom line and margins for the year. While some of the businesses under incubation are expected to break even in FY13, the costs associated with scale up of insurance business will be higher going forward as per plan. Thus, we will continue to be in an investment phase for some more time in future and as the operating landscape is not likely to improve significantly, at least in H1FY13, our margins are likely to remain under pressure in FY13 as well. However, the good news is that despite these challenges, our established businesses have held on to their market share and our growth businesses have even improved the market share in some instances.

Our Profit before Tax margin for the year was 12% and the Profit after Tax margin 8%. Since a larger share of revenue is now coming from the capital-based businesses (80%), the profit margins are now aligned with those of the banking and large NBFCs industry.



## BUSINESS PERFORMANCE HIGHLIGHTS

### Credit Business

Our Credit business group includes Wholesale Finance SBU and the Retail Finance SBU. The wholesale financing business SBU, the CFI SBU, comprises Corporate Finance, Fixed Income Advisory (including Syndication and Restructuring), Fixed Income Markets (including Debt Capital Markets), Episodic Financing and Real Estate Finance LoBs. The Retail Finance SBU encompasses LoBs such as housing loans, loan against property (LAP), lease rental discounting (LRD), SME Finance and other collateralised Retail loans such as loan against shares, loan against ESOPs and IPO financing. The sponsors of mid-to-large corporates constitute key clientele besides HNI, retail and SME clients.

Edelweiss had launched the wholesale financing business in 2007 and has come a long way having evolved and diversified into many different, though interdependent, lines of businesses. The re-organisation of CFI SBU on the above lines will enable us to capture opportunities across the entire fixed income domain by harnessing energies between the principal and agency sides of this business.

Similarly, the Retail Finance SBU will be able to draw synergies across the large retail segments together with other similarly grouped lines of businesses. Given the exciting prospects of home mortgage business in India, we expect the housing finance LoB of this SBU to emerge as the dominant part going forward.

### Business Update

With equity capital raising taking a back seat, debt markets presented better opportunities for scale up of Credit business in FY12. Outstanding loans reached a level of ₹ 39.56 billion as on March 31, 2012 compared to ₹ 26.53 billion as on March 31, 2011, a growth of 49%. The book comprised of wholesale loans of ₹ 27.97 billion and retail loans of ₹ 11.59 billion. The retail book included housing finance

loans and LAP, which crossed ₹ 7.76 billion by the end of this year. Wholesale and retail loans now constitute 71% and 29% respectively of the credit book.

FY12 saw very few IPOs restricting opportunities for episodic financing. However, the last quarter did see a large IPO of MCX. In addition, retail bond issues by infrastructure companies also evinced good interest presenting financing opportunities for HNI and retail segments. We accordingly extended episodic financing of about ₹ 47 billion for the year including ₹ 28 billion during the last quarter.

The interest income from loans continued to be a significant revenue stream for us. However, liquidity crunch in the system and persistent high interest rates affected the growth of our Net Interest Income and squeezed spreads as borrowing costs rose more sharply. The impact worsened in the latter half of FY12 with short-term rates remaining above the long-term rates in an inverted yield pattern for some time.

The average collateral cover in our credit book, collateralised with securities, was 2.6 times as on March 31, 2012; the same cover was 2.6 times in our wholesale book and 2.3 times in our retail book (excluding housing finance portfolio). We continue to enforce prudent risk management policies to ensure that our capital is always preserved. As a part of this policy, we also avoid undue sector/industry concentration in our credit book.

The asset quality of our credit book broadly continues to remain satisfactory. However, with the investment climate worsening and markets being volatile, there was some pressure on collateral cover for our loans and in sporadic cases, the delinquencies also went up. The gross non-performing loans thus went up to ₹ 226 million at the end of FY12 compared to ₹ 116 million at the end of FY11. This implied a Gross NPA ratio of 0.57% as on March 31, 2012 compared to 0.44% as on March 31, 2011. Our net NPA ratio is 0.17% as on March 31, 2012 compared to 0.08% as on March 31, 2011. We provide general loan loss reserve on standard assets as per the RBI guidelines. Including this prudential

provision, the total provision cover on our Gross NPLs now stands at 116%.

ECL Finance Limited, our NBFC subsidiary where the Edelweiss Group holds 92% equity, enjoyed a Capital Adequacy Ratio of 24.6% as on March 31, 2012 with a net worth of ₹ 12.98 billion. A strong capital base enables the subsidiary to participate in reasonably large opportunities in the wholesale financing market within our laid down risk parameters as also access the market for resources easily.

### Housing Finance

The Indian housing finance market, currently witnessing a very low penetration, is expected to grow over four times by the end of this decade given the young demographic profile that India enjoys and the fact that it is the aspiration of every Indian to own a home. In addition, migration of working class from rural to semi-urban and urban cities will also drive demand for housing in these cities. This business, therefore, presents vast opportunity to Edelweiss for long-term growth together with designed diversification in the revenue streams. This business, including LAP, is also an integral part of our strategy to diversify our asset classes and cover a larger retail footprint together with significant opportunities to cross-sell our other products to retail clients.

The business launched in the third quarter of FY11 in Mumbai and has now expanded to include seven other major metros - the National Capital Region, Ahmedabad, Vadodara, Chennai, Bangalore, Hyderabad and Pune. Going forward, the business will be extended to about 8-10 more major metros, which will cover about 90% of the addressable market of India. By the end of the year, it had built a book of ₹ 7.76 billion achieving a handsome growth over the FY11 end level of ₹ 1.16 billion. This business follows conservative underwriting standards and has nil delinquencies.

### Fixed Income Markets and Advisory

With the inclusion of Fixed Income Markets and Advisory businesses under the CFI

SBU structure, we now bring together the origination capabilities along with the relationships and underwriting capabilities to offer a one-stop solution for the end-to-end Debt requirements of our clients.

The year FY12 for Debt Markets was marked with the RBI carrying forward its tight monetary regime into the first half of FY12 affecting debt capital raising activity. However, the dip in activity was not as pronounced as was observed in FY11 with total debt raised being similar across both years. This is attributed to larger deal ticket sizes as 940 Bonds/NCD placements resulted in fund mobilisation totalling ₹ 2,185 billion compared to about 1,525 Bonds/NCD deals which mobilised ₹ 2,125 billion in FY11. Meanwhile, as interest rates remained elevated, the activity was skewed towards the short-term debt segment – FY12 saw a whopping 4430 CP placements raising ₹ 2,920 billion versus 2,800 CP issuances for ₹ 1,790 billion in FY11. With the RBI initiating its monetary easing regime in FY13 as indicated by two reductions in CRR in FY12 and a significant Repo Rate cut announced on April 17, 2012 (first cut in three years), debt capital market activity is expected to pick up.

Our Fixed Income Markets business went from strength to strength as we consolidated our spot at number six among the top private debt arrangers in the country (Source: Prime Database). We were arrangers in deals cumulating over 14% of the total market volume from 309 deals in FY12 (Source: Prime Database). Edelweiss has handled sizable Public Sector bond issues like NHPC, SBI Global, SIDBI, HUDCO, PFC, REC and IRFC to name a few. We have been active players in private sector debt raising for marquee names like Tata Capital, Tata Motor Finance, L&T Infra Finance, Mahindra Finance, Sundaram Finance, HDB Financial Services and Apollo Hospitals. With this, our Fixed Income Markets and Advisory executed 30 DCM deals during FY12 compared to 22 deals in the previous year. This included two advisory deals for debt restructuring.

We have managed to gain a greater number of foreign investment funds under

our FII clientele umbrella and aim to drive incremental volumes from this crucial client base. Research continues to remain our focus area and we are in a constant process of evolution to provide high-end sophisticated fixed income research that we believe will help us stand out from the competition.

### Capital Markets & Asset Management

Edelweiss began its journey in 1996 with focus on Investment Banking and later forayed into Institutional Equities. These two established businesses continue to form the base of our capital markets business group that has now expanded to cover retail capital markets and asset management as well. Under the SBU structure, this business group is divided among four SBUs, namely Wholesale Capital Markets (WCM), Retail Capital Markets (RCM), Alternative Asset Management and Retail Asset Management.

The WCM SBU comprises our oldest and mature lines of business of Investment Banking and Institutional Equities. These two LoBs maintain appropriate Chinese walls to avoid any conflict of interest between the two and we hope to harness the natural synergies among them by grouping them together in the WCM SBU.

The RCM SBU comprises our recently launched business of retail broking, which includes the organically built online broking format through our internet portal [www.edelweiss.in](http://www.edelweiss.in) and the offline broking format through acquisition of Anagram in FY11. It also includes Global Wealth Management (GWM) LoB.

The Alternative Asset Management business was launched in 2007 and focuses mainly on offshore funds investing in alternative asset classes in India. It also includes our Asset Reconstruction Company and related businesses. Our approach in creating this SBU has been to offer innovative and differentiated products to institutional investors. We achieve

this by combining the Edelweiss platform with investment capabilities to create a superior investment performance.

The last SBU under this business group is the domestic mutual fund that was launched in September 2008.

### WCM Business Updates

#### Investment Banking

Our Investment Banking business includes the Equity Capital Markets (ECM) business and Advisory Services supported by the Financial Sponsors Group. Our Financial Sponsors Group builds and strengthens relationships with financial sponsors, corporates and business groups. It is a significant part of our strategy to reach a wider range of clients with products and services across asset classes. Our client segments range from the Private to the Public Sector and from Mid-caps to Large caps across industries.

#### Equity Capital Markets (ECM)

ECM LoB provides a wide range of services from IPO transaction execution, FPOs, QIPs to Rights Issues. The weak equity capital markets in FY12 witnessed extremely low level of activity with only 61 transactions across IPOs, FPOs, QIPs and Rights raising in aggregate ₹ 145 billion compared to about 138 transactions raising nearly ₹ 900 billion in FY11. FY12 was, therefore, one of the worst years in terms of activity levels in recent memory. Lower investment confidence together with government's inability to push through any meaningful disinvestment in PSUs were the main contributing factors. However, despite this gloomy scenario, our ECM business managed to execute five IPOs/Rights/QIPs in FY12 including the prestigious IPO of MCX.

#### Advisory Services

Advisory services offer mergers and acquisitions advisory, capital raising advisory, real estate & infrastructure advisory and transaction execution relating to structured finance.

### Mergers & Acquisitions Advisory

Our Mergers and Acquisitions (M&A) team provides strategic and financial advice to our clients. This helps our clients achieve their business objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin-offs, restructuring, joint ventures, strategic alliances and de-mergers. Our services encompass strategy formulation, identification of buyers or targets, valuation, negotiations and bidding, capital structuring, transaction structuring and execution.

### Capital Raising Advisory

Among our Capital Raising Advisory practice, the structured finance team provides a range of innovative structured solutions, including acquisition financing and sponsor financing. Our private equity advisory arranges capital from private equity funds for companies across sectors.

Similar to ECM, the Advisory services also went through a trying time in FY12. Despite the tough environment, we were able to close five transactions in FY12 including two PE placements and the prestigious advisory deal involving divestiture of Siemens' holding in Bangalore International Airport Ltd. We have successfully handled private equity placements or strategic exits of over ₹ 50 billion since May '09 and continue to be one of the leading players in this space.

Across ECM and Advisory, therefore, we executed 10 transactions in FY12. Taken together with DCM, we executed 40 transactions in FY 12 compared to 47 transactions in FY11.

During Q3FY12, we arranged a first-of-its-kind conference, "**Convergence—The Edelweiss Private Companies Conference**", which witnessed huge response and served as a platform for more than 50 unlisted companies to present their vision and growth outlook to over 150 private and public markets investors.

### **Institutional Equities**

The broking industry continues to undergo a structural shift in the composition of the market transactions with the Options

volumes increasing much faster over Cash and Futures. This trend became more prominent in FY12 continuing an apparent paradox wherein market volumes grew 7% yet the broking commission for the industry fell significantly. The average daily Cash volumes on the BSE and NSE were lower at ₹ 140 billion in FY12 compared to ₹ 184 billion in FY11 resulting in substantially lower brokerage earnings for the industry. The Futures average daily volumes (ADV) were also lower at ₹ 308 billion in FY12 compared to ₹ 388 billion in FY11. Only the Options ADV increased from ₹ 765 billion in FY11 to ₹ 953 billion in FY12 accounting for about 69% of the total transactions for FY12. These low yielding Options transactions were more proprietary in nature and put pressure on the broking income and yield. The growth in Options volumes was also a result of increased volumes emanating from automated platforms that continued to grow at a rapid pace.

At the same time, competitive intensity in the industry continued to remain high with the entry of some large foreign players even though lack of growth and cost pressures forced certain domestic players to exit this space or scale down operations in FY12.

Our Institutional Equities business that started in 2001 has achieved leadership position in the industry. We provide equity and equity-derivatives sales and trading services to a large and diversified base of FIIs and domestic institutional investors. We continued to be among the largest Indian Institutional Broking Houses in the country with a market share of about 4-4.5% despite the challenging environment and increase in competitive intensity. Our client base includes large Pension funds, long only funds, ETFs and Hedge funds from all major geographies across the world. Our Institutional Equities business was supported by a strong equity sales team, relevant and timely research, significant corporate access and cutting-edge technology.

### Equity Sales

Our institutional sales group provides equity and equity-derivatives sales services to institutional investors. We also continue

to invest in constantly upgrading our state-of-the-art technology platform to offer our clients a flexible execution platform that can manage complex requirements and is robust enough to handle large volumes. We continued to devise a number of algorithms that are customised to handle peculiarities of Indian markets and provide analytics of Indian stocks.

### Equities Research

Edelweiss has been a pioneer in building a well-developed research platform to provide professional insights and perspective on investing ideas and strategies. Given that the challenges of technology and infrastructure can be easily overcome by the competitors, research provides a sustainable competitive edge. In line with this, we have constantly invested in building human capital in this business segment. The quality and depth of our research has helped our institutional equities business emerge stronger. We continued to invest in building our capabilities in fundamental, thematic and quant research. Our fundamental research covers 183 stocks among 20 sectors representing nearly 75% of the total market cap.

### Corporate Access

To complement the research effort in building a sustainable institutional equities business, it is essential to provide extensive corporate access to clients. Our clients depend on access to the management of companies in which they are interested in order to be able to take informed investment decisions. We fulfil this vital need through roadshows to showcase Indian companies to clients in addition to organising investor trips to meet company managements.

In addition, we provide our clients opportunities to interact with a large number of corporates through our hosting of annual Indian and International conferences. This year we hosted our London, Singapore and Hong Kong Conferences that evinced great response and attracted a large number of investors and corporates. Our flagship India Conference in New Delhi and Mumbai in February 2012 met with excellent

response with participation of over 75 Indian Corporates and over 135 global and Indian investors, facilitating over 2,300 meetings among them. The New Delhi leg of the Conference was distinguished by the presence of top-level bureaucrats from important ministries and PSUs, regulators and Industry Associations.

*Recognising our skills and expertise in this field, the recently declared **World Finance Exchanges and Brokers Awards 2012** have rated us the “Best Advisory Broker, Asia”.*

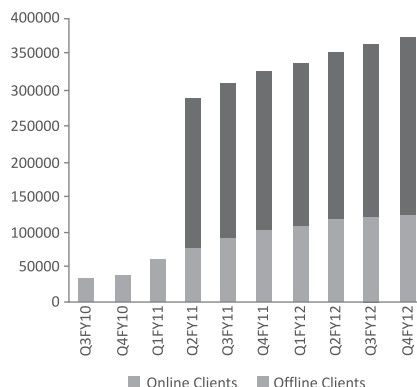
## RCM Business Updates

### Retail Broking

Having established a leadership position in institutional equities business, we launched the retail broking initiative to expand into adjacent retail consumer segment, which presents large business opportunities. This business was launched through our online portal [www.edelweiss.in](http://www.edelweiss.in) and a call-and-trade facility about three years ago. It has continued to gain scale and by the end of FY12 we had over 125,000 clients compared to about 40,000 clients by March '10 in this centralised broking model. The online portal emerged as a popular site among investors with 4.5 million unique visitors viewing over 69 million pages during 19 million visits since its launch. The business offers innovative products along with one of the widest research recommendations for individual clients. We have subsequently added the offline broking format to this business through the acquisition of Anagram, now renamed as Edelweiss Financial Advisors Limited.

Taking our online and offline retail broking LoBs together, we now have a total client base of over 372,000 as on March 31, 2012 compared to about 325,000 a year ago. We service our retail clients through about 200 offices (out of total 241 offices as on March 31, 2012, remaining ones catering to life insurance, mutual fund and other businesses) in all major cities of the country. During the year, we have also strengthened the network of Sub-brokers and Authorised Persons to take it to over 2,900 and with this network, our footprint covers nearly 700 cities in India.

### Retail Customers



We continue to invest in building this business with the aspiration to emerge as a leading retail broking house.

### Broking Volumes & Income

Our total clients' broking average daily volumes (ADV) for FY12 (including institutional equities, online & offline retail volumes) was ₹ 25.95 billion in FY12 compared to ₹ 25.74 billion the previous year. The clients' ADV was close to half of our total ADV of ₹ 53.30 billion, which included our Treasury operations. Our broking services across asset classes earned a broking commission of ₹ 1,543 million in FY12, compared to ₹ 1,911 million in FY11, that now accounts for 9.2% of our total revenue for FY12.

### Global Wealth Management (GWM)

Our GWM LoB offers wealth management advisory and investment services to HNI clients with an emphasis on research and offer clients customised value-added services and asset allocation strategies with innovative and structured solutions. The product portfolio was strengthened during the year to include Commodities. We emerged as the largest domestic issuers of structured products with outstandings touching ₹ 6.3 billion by the end of FY12. Our assets under management/advice for GWM was at ₹ 30 billion while the Depository Participant (DP) assets was at ₹ 15 billion by the end of FY12. After having made investments in backend, risk management and developing a diversified product suite, the focus is now on

increasing front-end capacity to leverage the investment already made.

During the third quarter of the year under review, we launched **Financial Planning** services for individual clients in line with our broad retail strategy. It offers fee-based advisory services that enable a client to prioritise financial needs, goals and aspirations and guides to achieve the same.

### Financial Products Distribution

Our Retail Third Party Financial Products Distribution business continued to face challenges in FY12 due to weak ECM activity and MF & Life Insurance industries continuing to grapple with the impact of regulatory changes. Despite these challenges, Edelweiss has emerged as **the country's largest IPO broker for FY12** (second largest in FY11) as per total amount procured. We were ranked 1<sup>st</sup> in QIB category with a market share of 4.8% and ranked 2<sup>nd</sup> in Retail as well as in HNI (NIB) categories with a market share of 7.8% and 10.7% respectively, gaining the overall first rank for FY12 as per Prime Database (non-ASBA categories).

Thus, in a short period, Edelweiss has carved out a significant market share in the ECM businesses emerging as a leader in IPO syndication in FY12.

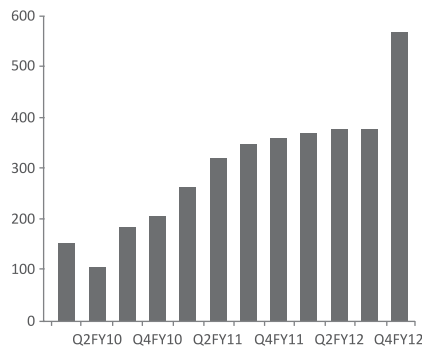
### Asset Management

Our Asset Management business includes Alternative Asset Management and Retail Asset Management SBUs.

### Alternative Asset Management

The Alternative Asset Management SBU focuses largely on offshore institutional investors. Our product portfolio at the beginning of FY12 comprised of EW Special Opportunities fund with commitments of \$230 million, a Real Estate domestic fund and an Asset Reconstruction fund. During the year, we launched EW SBIH Crossover fund in joint sponsorship with SBI Holdings, Inc., of Japan with a total commitment of \$100 million by the sponsors. Another alternative assets fund, EW India Special

### Alternative Asset Management AUMs/AUAs (US\$ mn equi.)



Assets fund, was launched with an initial commitment of \$77 million. We plan to scale up both these funds and achieve a final close in FY13.

The AUMs/AUAs of this business now stand at about \$570 million equivalent as on March 31, 2012, including the Structured Products, compared to \$360 million equivalent at the end of FY11, a growth of 58%. This business represents a growth opportunity for Edelweiss and we continue to invest in building this business.

### Retail Asset Management

The Indian mutual fund industry continues to struggle in the wake of regulatory changes effected in the last 2-3 years. Volatile equity markets with an eventual drop of 9% in the market indices in FY12, stagnant retail participation and disinterested distributors exacerbated the state of the industry. Its average AUMs, after rising to an all-time high of ₹ 7,880 billion as of December 31, 2009 continued to decline and stood at around ₹ 6,640 billion by March 31, 2012. The skewed distribution of AUMs in favour of debt funds continues with the equity schemes accounting for just over 30% of the total AUMs. Excessive reliance on institutional funds for AUMs also continues. However, given the low Indian penetration of MF AUMs, which are just 11% of bank deposits in India, we are confident that the mutual fund industry has the potential for sustainable long-term growth.

Our domestic mutual fund manages 12 funds across Equity, Debt and Liquid Schemes, with average AUMs of

₹ 4.7 billion during FY12. We now have an active base of over 6,000 investors. The distribution network comprises a force of nearly 3,000 distributors and is being further strengthened. One of the funds managed by the AMC, Edelweiss Absolute Return fund, has won two awards at the CMO Asia Awards, 2011 for Best Marketing Campaign of the Year as well as for Brand Excellence in BFSI Sector.

The focus of this business continues to be on developing a variety of products and building investment track record. We will continue to nurture our domestic asset management business, an integral part of our overall retail strategy, with an eye on future growth.

### Commodities

Commodities business was started over three years ago in order to diversify across adjacent asset classes. It has now emerged as a strategically important business unit for Edelweiss. It focuses on sourcing and distribution of precious metals and dealing in agri commodities.

### Precious Metals

We are in the business of procuring/import of precious metals and distributing it to our clients who are either precious metals end-users (jewellers or manufactures) or traders. One of our group companies is an associate member of LBMA – the premier industry organisation for precious metals business.

Our USP is to ensure door delivery of precious metal requirement at a time and place of our clients' choice along-with ensuring continuous availability of material. In addition, we service our clients through the day and our business hours extend beyond the traditional banking hours giving clients more flexibility. Clients get to trade with us till the close of trading on international exchanges since price discovery activity extends beyond normal banking hours in India.

We distribute precious metals at 11 centres to over 400 active customers. We also have an online portal ([www.edelbullion.com](http://www.edelbullion.com))

for clients to book supplies in smaller lots giving them convenience of lower denominations. We are empanelled with most large bullion suppliers including international banks for a continuous and ready supply of metal.

The precious metals industry in India is undergoing a series of changes - institutionalisation of the business that has traditionally been done in a particular way with entry of corporates in most verticals - import, processing, branding and retailing. India has seen a very robust demand for precious metals in all forms - jewellery, medallion and investment. We are now witnessing the impact exchange traded mutual funds are creating in a small but meaningful manner to allow investors to access the asset class with the same convenience as equities, which can be converted into physical metal at the investor's choice. We continue to see robust demand for precious metals in India and over the years, we are likely to see more corporates coming into this business covering the entire value chain.

We have set up an office in Dubai to create an international presence for our precious metals business. Over and above giving us access to the international markets, it will help us in enhancing our banking facilities and strengthening our sourcing tie-ups. We intend to replicate our business internationally through our Dubai office.

We have access to key international and domestic commodities exchanges for our hedging and risk management needs. We have business relationships with many large domestic and global banks either for supply of metal or for banking lines.

Our edge in the business continues to come from our sourcing tie-ups, concept of door delivery to clients, extended business hours covering international markets timings, our balance sheet strength that gives us access to lines of credit and ability to hold inventory and dedicated operations and risk management infrastructure.

## Agri Commodities

We are in the flow business and dealing in physical agri commodities. The flow book aims at running a market neutral book at all times with extremely rigid risk controls and limits. We have access through our own licences in the mandis to our network of brokers and clients for most large commodities such as chana, jeera, mustard, pulses, etc.

We buy through a network of brokers and have extensive tie-ups with all large warehousing service providers. We, through our own insurance cover, have taken measures to mitigate any risk arising out of damage or diminution to goods stored in warehouses.

While we are new to the agri commodities space, we believe that our long-term edge is through better sourcing and warehousing/logistics tie-ups in the short term, and building our own expertise and experience in sourcing and warehousing over the long term. Balance sheet strength allows us better terms from suppliers and an ability to hold large inventories. Access to all key commodities exchanges gives us the risk management and hedging platform, a key requirement for this business.

India imports many commodities - oil seeds, pulses, chana, etc. and we see a large opportunity in the agri commodities space - across the three business models - distribution, trading and trade financing. Increasing disposable incomes, rapidly growing urbanisation and demographic and socio-economic changes in India have been pushing demand for agri commodities up and we believe that such a trend is likely to continue. As more investments in farm technology, better yielding crops, and measures to reduce intermediation costs for the industry take place, the same is likely to give rise to more opportunities in the market.

While there are risks associated with narrow or local commodities, we have chosen to be present in large, globally relevant commodities with significant consumption in India. We also believe

that exploring international markets for sourcing and trading could be a next large opportunity for not only us but for the Indian agri industry and we are evaluating such opportunities.

We have experienced professionals in both the business teams and they are supported by a dedicated operations and risk monitoring team. We are proactively investing in technology since we believe it to be key determinant of success in both precious metals and agri commodities businesses.

## Treasury

For a large diversified financial services group like ours where we require sizeable working capital in various businesses, such as Institutional Equities or CFI business, day-to-day surplus management becomes a critical function. Our Treasury operations, therefore, manage our Group's short-term surplus liquidity in a way similar to a commercial bank, while earning superior risk adjusted returns. It is also our primary interface with markets across all asset classes. Our treasury assets along with our fixed deposits, which account for about half of our total assets, are structured to maintain sufficient portfolio liquidity to address the capital needs of our other businesses at short notice. As a result, we ensure that a large part of our book can be liquidated within a short period with minimal impact costs. Our strong focus on enterprise wide risk management ensures optimum returns in this business while preserving our capital.

Against the backdrop of the prevailing economic environment, our Treasury operations responded with a renewed focus on liquidity management and bridging of gaps in our structural liquidity, if any, as warranted by developing situations. Our treasury also manages key components of the balance sheet, monitors interest rate sensitivity in our portfolio and takes pre-emptive steps to mitigate any potential risks. The asset liability mis-match, if any, is constantly reviewed by the Asset Liability Management Committee effectively plugging possible mis-matches.

Our Treasury operations encompassing equities, equity derivatives, fixed income, commodities and currencies have emerged among the few truly multi-asset class operations in India.

## Life Insurance

Life Insurance business offers exciting opportunities in India given the current low level of penetration where it ranks 136th in the world. However, given the demographics in India, it is expected to emerge as one of the top three markets in the world by the end of the current decade. The Premium to GDP ratio in India is likely to move up from 4.4% in FY09 to 5.2% by 2020. Rising life expectancy and absence of state social security will also propel demand for insurance products. Edelweiss Tokio Life Insurance (ETLI), our joint venture with Tokio Marine, one of the oldest and biggest life insurance companies in Japan, was launched to participate in these growth opportunities. This will also significantly diversify our revenue streams and expand the retail footprint.

ETLI commenced operations in second quarter of the year under review and it has set up 31 offices in 22 cities across Gujarat, Maharashtra, Goa, New Delhi, Haryana, Punjab and Chandigarh by the year-end. It offers a large bouquet of diverse products to meet the basic needs of customers on education funding, wealth accumulation & enhancement, living with impaired health, income replacement and retirement funding. It also offers group products for credit protection and life protection. It has scaled up its strength of PFAs to about 825 who are actively engaged in sourcing business for the company. Within a short period of about six months it has already written about 6,600 policies and its New Business Premium for FY12 was ₹ 107 million.

ETLI was launched with a capital of ₹ 5.5 billion which is among the highest start-up capital for any Indian life insurer, signifying our commitment to building a long-term sustainable business focused on consumer centric approach. Higher start-up capital also reduces the cash

burn. Its Solvency Ratio as on March 31, 2012 is 241% compared to the minimum regulatory requirement of 150%.

## BALANCE SHEET

One of the core components of the strategy followed by Edelweiss has been to maintain a well-capitalised and liquid balance sheet. This enables us to deploy capital for launching and scaling up new businesses that are integral to our core strategy of diversification. A strong balance sheet also enables us easier access to market borrowings on the back of a strong credit rating. A liquid balance sheet simultaneously permits us to redeploy capital efficiently towards business opportunities that appear at short notice. It also helps in confidence building exercise with our lenders.

With the gradual scale up of our capital-based businesses such as Credit and Commodities, our balance sheet size has also grown correspondingly during the year under review. Our total net worth stands at ₹ 28.75 billion at the end of this year, including the minority interest, compared to ₹ 25.55 billion at the end of FY11, thus signifying the strength of our balance sheet. The significant growth in our total net worth during FY12 is a result of launch of our Life Insurance business for which our partner infused equity in the JV in April 2011. The amount of debt on the Balance Sheet as on March 31, 2012 was ₹ 10.41 billion with a leverage of 3.62 times as on March 31, 2012 including minority interest in the net worth.

We continue to maintain a liquid balance sheet with our liabilities including the networth having a longer average duration than our assets. The reported return on average net worth is 5% for the year. Our profitability for FY12 needs to be viewed in the backdrop of a challenging environment for most part of FY12 and the headwinds confronting most of our businesses, continued investment in incubating our new Insurance and Retail Businesses, carrying costs, depreciation on new office building and certain investments that are currently non-yielding though

long-term accretive like the funds that have been lent to our employee trust. These factors have affected our return on net worth. Adjusting for the impact of these factors, our adjusted return on net worth would have been higher by three to four percent.

## GROWTH INITIATIVES

We have launched various strategic and accretive business initiatives results of which will be visible in future.

- We launched the **Life Insurance** business in second half of FY12 and have already scaled up its presence in India to 31 offices in 22 cities. We will continue to build infrastructure and expand client base in this business going forward.
- Our **Housing Finance** business commenced in the latter half of FY11. In its first full year of operations, our housing finance book has already scaled up from ₹ 1.16 billion at the end of March 2011 to ₹ 7.76 billion at the end of FY12. We have expanded our presence to eight major metros and plan to cover another 8-10 metros going forward.
- With the launch of Housing Finance and Life Insurance business during the last 18 months, we have achieved the intended diversification in our businesses. We are now working towards achieving scale.
- We have completed the integration of Edelweiss Financial Advisors Limited (formerly Anagram Capital) during the year. This acquisition has helped us in expanding our retail footprint. In addition to this offline model of retail broking, we also have invested in our organically built **online retail broking** format with an aspiration to become a significant player in this industry.
- Our **Alternative Asset Management** business launched three new funds and we also scaled up the Structured Products portfolio. We consider this

business as a significant growth driver and have plans to scale up the fund size in the recently launched funds.

- We have created centralised infrastructure, which is a long-term positive. We have also invested in Enterprise functions such as risk management & technology and leadership building that are vital inputs for our businesses.

We are confident that these growth initiatives will help us in building a long-term sustainable business spanning entire gamut of financial services.

## OUTLOOK & STRATEGY

While the year FY12 faced considerable headwinds from high inflation, high interest rates, liquidity tightness, high oil prices, pressure on exchange rates, fiscal and current account deficit leading to a decline in business confidence, FY13 is expected to be better than FY12 as the consumption-investment mix is expected to improve in favour of the latter. This should be helped by a reversal of interest rate cycle that RBI has already signalled in its April 2012 Policy announcement. This should help support investments. However, consumption growth is expected to decline in FY13, as the lagged effect of past monetary tightening plays out. Accordingly, while FY13 GDP growth is hopefully likely to be similar to FY12 at ~6.5%, its consumption-investment mix would be favourable for growth. At the same time, there is no reason for euphoria or undue optimism for FY13 and the downside risks emanating from any deterioration in macro-economic indicators and a less than normal monsoon remain. In fact, the operating conditions in the first two months of FY13 unfortunately indicate that the growth may not return soon.

With the long-term India growth story intact and given the diversified model of Edelweiss, we are confident of garnering our share when the growth reappears. Starting from a single product company in 1995, we now encompass many businesses and have a wide product range.

We have thus achieved the designed diversification. We are now working to achieve scale in our growth businesses. At the same time, our established, mature businesses would continue to perform steadily and grow market share in their respective areas. We believe we are well placed to exploit the opportunities the India growth story offers for us to grow in scale and reach coupled with value creation. In our journey, the key to building a sustainable business will be cost consciousness, innovation and customer centricity.

### Opportunities

We firmly believe that Indian economic growth and hence the growth of financial services sector presents us with exciting opportunities as under:

- India's long-term growth story remains intact notwithstanding the hiccups in the past year or two. This presents vast opportunities for us to grow our businesses in each of the verticals of financial services that are expected to grow four to five folds by 2020 as per our path-breaking India 2020 Research Report.
- With nearly 70% of Indian household savings currently finding banks as the most favoured destination, scope for diversification of savings through other channels like mutual funds or insurance and through diversification in other asset classes like equities, bonds and commodities are immense.
- Increasing use of internet or mobile-based technologies for routing financial transactions presents vast opportunities for tech savvy companies to offer convenient solutions to customers.
- We believe the policy liberalisation and forward-looking regulatory changes will help markets grow in size, thus increasing the size of the pie for all participants in financial services business.

### Threats

At the same time, we perceive following threats for growth of financial services sector:

- Macroeconomic environment including high inflation, high interest rates, liquidity issues, global commodities prices, fiscal and current account deficit, a poor monsoon and Eurozone crisis can play spoilsport with the India growth story.
- While positive Government policies and regulatory changes do enlarge the scope of opportunities for companies like Edelweiss, lack of or delay in reforms or certain regulatory changes can significantly impact the performance or make an existing business model unviable.

### HUMAN RESOURCES

The Edelweiss philosophy on people is deep rooted in building and developing talent and leadership within the organisation. Articulated in its business Principle of "Taking Care of People Seriously", the organisation believes its people have always been the drivers of growth, efficiency and productivity.

Through the year 2011-12, the organisation structure has been defined clearly into Wholesale and Retail clusters to cater to differentiated strategies. The group strength at the end of the year stands at 3108 with over 460 new hires added.

With a renewed focus on training and development, the group has launched various initiatives aimed towards Multiplying Leadership Capability. The focus of these initiatives is to build a multiple layer talent pipeline that will be nurtured through layer-specific training, coaching and mentoring. Training across levels of the organisation for the year stands at 2,241 man-days covering a base of 2,114 employees. 'Fountainhead' - our Leadership Centre at Alibaug - was used extensively during the year to build employee connect and team

work by various business groups. Rigour in leadership engagement has brought in enhanced communication, building organisation perspective and participative decision-making. Employee engagement initiatives such as the "EdelHealth" portal have encouraged a healthy and happy employee base.

On the operations and processes side, the Human Resources function has moved towards standardisation of processes such as 360 degree, KRA, Employee Engagement, Performance & Compensation Management, while not losing its flexibility. This, of course, has been possible through the support of state-of-the-art technology and automation of systems, thus making them less people-dependant.

### RISK MANAGEMENT

At Edelweiss, we believe in a practical, responsible approach to risk. It is our constant endeavour to ensure that every risk we take has been thoroughly assessed, and that all risks are concomitant with their potential return. Towards this end, we made significant investments in people and technology for risk management during the year under review. We have worked to strengthen our enterprise wide risk management processes and practices through our risk philosophy, whose core lies in the identification, measurement, monitoring and action. Edelweiss accordingly has an integrated Risk Management system that is flexible, dynamic, up-to-date, focused and principle based. We believe that enough is never enough when it comes to risk management: for us, it is a continuously evolving process that is an inalienable part of our DNA.

Our risk management process is overseen by the Board of Directors supported by committees specifically entrusted with execution responsibilities for risk management. The Risk Management Committee provides overall risk management supervision for the Group as a whole.

### Key Risks

Of the various risks we are exposed to,



key risks include market, credit and operational risk.

### Market Risk

Market Risk comprises the uncertainty of economic growth levels, inflation, prices, interest rates, foreign exchange rates, and other macroeconomic factors beyond our control. To manage Market Risk, daily positions, durations and value at risk are closely monitored. Sectoral, industry, asset class and counterparty exposures are capped to mitigate concentration risk. The Asset & Liability Management Committee actively monitors all balance sheet risks including assets and liabilities mismatch risk and the liquidity risk. Necessary care is always taken to maintain enough liquidity cushion overnight and in short term to meet any unforeseen requirement or maturing liabilities. Care is also taken to ensure that we diversify our sources of borrowings to avoid over dependence on any single source and to constantly modify our liabilities profile in sync with the maturity profile of our assets to avoid any material mismatches.

### Credit Risk

Credit Risk is the risk that a party with whom we transact business may default on its obligations. We assess every counterparty's credit worthiness comprehensively based on well laid down policies before taking any exposure. Credit Risk is managed by ensuring that our exposure to a counterparty or a sector doesn't cross the laid down threshold limit. Adequate collateral cover is secured and its constant monitoring ensured to mitigate such risk. Instances of potential default are identified in time and closely monitored to mitigate the Credit Risk.

### Operational Risk

Operational Risk is a risk arising from a possible failure in execution of company's business functions. It is a broad descriptor that subsumes the risks arising from the people, systems and processes through which a company operates. It also includes other categories of risk such as reputation

risk, fraud risk, legal risk, physical risk and environmental risk among others.

To minimise our Operational Risk, we have well-defined processes and systems with checks and balances at key points. Any action that violates a process is noted as an exception and escalated. These processes and systems are reviewed regularly. More than adequate emphasis is placed on compliance related issues to keep reputation risk at bay as we firmly believe that it takes decades to build reputation, but it takes just one wrong step to destroy it.

Constant investment in upgrading technological backend is also made to ensure that we remain ahead of the curve at all times. We have built a state-of-the-art Data Centre at Edelweiss House to this end to ensure uninterrupted and reliable service to our clients and businesses. We continue to have a comprehensive Business Continuity Plan that is periodically tested.

### CREDIT RATINGS

Edelweiss Financial Services Limited (EFSL) and four subsidiaries, namely Edelweiss Securities Limited (ESL), ECL Finance Limited (ECLF), Edelweiss Housing Finance Limited (EHFL) and Edelweiss Trading & Holdings Limited (ETHL, since merged with Comfort Projects Limited, CPL) enjoy the highest short-term credit rating of "Crisil A1+" from Crisil. ECLF has a long-term debt rating of "Crisil AA-/Crisil AA-r" from Crisil. EHFL and ETHL (CPL) have a long-term bank facilities rating of "Crisil AA-" from Crisil. EFSL and ECL Finance Limited also enjoy a long-term debt rating of "ICRA AA-/LLA-" from ICRA. All the long-term ratings from Crisil and ICRA have a Stable outlook. All ratings are current as at the end of FY12.

### INVESTOR RELATIONS

We continue to view Investor Relations as an important link between Edelweiss and stakeholders facilitated by an open and transparent channel of communication with them. Our Investor Relations efforts include frequent interaction with institutional investors, analysts and other

stakeholders through one-on-one meetings and attendance at investor conferences. These are complemented by quarterly earnings conference call, dissemination of quarterly performance updates via Press Release and Investor Presentation and constant and immediate updating of information useful to stakeholders on our corporate website. During the year, we held more than 200 interactions with our stakeholders.

With growing complexities in their operations, companies are facing increasing demands for information from a diverse range of stakeholders. How we prioritise them and reconcile their needs with the need to protect certain information to maintain competitive edge in the market place is a constant issue for investor relations function. Balancing these conflicting needs, we have been constantly enhancing our disclosures to the maximum possible extent. We are focusing on a much more comprehensive discussion of our individual businesses and the balance sheet and the investor relations material put out by us during FY12 is a testimony to our commitment to this end. We hope this would enable the stakeholders to understand and appreciate our diverse businesses and our long-term strategy in a true perspective.

We will continue to implement best-in-class IR practices that promote steady communication with investors, analysts and other stakeholders so that we are perceived as an open, responsible and transparent organisation.

### REGULATORY STRUCTURE

EFSL (formerly Edelweiss Capital Limited) commenced operations in 1996 as a SEBI registered Category I Merchant Banker governed by SEBI (Merchant Banking) Regulations, 1992. Over the next 16 years, the company has diversified into a number of financial services businesses run by separate subsidiaries and a JV that are regulated by different regulators.

Edelweiss conducts its business of stock broking mainly through subsidiaries

Edelweiss Securities Limited (ESL), Edelweiss Broking Limited (EBL), Edelweiss Stock Broking Limited (ESBL) and Edelweiss Financial Advisors Limited (EFAL), governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. While ESL is a SEBI registered Depository Participant with CDSL, EBL and ESBL are SEBI registered participant with NSDL.

The business of Commodities broking and trading is mainly carried out through subsidiaries Edelweiss Trading & Holdings Limited (since merged with Comfort Projects Limited), EC Commodity Limited, Edel Commodities Limited and Edelweiss Comtrade Limited, governed by Forward Contracts (Regulation) Act, 1952 under the oversight of FMC.

The mutual fund business is conducted through subsidiary Edelweiss Asset Management Limited, registered with SEBI.

The non-banking financing activities are mainly conducted through subsidiaries ECL Finance Limited, Edelweiss Finance & Investments Limited, Allium Finance Private Limited and Edel Finance Company Limited. These entities are registered with the RBI as Non-Banking Financial Companies not accepting public deposits. The business of Housing Finance is conducted through subsidiary Edelweiss Housing Finance Limited, registered with National Housing Bank as a non-deposit accepting housing finance company.

The business of Insurance advisory is conducted through subsidiary Edelweiss Insurance Brokers Limited, regulated by IRDA. Edelweiss Tokio Life Insurance Company Limited, the life insurance Joint

Venture with Tokio Marine Holdings, is also regulated by IRDA.

### INTERNAL CONTROL SYSTEMS

Edelweiss has adequate internal audit and control systems across all businesses. These are responsible for independently evaluating the adequacy of all internal controls and ensure that operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. This important aspect is accomplished through a team of experienced internal auditors supported by qualified external auditors. All operational activities are also subject to concurrent internal audits periodically. The existing audit and inspection procedures are reviewed frequently to enhance effectiveness, usefulness and timeliness.

Edelweiss has institutionalised a strong compliance culture across the firm recognising that transparency and trust amongst all its stakeholders can be achieved only through this. We have a centralised Compliance Department that ensures compliance with all the applicable laws. It also provides advice on general regulatory matters including formulating policies on the Prevention of Insider Trading.

Edelweiss believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. Towards this end, the company has adopted the Whistle Blower Policy that provides our employees an avenue to raise concerns in good faith in line with the Edelweiss Code of Conduct.

### EDELGIVE FOUNDATION

EdelGive Foundation is the strategic philanthropic arm of the Edelweiss Group. It seeks to enrich and broaden the impact of the entrepreneurial activities of non-profits in India through leveraging Edelweiss' human, financial and intellectual resources. Its investments in non-profits, which are evaluated through an intensive due-diligence process, are in the form of financial support and, more importantly, capacity building support. It works closely with our investees on the organisational development challenges they face, bringing a venture philanthropy approach to its work. This initiative receives strong support by volunteering efforts of Edelweiss employees with over 100 employees volunteering during the year.

EdelGive launched its Social Innovation Honours in 2009 as a national awards programme to recognise, promote and support non-profit organisations that are innovating to empower Indian women. During FY12, EdelGive announced this year's award winners honouring four non-profit organisations for their outstanding and innovative work for women empowerment in the sectors of health, livelihood and rights & representations.

During FY12, EdelGive launched Mumbai Marathon 2012 fund raising programme with the help of 40 Edelite runners to support noble causes. It successfully raised ₹ 5.5 million through the support of our employees and other associates.

## REGULATORY CHANGES POSING CHALLENGES AND OPPORTUNITIES

We are constantly aware of regulatory changes and related challenges and opportunities that impact our business environment. We are also proactive in aligning ourselves in terms of adherence to compliance requirements and to make the most of opportunities that arise from regulatory changes.

Some of the key regulatory changes introduced during FY12 are narrated below:

Regulation/Act	Changes	Implication
Listing Agreement	<ul style="list-style-type: none"> <li>Submission of unaudited results shall be accompanied by limited review report of the auditors. Companies are also required to disclose the figures in respect of immediately preceding quarter</li> <li>Annual Reports in electronic form shall be provided to shareholders who have registered their e-mail addresses for the purpose</li> </ul>	<ul style="list-style-type: none"> <li>These steps are welcome as they are directed towards enhancing disclosure levels, transparency and governance of listed companies</li> <li>This is a welcome Green Initiative</li> </ul>
Reserve Bank of India	<ul style="list-style-type: none"> <li>Registered FIIs are permitted to invest in NCDs/Bonds issued by NBFC-IFCs as per norms and ceilings prescribed</li> <li>NBFCs are permitted to set up Infrastructure Debt Fund (IDF) as per norms prescribed. NRIs and FIIs have also been permitted to invest in securities issued by IDFs, subject to norms</li> <li>Revised Capital Adequacy framework for off-balance sheet items of NBFCs introduced</li> <li>RBI has issued guidelines on Fair Practices Code for NBFCs. One of the major recommendations is that all communications/correspondence with clients/borrowers is to be in vernacular language understood by them</li> </ul>	<ul style="list-style-type: none"> <li>These steps are aimed at attracting investment in the infrastructure development in the country</li> <li>This step is aimed at improving safety and soundness of NBFCs</li> <li>This step is aimed at improving transparency and enhance consumer protection</li> </ul>
The Union Budget 2012-13 Direct Taxes	<p><b>Key changes in direct tax legislations:</b></p> <ul style="list-style-type: none"> <li>Introduction of retrospective look through provision where a transaction done outside India leading to indirect transfer of Indian Asset will be taxable in India</li> <li>Introduction of General Anti Avoidance Rules (GAAR) from 01-04-2013 that can even overlook the DTAA benefit</li> <li>Insurance and Banking companies along with non-corporate entities are now liable to MAT</li> <li>Cascading effect on Dividend Distribution tax is now removed</li> <li>Reduction in STT on delivery based transaction from 0.125% to 0.1%</li> </ul>	<ul style="list-style-type: none"> <li>These changes may affect inflow of foreign capital in India and impact India's image as investment destination.</li> <li>Removal of cascading effect on Dividend Distribution tax and reduction in STT is positive for concerned companies.</li> </ul>
The Union Budget 2012-13 Indirect Taxes	<p><b>Key changes in indirect tax legislations:</b></p> <ul style="list-style-type: none"> <li>The Service tax rate is increased from 10.30% to 12.36%</li> <li>Introduction of "negative list" approach of taxing services</li> </ul>	<ul style="list-style-type: none"> <li>This will result in higher tax burden, but signifies a step towards GST.</li> <li>This will bring simplicity and certainty in tax processes.</li> </ul>

Regulation/Act	Changes	Implication
SEBI	<ul style="list-style-type: none"> <li>SEBI has introduced <b>Institutional Placement Programme</b> for the purpose of complying with minimum public shareholding requirements under Securities Contracts Regulation (Rules), 1957.</li> </ul>	<ul style="list-style-type: none"> <li>There are many listed companies which have still not complied with the minimum public shareholding requirement. This creates a new business opportunity for investment Bankers like us.</li> </ul>
SEBI / Exchanges	<p><b>Simplification and rationalisation of Trading account opening process</b></p> <ul style="list-style-type: none"> <li>SEBI has devised uniform documentation to be followed by all the intermediaries. SEBI has also done away with the requirement of member-client agreement and hence franking of agreement is no longer required. SEBI has also introduced KYC information database with a KRA agency to avoid duplication of KYC process with every intermediary.</li> </ul>	<ul style="list-style-type: none"> <li>With this, the KYC process has been simplified. This will also help in saving the cost by way of stamp duty on the agreement.</li> <li>The KRA agency database will immensely help clients and intermediaries with simplified process for registration in future.</li> </ul>
SEBI/ Exchanges	<p><b>Modification of Client codes of Non – Institutional trades</b></p> <ul style="list-style-type: none"> <li>SEBI has revised the guidelines for modifications of client codes of non-institutional trades in cases of genuine error. A penalty has also been introduced to avoid such instances.</li> </ul>	<ul style="list-style-type: none"> <li>This will require intermediaries to be more careful in recording transaction details and reduce malpractices.</li> </ul>
SEBI/ Exchanges	<p><b>Review of Internet Based Trading (IBT) and STWT (Mobile trading)</b></p> <ul style="list-style-type: none"> <li>Stockbrokers now need to comply with the laid down technical parameters including two-factor authentication for login session for IBT and STWT facilities.</li> </ul>	<ul style="list-style-type: none"> <li>This will further enhance the security for the online transactions and eliminate misuse. We do offer IBT facility to our clients.</li> </ul>
SEBI / Exchanges	<p><b>Redressal of investor grievances in SEBI Complaints Redressal System (SCORES)</b></p> <ul style="list-style-type: none"> <li>SEBI has commenced processing of investor grievances on a centralised web-based complaints redressal system, 'SCORES'.</li> </ul>	<ul style="list-style-type: none"> <li>This is a welcome step, as customers' grievances will now be monitored online by SEBI for the complaints registered on this platform against the intermediaries.</li> </ul>
SEBI/ Exchanges	<p><b>Guidelines on Algo mechanism</b></p> <ul style="list-style-type: none"> <li>SEBI have framed broad guidelines for Algo trading (order generated using automated execution logic).</li> </ul>	<ul style="list-style-type: none"> <li>This step will strengthen the risk management in executing such transactions.</li> </ul>
SEBI/ Depositories	<p><b>QFI demat account with a Qualified DP</b></p> <ul style="list-style-type: none"> <li>A Qualified Foreign Investor (QFI) can open a demat account only with a "Qualified DP". The instructions also prescribe criteria to be fulfilled by a SEBI registered DP to become a "Qualified DP".</li> </ul>	<ul style="list-style-type: none"> <li>The foreign investors can now trade on the Indian bourses through QDP arrangement. It has opened the gate for us to become the QDP and add one more line of business under the Capital Market.</li> </ul>

Regulation/Act	Changes	Implication
FMC/SEBI	<p><b>Guidelines on Pre-funded Instruments</b></p> <ul style="list-style-type: none"> <li>SEBI and FMC both have advised intermediaries to accept DD/ pay-order only if accompanied by bank certificate where the name of bank account holder and the number of bank account debited is mentioned.</li> </ul>	<ul style="list-style-type: none"> <li>This will help in effective implementation of PMLA guidelines.</li> </ul>
FMC/ Commodity Exchanges	<p><b>Common / uniform client registration</b></p> <ul style="list-style-type: none"> <li>FMC has introduced common client registration process on the commodity exchanges.</li> </ul>	<ul style="list-style-type: none"> <li>This is a welcome step as it eases the process of registration for clients.</li> </ul>
FMC/ Commodity Exchanges	<p><b>Clubbing of open positions</b></p> <ul style="list-style-type: none"> <li>FMC has directed the Exchanges to further enhance the criteria for clubbing of open interest for clients and members.</li> </ul>	<ul style="list-style-type: none"> <li>This provision will affect the manoeuvrability of clients and intermediaries.</li> </ul>
IRDA	<ul style="list-style-type: none"> <li>IRDA has released an Exposure Draft on IRDA (Licensing of Bancassurance Agents) Regulations, 2011, for comments, which proposes separate regulations for licensing of Bancassurance Agents.</li> </ul>	<ul style="list-style-type: none"> <li>The Exposure Draft lays down a ceiling on tie-ups an insurer may have with Bancassurance agents and may impact such arrangements.</li> </ul>

### Cautionary Statement

Statements made in this Management Discussion and Analysis contain certain forward looking statements based on various assumptions on the Edelweiss Group's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and Edelweiss does not undertake any obligation to update these statements. Edelweiss has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.

## Corporate Governance Report

### Company's philosophy on Corporate Governance

Corporate Governance is about promoting corporate fairness, transparency, accountability and integrity of the management. It also aims to align as nearly as possible the interests of individuals, corporates and society and enhancing the stakeholders' value. Best results are achieved when the companies begin to treat the Corporate Governance system not as a mere structure but as a way of corporate life. Good corporate governance practices have always been an integral part of your Company's philosophy and is committed to achieving and maintaining the highest standards of corporate governance.

### Board of Directors

The Board of Directors provide strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

### Composition

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2011-12 and at the last Annual General Meeting (AGM), as also the number of directorships and committee positions held by them in other public limited companies as on March 31, 2012 are as under :

Name	Category	Relationship with other directors	No. of Board Meetings		Attendance at the last AGM held on July 25, 2011	No. of directorships in other public limited companies	Committee Position*	
			Held	Attended			Member	Chairman
Mr. Rashesh Shah [Chairman, Managing Director & CEO]	Executive (Promoter)	None	4	4	Yes	4	1	-
Mr. Venkat Ramaswamy	Executive (Promoter)	None	4	4	Yes	4	1	-
Mr. Kunnasagaran Chinniah	Non-Independent - Non-Executive	None	4	3	Yes	2	1	-
Mr. Narendra Jhaveri	Non-Executive - Independent	None	4	4	Yes	7	2	1
Mr. P. N. Venkatachalam	Non-Executive - Independent	None	4	4	Yes	5	1	1
Mr. Berjis Desai	Non-Executive - Independent	None	4	3	Yes	10	6	2
Mr. Sanjiv Misra	Non-Executive - Independent	None	4	3	Yes	-	-	-
Mr. Himanshu Kaji	Executive	None	1	1	N. A.	-	-	-
Mr. Sunil Mitra	Non-Executive - Independent	None	1	1	N. A.	2	1	1

\* Only Audit Committee and Shareholders'/Investors' Grievance Committee have been considered for the Committee positions.

Mr. Sanjiv Misra was appointed as an Additional Director by the Board on May 16, 2011.

Mr. Himanshu Kaji was appointed as an Additional Director and Executive Director by the Board on November 1, 2011.

Mr. Sunil Mitra was appointed as an Additional Director by the Board on December 7, 2011.

The Board met four times on the following dates during the financial year 2011-12:

May 16, 2011, July 25, 2011, October 18, 2011 and January 24, 2012.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) of the Listing Agreement across all the public limited companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited companies.

**Board Procedure**

The annual calendar of Board Meetings is agreed upon at the beginning of the year. The agenda is circulated in advance to the Board Members. The items in the agenda are backed by the comprehensive background information to enable the Board to take appropriate decisions.

**Code of Conduct for Directors and Senior Management**

The Company has a Code of Conduct ('Code') for the Directors and senior management personnel including all Functional Heads, which is in compliance with the requirements of Clause 49 of the Listing Agreement. The Code has been posted on the Company's website.

Further, all the Board members and senior management personnel have affirmed compliance with the Code. A declaration to this effect signed by the Chairman and CEO forms part of this Report.

**Committees:****Audit Committee****Composition as at March 31, 2012:-**

Mr. Narendra Jhaveri	—	Chairman
Mr. P.N. Venkatachalam	—	Member
Mr. Berjis Desai	—	Member
Mr. Sanjiv Misra	—	Member

All the members of the Committee are Independent Directors and have financial management expertise. The constitution and terms of reference of the Committee are in compliance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49(II)(A) of the Listing Agreement.

**Brief Description of the Terms of Reference**

1. Oversight of the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management, the annual, half yearly and the quarterly financial statements before submission to the Board for approval.
3. Discussion with the Internal Auditors any significant finding and follow-up there on.
4. Review of the items listed in Clause 49(II)(D) and (E) of the Listing Agreement.

**Meetings held**

During the financial year 2011-12, four meetings were held on May 16, 2011; July 25, 2011; October 17, 2011 and January 24, 2012.

**Attendance:**

Name of the Member	No. of meetings	
	Held	Attended
Mr. Narendra Jhaveri	4	4
Mr. P N Venkatachalam	4	4
Mr. Berjis Desai	4	3
Mr. Sanjiv Misra <sup>#</sup>	3	3

<sup>#</sup> Mr. Sanjiv Misra was inducted as a member of the Committee w. e. f. May 16, 2011.

The Statutory Auditors, Internal Auditors, Chief Financial Officer and the Sr. Vice-President (Finance & Accounts) are invited to attend the meetings of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

Mr. Narendra Jhaveri was present at the last Annual General Meeting (AGM) held on July 25, 2011.

**Remuneration Committee****Composition as at March 31, 2012:-**

Mr. Kunnasagaran Chinniah

Mr. Berjis Desai

Mr. Sanjiv Misra

**Meetings held**

During the financial year 2011-12, the Remuneration Committee met once on May 16, 2011.

**Attendance:**

Name of Member	No. of meetings attended
Mr. Kunnasagaran Chinniah	1
Mr. Berjis Desai	1
Mr. Sanjiv Misra*	-

\*Mr. Sanjiv Misra was inducted as a member of the Committee w. e. f. May 16, 2011.

The terms of reference of the Remuneration Committee include formulating the policies for payment of remuneration to the Executive Directors and such other functions as may be delegated to it by the Board of Directors.

**Remuneration to the Directors****Non- Executive Directors**

The Company pays the sitting fees of ₹ 20,000 per meeting to the Non-executive Directors for attending the meetings of the Board and Committees thereof. The members of the Company have authorised the payment of commission of upto 1% of the net profits of the Company to the Non-executive Directors of the Company. The commission is distributed amongst the Non-executive Directors inter alia based on their attendance and contribution at the Board and various Committee meetings.

The sitting fees & commission paid and the ESOPs granted to the Independent Directors during the year ended March 31, 2012 are as under:

Name of the Director	Sitting fees (₹)	Commission (₹) (for the financial year 2010-11)	No. of Options granted under ESOP 2011
Mr. Narendra Jhaveri	2,40,000	10,00,000	50,000
Mr. P N Venkatachalam	1,80,000	10,00,000	50,000
Mr. Berjis Desai	2,60,000	10,00,000	50,000
Mr. Sanjiv Misra	1,60,000	-	-
Mr. Sunil Mitra	20,000	-	-

**Executive Directors**

The details of the remuneration paid to the Executive Directors during the year ended March 31, 2012 is as under: (in ₹)

Particulars	Mr. Rashesh Shah, Chairman, MD & CEO	Mr. Venkat Ramaswamy Whole Time Director	Mr. Himanshu Kaji Executive Director*
Basic Salary	80,93,740	79,12,395	32,93,733
Perquisites	39,600	-	39,600
Bonus (2010-11)	-	1,00,00,000	-
Total	81,33,340	1,79,12,395	33,33,333
Service Contract	April 1, 2011 to March 31, 2014	April 1, 2011 to March 31, 2014	November 1, 2011 to October 31, 2014
No. of Stock Options granted	NIL	NIL	7,50,000
Notice period	N.A.	N.A.	N.A.
Severance fee	N.A.	N.A.	N.A.

\*Mr. Himanshu Kaji is appointed as an Executive Director for a period of 3 years with effect from November 1, 2011.



The shareholding of the Directors in the Company as on March 31, 2012 is as under:

Sr. No.	Director	No. of shares*	% of the paid up capital
1.	Mr. Rashesh Shah	13,74,76,730	18.17
2.	Mr. Venkat Ramaswamy	5,30,26,560	7.01
3.	Mr. Narendra Jhaveri	78,000	0.01
4.	Mr. Berjis Desai	-	-
5.	Mr. P N Venkatachalam	20,000	0.00
6.	Mr. Kunnasagaran Chinniah	-	-
7.	Mr. Sanjiv Misra	-	-
8.	Mr. Himanshu Kaji	-	-
9.	Mr. Sunil Mitra	-	-

\*Shares held singly or as a first shareholder are only considered

#### Shareholders'/Investors' Grievance Committee

##### Composition as at March 31, 2012:-

Mr. Berjis Desai

Mr. Kunnasagaran Chinniah

Mr. Venkat Ramaswamy.

##### Meetings held

During the financial year 2011-12, two meetings of the Committee were held on May 16, 2011 and January 24, 2012.

##### Attendance:

Name of the Member	No. of meetings	
	Held	Attended
Mr. Berjis Desai	2	2
Mr. Kunnasagaran Chinniah	2	2
Mr. Venkat Ramaswamy	2	2

Based on the report received from Link Intime India Private Limited, the Registrar & Share Transfer Agent, the Company received 36 requests/complaints during the year ended March 31, 2012 which were satisfactorily resolved/replied to. As on March 31, 2012 there were no pending requests/complaints from any shareholder.

#### General Body Meetings

The date, time and venue of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2010-11	July 25, 2011	3.00 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021.	2
2009-10	July 30, 2010	3.00 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai-400 020.	3
2008-09	July 31, 2009	2.30 p.m.	Y. B. Chavan Auditorium, Yashwantrao Chavan Pratishthan, General Jaganath Bhosale Marg, Nariman Point, Mumbai-400 021.	-

**Postal Ballot****Resolutions passed through Postal Ballot on April 26, 2011**

Four special resolutions and an ordinary resolution was passed on April 26, 2011 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, in respect of the following items:

- (i) Special Resolution for issue of shares to the Eligible Employees of the Company under Section 81(1A) of the Companies Act, 1956 under the Edelweiss Employees Stock Incentive Plan 2011;
- (ii) Special Resolution for issue of shares to the Eligible Employees of the subsidiaries of the Company under the Edelweiss Employees Stock Incentive Plan 2011;
- (iii) Special Resolution for amendment to the Edelweiss Employees Stock Option Scheme – 2004;
- (iv) Special Resolution for amendment to the Edelweiss Employees Stock Option Scheme – 2006; and
- (v) Ordinary Resolution for transfer of business of Portfolio Management Services to the existing/future subsidiary.

Mr. Prakash K. Pandya, Proprietor, P. K. Pandya & Co., Practising Company Secretary, was appointed as the Scrutinizer to conduct the postal ballot process.

The Notice dated March 9, 2011 was sent to the members and the last date for receipt of postal ballot forms was April 21, 2011. The Company received 2,820 Postal Ballot Forms. According to the Scrutinizer's report, the Resolutions were passed by the requisite majority. The result of the postal ballot was declared on April 26, 2011 and published on April 27, 2011 in one English daily, and one Marathi daily for the information of the members.

Resolution, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when necessary.

**Disclosures**

- i. The Company did not have any material significant related party transaction having a potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in the Notes to the accounts.
- ii. The financial statements have been prepared in accordance with the accounting standards and policies generally accepted in India.
- iii. There were no instances of non-compliance by the Company on any matter related to the capital markets, resulting in disciplinary action against the Company by the Stock Exchanges or Securities & Exchange Board of India (SEBI) or any other statutory authority, during the last three years, except that SEBI has settled and passed the Consent Order on May 11, 2011, disposing off the proceedings against the Company, with respect to its Merchant Banking operations.
- iv. The Company has implemented the mandatory requirements of Corporate Governance as set out in the Listing Agreement. In respect of compliance with the non-mandatory requirements, the Company has constituted a Remuneration Committee, the details whereof are given under the heading "Remuneration Committee".
- v. The Company has a Whistle Blower Policy for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy.
- vi. The Company has a Risk Management Policy for risk identification, assessment and control to effectively manage risks associated with the business of the Company.

**vii. CEO / CFO Certification**

The CEO and the CFO have certified to the Board, the requirements of Clause 49(V) of the Listing Agreement.

**viii. Compliance Certificate**

Pursuant to Clause 49 of the Listing Agreement, a certificate from a Practising Company Secretary, certifying the compliance by the Company with the provisions of the Corporate Governance of the Listing Agreement is given as an Annexure to this Report.

**Means of Communication**

- i. The quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and published in one English daily, and one Marathi daily. The quarterly/annual results, press releases and the presentation made to the institutional investors/analysts are also uploaded on the website of the Company [www.edelweissfin.com](http://www.edelweissfin.com).
- ii. The Management Discussion and Analysis Report, in compliance with the requirements of Clause 49 of the Listing Agreement is annexed to the Directors' Report which forms part of this Annual Report.

iii. The consolidated financial statements of the Company and its subsidiaries form part of this Annual Report.

#### General Shareholder Information

- i. AGM : Date, time and venue Thursday, July 26, 2012 at 3:00 p.m. at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai – 400098
- ii. Financial Year April 1, 2011 to March 31, 2012
- iii. Book Closure Dates July 16, 2012 to July 26, 2012 (both days inclusive)
- iv. Dividend payment date Between August 6, 2012 and August 11, 2012

#### v. Listing of equity shares on Stock Exchanges:

The equity shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The Company has paid the listing fees, to the respective Stock Exchanges for the financial year 2012-2013.

#### vi. Stock Codes:

##### Trading Symbol

Bombay Stock Exchange Limited 532922  
National Stock Exchange of India Limited EDELWEISS

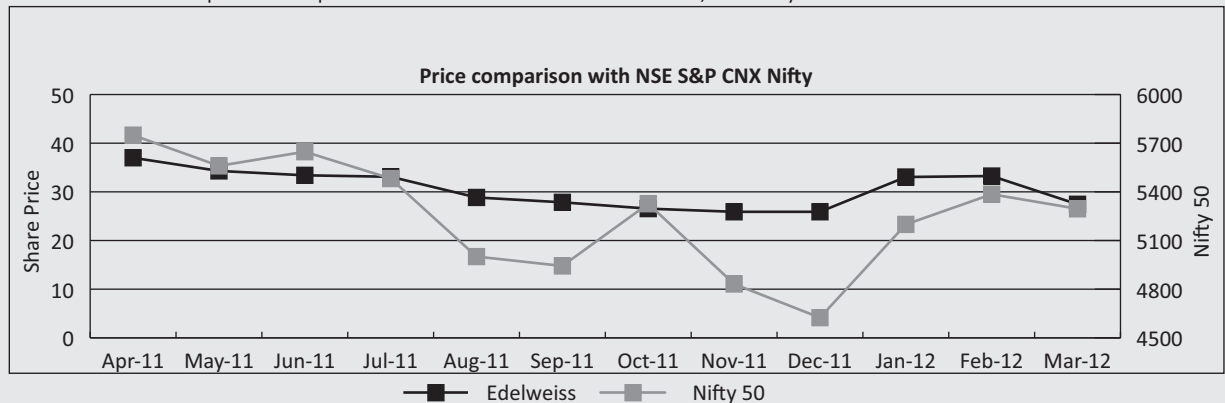
##### ISIN with NSDL and CDSL

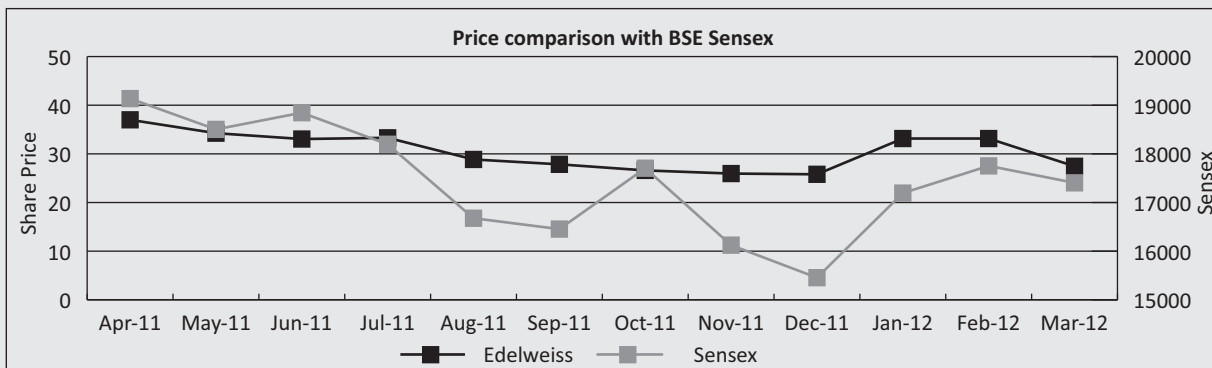
Equity shares INE532F01054

vii. **Market Price Data:** Stock Market price data for the financial year 2011-2012. High / Low of daily closing market price of the Company's shares traded at BSE and NSE during each month in the financial year ended March 31, 2012 are as under:

Month	BSE			NSE		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
Apr-11	41.00	36.30	33,59,249	41.15	36.45	62,65,304
May-11	36.15	32.30	22,14,160	36.10	32.60	45,75,517
Jun-11	35.50	32.50	23,32,176	35.60	32.60	68,14,151
Jul-11	33.90	32.25	13,24,173	34.00	32.40	42,32,180
Aug-11	33.30	28.25	12,68,535	33.55	28.55	38,81,210
Sep-11	29.60	27.00	7,26,470	29.45	27.50	19,19,648
Oct-11	27.50	24.25	30,35,927	27.55	24.35	3,55,80,204
Nov-11	27.25	23.65	38,50,685	27.25	23.70	1,30,47,225
Dec-11	27.70	22.30	11,05,409	27.80	22.10	23,97,416
Jan-12	33.15	26.25	8,58,325	33.05	26.40	23,46,254
Feb-12	35.80	31.00	8,67,826	35.60	31.00	25,37,427
Mar-12	31.95	26.55	4,81,821	32.00	26.70	15,31,100

viii. Performance of share price in comparison with the broad – based indices viz., NSE Nifty & BSE Sensex:





- ix. **Registrar and Share Transfer Agent:** Link Intime India Private Limited is the Registrar and Share Transfer Agent of the Company. The Registrar and Share Transfer Agent acknowledges and executes the transfer of shares and arranges for issue of dividend warrants and also undertakes the dematerialisation/rematerialisation of equity shares. The Registrar and Share Transfer Agent also accepts, deals with and resolves complaints of shareholders.
- x. **Share Transfer System:** The Company's shares are traded on the Stock Exchanges in compulsory demat mode. The transfer of Physical shares are processed and returned to the shareholders within a period of 30 days. With a view to expediting the process of share transfers, transmissions etc., the Managing Director, the Whole-time Director and the Company Secretary, have been severally empowered to approve the same.
- xi. **Distribution of shareholding as on March 31, 2012:**

No. of Equity Shares	No. of Shareholders	% of Share holder	Total No. of shares held	% of Shares held
1 - 500	1,38,758	94.47	1,47,24,192	1.95
501 - 1000	4,282	2.92	34,86,183	0.46
1001 - 2000	1,826	1.24	27,83,109	0.37
2001 - 3000	646	0.44	16,57,359	0.22
3001 - 4000	284	0.19	10,13,658	0.13
4001 - 5000	301	0.20	14,52,849	0.19
5001 - 10000	345	0.24	25,06,537	0.33
10001 and above	445	0.30	72,91,75,393	96.35
<b>Total</b>	<b>1,46,887</b>	<b>100.00</b>	<b>75,67,99,280</b>	<b>100.00</b>

#### SHAREHOLDING PATTERN AS ON MARCH 31, 2012

Sr. No.	Category	No. of Shares	% of Holding
1.	Promoters & Persons acting in Concert	28,57,15,690	37.75
2.	Mutual funds / FIs / Banks / Insurance Companies	1,34,360	0.02
3.	FII's	14,95,07,221	19.76
4.	NRIs / Foreign Nationals / Foreign Bodies Corporate	15,65,96,615	20.69
5.	Public and Others	16,48,45,394	21.78
	<b>Total</b>	<b>75,67,99,280</b>	<b>100.00</b>

- xii. **Dematerialisation of shares:** As on March 31, 2012, 75,28,41,070 equity shares representing 99.48% of the issued share capital of the Company was held in dematerialised form and 39,58,210 equity shares representing 0.52 % of the issued share capital was held in physical form. At the end of each quarter of the financial year, reconciliation of share capital audit is conducted by a Practising Company Secretary to reconcile the total issued capital, listed capital and capital held by depositories in dematerialised form.
- xiii. **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**  
The Company has not issued GDRs/ADRs/Warrants or any other instrument convertible into equity.

xiv. **Details of shares lying in the suspense account (pursuant to Clause 5A of the Listing Agreement):**

Sr. No.	Particulars	Details	
		No. of Shareholders	No. of Shares
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	115	9,210
2	Number of shareholders who approached the Company for transfer of shares from the suspense account during the year	3	240
3	Number of shareholders to whom shares were transferred from the suspense account during the year	3	240
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	112	8,970

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

xv. **Plant locations** – Not Applicablexvi. **Address for correspondence:** For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialisation of shares, change of address, non receipt of annual report, interest/dividend warrant and any other query relating to the shares and debentures of the Company, the investors may please write to the following address:

**Link Intime India Private Limited**  
Unit: Edelweiss Financial Services Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai – 400078, India  
Tel: +91 22 2594 6970  
Fax: +91 22 2594 6969  
e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

The Company Secretary  
Edelweiss Financial Services Limited  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098, India.  
Tel: +91 22 4009 4400  
Fax: +91 22 4019 4890  
e-mail: [efsl.shareholders@edelcap.com](mailto:efsl.shareholders@edelcap.com)

xvii. **For queries relating to the financial statements and investor information, other than those relating to shares/dividend, please write to:**

Shailendra Maru,  
Associate Director – Investor Relations  
Edelweiss Financial Services Limited,  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098, India.  
Tel: +91 22 4009 4400  
Fax: +91 22 4019 4890  
E-mail: [ir@edelcap.com](mailto:ir@edelcap.com)

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**Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the Edelweiss Code of Conduct**

In accordance with Clause 49 (I) (D) of the Listing Agreement, I hereby declare that for the financial year ended March 31, 2012 the Directors and Senior Management Personnel of the Company have affirmed compliance with the Edelweiss Code of Conduct applicable to all the Directors and Senior Management.

**For Edelweiss Financial Services Limited**

**Rashesh Shah  
Chairman & CEO**

May 16, 2012

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**Certificate on compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement**

To the members of Edelweiss Financial Services Limited,

We have examined the compliance of conditions of corporate governance by Edelweiss Financial Services Limited ("the Company"), for the financial year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For P. K. Pandya & Co.  
Practising Company Secretary

Prakash K. Pandya  
Proprietor  
Membership No. FCS 3901

Place: Mumbai  
Date: May 16, 2012

## Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of  
Edelweiss Financial Services Limited  
(formerly known as Edelweiss Capital Limited)

We have audited the attached consolidated balance sheet of Edelweiss Financial Services Limited ('the Company') and its subsidiaries and associates (collectively referred to as 'the Group') as at 31 March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements and other financial information of certain subsidiaries and associates whose financial statements reflect total assets of ₹ 40,001 million as at 31 March 2012, total revenues of ₹ 5,265 million and net cash outflows of ₹ 496 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, are based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements and Accounting Standard ('AS') 23, Accounting for Investments in Associates in Consolidated Financial Statements as prescribed under the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2012;
- (ii) in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended 31 March 2012; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No: 116231W

Mumbai  
16 May 2012

**N Sampath Ganesh**  
Partner  
Membership No: 042554

## Consolidated Balance Sheet as at 31 March 2012

(Currency : Indian rupees in millions)	Note	As at 31 March 2012	As at 31 March 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2.1	756.80	752.03
(b) Reserves and surplus	2.2	25,591.38	23,646.83
		26,348.18	24,398.86
<b>Share application money pending allotment</b>	2.38	11.78	0.78
<b>Minority interest</b>	2.3	2,387.79	1,154.95
<b>Non-current liabilities</b>			
(a) Long-term borrowings	2.4	10,774.62	4,616.92
(b) Other long term liabilities	2.5	115.76	81.68
(c) Long-term provisions	2.6	344.17	290.11
		11,234.55	4,988.71
<b>Current liabilities</b>			
(a) Short-term borrowings	2.7	90,472.06	72,234.47
(b) Trade payables	2.8	7,833.32	40,781.29
(c) Other current liabilities	2.9	6,334.43	6,848.84
(d) Short-term provisions	2.10	828.16	851.63
		105,467.97	120,716.23
<b>TOTAL</b>		145,450.27	151,259.53
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	2.11	4,070.47	830.49
(ii) Intangible assets	2.11	134.31	48.26
(iii) Capital work-in-progress		1,003.14	3,891.95
(iv) Intangible assets under development		15.79	9.80
(b) Goodwill on consolidation		1,394.67	1,394.67
(c) Non-current investments	2.12	7,316.12	2,353.77
(d) Deferred tax assets	2.13	259.83	527.53
(e) Long-term loans and advances	2.14	19,269.32	9,891.66
(f) Other non-current assets	2.15	1,348.91	12,739.88
		34,812.56	31,688.01
<b>Current assets</b>			
(a) Current investments	2.16	6,694.63	1,533.44
(b) Stock in trade	2.17	33,830.34	14,171.72
(c) Trade receivables	2.18	1,888.64	36,933.07
(d) Cash and bank balances	2.19	32,747.56	24,109.64
(e) Short-term loans and advances	2.20	27,969.90	40,081.07
(f) Other current assets	2.21	7,506.64	2,742.58
		110,637.71	119,571.52
<b>TOTAL</b>		145,450.27	151,259.53
Significant accounting policies and notes to the financial statements	1 & 2		

As per our report of even date attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

**N Sampath Ganesh**

Partner

Membership No.: 042554

Mumbai | 16 May 2012

For and on behalf of the Board of Directors

**Rashesh Shah****Venkat Ramaswamy****B Renganathan**

Mumbai | 16 May 2012

Chairman &amp; Managing Director

Whole-time Director

SVP &amp; Company Secretary



## Consolidated Statement of Profit and Loss for the year ended 31 March 2012

(Currency : Indian rupees in millions)	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Revenue from operations</b>			
Fee and commission income	2.22	3,213.08	4,140.48
Income from treasury	2.23	2,534.01	2,412.85
Interest income	2.24	10,660.95	7,552.69
Premium from life insurance business		107.20	-
Other operating revenue	2.25	109.76	147.23
<b>Other income</b>	2.26	81.87	36.87
<b>Total revenue</b>		<b>16,706.87</b>	<b>14,290.12</b>
<b>Expenses</b>			
Employee benefit expenses	2.27	2,712.07	2,354.24
Finance costs	2.28	8,296.50	5,328.50
Depreciation and amortization expenses	2.11	421.94	204.04
Other expenses	2.29	3,289.39	2,903.22
<b>Total expenses</b>		<b>14,719.90</b>	<b>10,790.00</b>
<b>Profit before tax</b>		<b>1,986.97</b>	<b>3,500.12</b>
Tax expense:			
Income tax		390.03	1,007.51
Minimum alternate tax		23.13	(83.22)
Deferred tax charge		267.70	106.68
<b>Profit for the year</b>		<b>1,306.11</b>	<b>2,469.15</b>
Share of minority interest in profit for the year		28.68	138.99
<b>Profit for the year after minority interest</b>		<b>1,277.43</b>	<b>2,330.16</b>
<b>Earnings per share (₹) (Face value ₹ 1 each)</b>	2.32		
- Basic		1.69	3.10
- Diluted		1.66	3.00
Significant accounting policies and notes to the financial statements	1 & 2		

As per our report of even date attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

**N Sampath Ganesh**

Partner

Membership No.: 042554

Mumbai | 16 May 2012

For and on behalf of the Board of Directors

**Rashesh Shah**

**Venkat Ramaswamy**

**B Renganathan**

Mumbai | 16 May 2012

Chairman & Managing Director

Whole-time Director

SVP & Company Secretary

## Consolidated Cash Flow Statement for the year ended 31 March 2012

(Currency : Indian rupees in millions)	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>A Cash flow from operating activities</b>		
Profit before tax	1,986.97	3,500.12
<b>Adjustments for</b>		
Depreciation and amortisation expenses	421.94	204.04
Expense on employee stock option plans	(4.64)	1.72
Bad debts and advances written off	48.89	27.53
Provision for doubtful debts and advances	86.94	53.36
Provision for non-performing assets	62.03	73.51
Provision for standard assets	37.30	(27.05)
Provision for policyholders' liability	57.59	-
Loss on sale of fixed assets (net)	7.90	1.86
Profit on sale of investment (net)	(9.16)	(0.65)
Provision for diminution in value of non-current investments	20.26	(0.53)
Dividend on current investments	(12.08)	-
Finance costs	8,296.50	5,321.84
<b>Operating cash flow before working capital changes</b>	<b>11,000.44</b>	<b>9,155.75</b>
<b>Adjustments for</b>		
Decrease / (Increase) in trade receivables	34,908.60	(34,244.71)
Increase in stock in trade	(19,658.62)	(2,665.42)
Increase in loans and advances and other assets	(154.42)	(56,781.88)
(Decrease) / Increase in liabilities and provisions	(33,750.55)	33,016.34
<b>Cash used in operations</b>	<b>(7,654.55)</b>	<b>(51,519.92)</b>
Income taxes paid	(1,214.62)	(1,804.63)
<b>Net cash used in operating activities - A</b>	<b>(8,869.17)</b>	<b>(53,324.55)</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(1,644.42)	(870.53)
Sale of fixed assets	771.37	1.92
Investment in subsidiaries (net of cash acquired)	-	(1,434.92)
Purchase of investments (Refer note 1)	(10,134.64)	(2,320.77)
Dividend on investments	12.08	-
<b>Net cash used in investing activities - B</b>	<b>(10,995.61)</b>	<b>(4,624.30)</b>

Consolidated Cash Flow Statement (*Continued*)

(Currency : Indian rupees in millions)	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>C Cash flow from financing activities</b>		
Proceeds from issue of share capital including premium	35.73	22.51
Share application money received	11.00	0.75
Bonus offering expense	-	(2.15)
Debenture redemption expense	-	(17.72)
Change in Minority interest	1,204.16	(1,114.57)
Change in Capital Reserve	994.11	27.54
Proceeds from long / short term borrowings (Refer note 1)	24,395.84	53,204.74
Dividend and dividend distribution tax paid	(619.19)	(920.37)
Interest paid on loans	(8,105.68)	(5,483.14)
<b>Net cash generated from financing activities - C</b>	<b>17,915.97</b>	<b>45,717.59</b>
<b>Change in foreign exchange translation reserve - D</b>	<b>185.71</b>	<b>(11.55)</b>
<b>Net decrease in cash and cash equivalents (A+B+C+D)</b>	<b>(1,763.10)</b>	<b>(12,242.81)</b>
Cash and cash equivalents as at the beginning of the year	4,756.07	16,998.88
Cash and cash equivalents as at the end of the year (Refer note 2.19)	2,992.97	4,756.07

**Note:**

- 1 Net figures have been reported on account of volume of transactions.

As per our report of even date attached.  
For **B S R & Associates**  
*Chartered Accountants*  
Firm's Registration No.: 116231W

**N Sampath Ganesh**  
*Partner*  
Membership No.: 042554  
Mumbai | 16 May 2012

**For and on behalf of the Board of Directors**

**Rashesh Shah**  
**Venkat Ramaswamy**  
**B Renganathan**  
Mumbai | 16 May 2012

*Chairman & Managing Director*  
*Whole-time Director*  
*SVP & Company Secretary*

## Notes to the consolidated financial statements for the year ended 31 March 2012

(Currency : Indian rupees in millions)

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements are presented in Indian rupees in millions.

#### 1.2 Principles of consolidation

- a) The consolidated financial statements relate to Edelweiss Financial Services Limited ('the Company') and its subsidiaries and associates (together 'the Group'). The consolidated financial statements have been prepared on the following basis:
- In respect of subsidiary enterprises, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after as far as possible eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 - Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.
  - In case of associate enterprises, the financial statements have been consolidated as per Accounting Standard 23 - Accounting for Investment in Associates prescribed by Companies (Accounting Standards) Rules, 2006.
  - Investments in subsidiaries where control is intended to be temporary or where the objective of control over the subsidiary is not to obtain economic benefits therefrom, have not been consolidated.
  - Assets and liabilities of the foreign subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as foreign exchange translation reserve in Reserves and Surplus.
  - The excess of cost over the Company's investments in the subsidiary company is recognised in the consolidated financial statements as Goodwill. The excess of Company's share in equity and reserves of the subsidiary company over the cost of acquisition is treated as Capital Reserve.
  - The share of minority interest in the net profit of subsidiaries for the year is identified and adjusted against the income of the Group to arrive at the net income attributable to the Group.
  - The share of minority interest in net assets of subsidiaries is identified and presented in the consolidated financial statements separate from liabilities and the equity of the Group.
  - The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- b) Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 - Accounting for Investments prescribed by the Companies (Accounting Standard) Rules, 2006.
- c) The subsidiaries and associates considered in the consolidated financial statements :

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2012
1	Edelweiss Securities Limited	India	100.00%
2	Edelweiss Finance & Investments Limited	India	100.00%
3	ECL Finance Limited	India	92.20%
4	Edelweiss Global Wealth Management Limited (formerly known as Edelweiss Financial Products & Solutions Limited)	India	100.00%
5	EC Global Limited <sup>1</sup>	Mauritius	100.00%
6	Edelweiss Insurance Brokers Limited	India	71.91%
7	Edelweiss Trustee Services Limited	India	100.00%
8	Edelweiss Web Services Limited <sup>2</sup>	India	100.00%
9	Edelcap Securities Limited	India	100.00%
10	Edelweiss Asset Management Limited	India	100.00%
11	ECap Equities Limited	India	100.00%
12	Edelweiss Broking Limited	India	100.00%
13	Edelweiss Trusteeship Company Limited	India	100.00%
14	Edelweiss Alternative Asset Advisors Limited	India	100.00%

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

1 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)1.2 Principles of consolidation (*Continued*)

Sr. No.	Name of the Entity	Country of Incorporation	Proportion of ownership interest as at 31 March 2012
15	Edelweiss Housing Finance Limited <sup>3</sup>	India	100.00%
16	Edelweiss Investment Advisors Limited	India	100.00%
17	EC Commodity Limited	India	100.00%
18	Edel Commodities Limited	India	100.00%
19	Edel Land Limited	India	100.00%
20	Edelweiss Custodial Services Limited	India	100.00%
21	EC International Limited	Mauritius	100.00%
22	Edelweiss Capital (Singapore) Pte. Limited	Singapore	100.00%
23	Edelweiss Alternative Asset Advisors Pte. Limited <sup>4</sup>	Singapore	100.00%
24	Edelweiss International (Singapore) Pte. Limited <sup>4</sup>	Singapore	100.00%
25	Aster Commodities DMCC <sup>5</sup>	United Arab Emirates	100.00%
26	ECap International Limited <sup>5</sup>	Mauritius	100.00%
27	EAAA LLC <sup>6</sup>	Mauritius	100.00%
28	Allium Finance Private Limited <sup>3</sup>	India	100.00%
29	EW Special Opportunities Advisors LLC <sup>7</sup>	Mauritius	67.00%
30	EW India Special Assets Advisors LLC <sup>7</sup>	Mauritius	90.00%
31	Edel Investments Limited	India	100.00%
32	Edelweiss Tokio Life Insurance Company Limited	India	74.00%
33	Edelweiss Investment Advisors Private Limited <sup>4</sup>	Singapore	100.00%
34	Comfort Projects Limited	India	100.00%
35	Edelweiss Financial Advisors Limited <sup>8</sup>	India	100.00%
36	Edelweiss Stock Broking Limited <sup>9</sup>	India	100.00%
37	Edelweiss Comtrade Limited <sup>10</sup>	India	100.00%
38	Edel Finance Company Limited <sup>9</sup>	India	100.00%
39	Edelweiss Capital Markets Limited <sup>3</sup>	India	100.00%
40	EW SBI Crossover Advisors LLC <sup>7</sup>	Mauritius	100.00%
41	EFSL Commodities Limited <sup>11</sup>	India	100.00%
42	Edel Commodities Trading Limited <sup>11</sup>	India	100.00%
43	EFSL Comtrade Limited <sup>11</sup>	India	100.00%
44	Edelweiss Asset Reconstruction Company Limited <sup>12</sup>	India	49.45%
45	Edelweiss Fund Advisors Private Limited	India	40.00%
46	Dahlia Financial Services Private Limited <sup>10</sup>	India	50.00%
47	Magnolia Financial Services Private Limited <sup>10</sup>	India	50.00%
48	Affluent Dealcom Private Limited <sup>13</sup>	India	49.50%
49	Edelweiss Precious Metals Private Limited <sup>3</sup>	India	45.00%
50	Arum Investments Private Limited <sup>10</sup>	India	39.39%

<sup>1</sup> held through Edelweiss Finance & Investments Limited<sup>2</sup> held through Edelweiss Broking Limited<sup>3</sup> held through Comfort Projects Limited<sup>4</sup> held through Edelweiss Capital (Singapore) Pte. Limited<sup>5</sup> held through EC International Limited<sup>6</sup> held through ECap International Limited<sup>7</sup> held through EAAA LLC<sup>8</sup> held through Comfort Projects Limited and Edelweiss Finance & Investments Limited<sup>9</sup> held through Edelweiss Financial Advisors Limited<sup>10</sup> held through Edelweiss Securities Limited<sup>11</sup> held through Edel Commodities Limited<sup>12</sup> held through Edelweiss Alternative Asset Advisors Limited<sup>13</sup> held through Edelcap Securities Limited

## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 1 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

#### 1.2 Principles of consolidation (*Continued*)

- d) Edelgive Foundation, a 100% subsidiary and a company registered under section 25 of the Companies Act, 1956, with the sole objective of philanthropy, where no economic benefit shall be derived by the Group, has not been consolidated.
- e) On 23 November 2011, the Company has sold its interest in Edelweiss Advisors Limited ('EAL'). The interest in EAL has accordingly been consolidated as a subsidiary upto this date.
- f) In accordance with the scheme of arrangement approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad ('Order'), Edelweiss Trading & Holdings Limited ('ETHL'), a wholly owned subsidiary of the Company has been merged with Comfort Projects Limited ('CPL') a wholly owned subsidiary of ETHL, with effect from 1 April 2011 (the Appointed Date). Consequently CPL has become directly wholly owned subsidiary of the Company with effect from 12 May 2012, the Effective date. Accordingly, the financial statements for the merged operations of CPL for the year ended 31 March 2012 have been prepared taking into account the effect of the said Order and have been consolidated for the year.
- g) During the year, the Company has diluted its interest in EW India Special Assets Advisors LLC from 100% to 90%.

#### 1.3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 1.4 Revenue recognition

- a) Fee income including investment banking, advisory fees, syndication fees, processing fees (other than on housing loans and loans against property) and other fees is accounted for on an accrual basis in accordance with the terms and contracts entered into between the Group and the counterparty.
- b) Brokerage income on securities and commodities broking business is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date and is reflected net of related sub-brokerage expenses, service tax and stock exchange expenses. Brokerage income on insurance broking business is recognised on accrual basis at the inception of the insurance policy once the policy is issued by the insurance company based on the terms agreed with the insurance companies and is exclusive of service tax.
- c) Investment management fees are recognised net of service tax on an accrual basis in accordance with the Investment Management Agreement with Edelweiss Mutual Fund ('the mutual fund') and complies with the Securities and Exchange Board of India (Mutual Funds) Regulations based on average Assets Under Management ('AUM') confirmed by the mutual fund.
- d) Revenue from fund management services (excluding mutual fund business) is recognised in accordance with the terms and conditions of the investment management agreement between the Group and the Fund for which the Group acts as a fund manager.
- e) Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the Compensation Agreement between the trustee company and the fund. The amount recognised as revenue is exclusive of service tax.
- f) In case of housing loans and loans against property, processing fees are amortised over a pre-determined tenor arrived on an industry average or original contractual tenor, whichever is shorter. In the event of a loan being foreclosed or written off, the unamortised portion of such processing fees is recognised as income at the time of such foreclosure or write off.
- g) Income from treasury comprises of profit/loss on sale of securities and commodities and profit/loss on derivative instruments.
  - i) Profit/loss on sale of securities and commodities is determined based on the weighted average cost of the securities/commodities sold.
  - ii) Realised profit/loss on closed positions of derivative instruments is recognised on final settlement on squaring-up of the contracts. Outstanding derivative contracts in the nature of forwards / futures / options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.
- h) Interest income is recognised on accrual basis. Interest income in case of lending business in the non-banking financial companies is recognised on accrual basis except in case of non-performing assets, wherein it is accounted on realisation, as per Reserve Bank of India (RBI) and National Housing Bank (NHB) guidelines. In case of commercial papers, deep discount bonds and certificate of deposits, the difference between the acquisition cost and redemption value is amortised on time basis and recognised as interest income.
- i) Profit/loss earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- j) Dividend income is recognised when the right to receive payment is established.
- k) ECL Finance Limited, a subsidiary of the Company, enters into securitisation transactions and assets are derecognised upon sale only if ECL Finance Limited surrenders control over the contractual rights that comprise in the financial assets. Gain on securitisation of assets is recognised on the difference between the book value of the securitised asset and consideration received on the assets derecognised from the books. The same is amortised over the life of the securities issued by the Special Purpose Vehicle ('SPV') in accordance with the guidelines issued by the Reserve Bank of India. Losses, if any, are recognised immediately.

## Notes to the consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

### 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 1.4 Revenue recognition (Continued)

- l) Profit/loss on error trades in broking business is included in "Income from treasury".
- m) Profit/loss from share in partnership firm is accounted for, once the amount of the share of profit / loss is ascertained and credited / debited to the company's account in the books of the partnership firm.

#### 1.5 Loan origination costs

In case of housing loans and loans against property, origination costs directly attributable to disbursed loans are amortised over a pre-determined tenor arrived on an industry average or original contractual tenor, whichever is shorter. Where the loan is foreclosed or written off, the unamortised portion of such loan origination costs are recognised as charge in the statement of profit and loss at the time of such foreclosure or write off.

#### 1.6 Benchmark linked debentures

The Company has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

#### 1.7 Fixed assets and depreciation

##### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready for its intended use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Flat and building	5.00%
Furniture and fixtures	18.10%
Office equipments	13.91%
Computers	40.00%
Vehicles	25.89%
Vessel	20.00%

Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease whichever is shorter.

##### Intangible fixed assets

Intangible assets such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

All fixed assets, tangible and intangible, individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

#### 1.8 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

#### 1.9 Stock-in-trade

- a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b) The securities, including from error trades, held as stock-in-trade are valued at lower of weighted average cost or market value.
- c) In case of units of mutual funds held as stock-in-trade, net asset value is considered as fair value.
- d) Inventories in the form of commodities are valued at cost or net realisable value, whichever is lower.
- e) Debt instruments are valued at cost or fair value whichever is lower. In case of debt instruments for which direct quotes are not available, they are valued at the lowest of the quotes as on valuation date as provided by market intermediaries.
- f) Commercial papers, certificate of deposits and treasury bills are valued at carrying cost.
- g) Inventory in the form of land is valued at cost or net realisable value, whichever is lower.
- h) Purchase and sale of bullion is recorded at the price which is fixed between the buyer and the seller at the future date including the contracts where the price is fixed subsequent to the balance sheet date. In case of unfixed purchase/sale contracts as at the reporting date, the price is recorded at the forward rate for the residual maturity period of the contract.

## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 1 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

#### 1.10 Investments

Investments are classified into long-term investments and current investments. Investments which are intended to be held for one year or more are classified as long-term investments and investments which are intended to be held for less than one year are classified as current investments.

Long-term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

#### 1.11 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

#### 1.12 Employee benefits

The accounting policy followed by the Group in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

##### *Provident fund*

The Group contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

##### *Gratuity*

The Group's gratuity scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Benefits in respect of gratuity for certain group companies are funded with an Insurance company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

##### *Compensated absences and leave encashment*

The eligible employees of certain companies of the Group are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Group recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

Certain companies of the Group provide for the encashment of leave subject to rules. The liability is provided based on the number of days of unutilised leave at each balance sheet date based on a valuation by an independent actuary.

#### 1.13 Taxation

Tax expense comprises income tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and minimum alternate tax.

##### *Income tax*

Provision for income tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

##### *Deferred tax*

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain as the case may be, to be realised.



## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 1 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

#### 1.13 Taxation (*Continued*)

##### *Minimum Alternate Tax (MAT)*

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

#### 1.14 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### 1.15 Earnings per share

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings per share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

#### 1.16 Provisions and contingencies

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### 1.17 Provisioning on receivables from financing business

Provision for non-performing assets is based on the management's assessment of the degree of impairment of the loan asset and the level of provisioning required as per the prudential norms prescribed by RBI and NHB.

Provision for standard assets is made on the basis of prudential norms laid down by RBI and NHB.

#### 1.18 Mutual Fund expenses

Expenses incurred on behalf of schemes of Edelweiss Mutual Fund are recognised to the statement of profit and loss unless considered recoverable from schemes of the fund in accordance with provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations.

#### 1.19 Employee stock option plans

The Group follows the intrinsic value method to account for compensation cost of the stock based employee compensation plans of the Company. The compensation cost is amortised on a straight-line basis.

#### 1.20 Preliminary expenses

Preliminary expenses are charged off in the statement of profit and loss in the year in which they are incurred.

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.1 Share capital</b>		
<b>Authorised :</b>		
1,230,000,000 (Previous year: 1,230,000,000) Equity shares of ₹ 1 (Previous year: ₹ 1) each	1,230.00	1,230.00
20,000,000 (Previous year: 20,000,000) Preference shares of ₹ 1 (Previous year: ₹ 1) each	20.00	20.00
	<b>1,250.00</b>	1,250.00
<b>Issued, Subscribed and Paid up:</b>		
756,799,280 (Previous year: 752,026,280) equity shares of ₹ 1 each	756.80	752.03
	<b>756.80</b>	752.03

	31 March 2012		31 March 2011	
	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Outstanding at the beginning of the year	752.03	752.03	375.36	375.36
Issued during the year (excluding bonus shares)	4.77	4.77	1.17	1.17
Bonus shares issued during the year	-	-	375.50	375.50
Outstanding at the end of the year	<b>756.80</b>	<b>756.80</b>	752.03	752.03

**Rights of equity shareholders**

The Company has issued only one class of equity shares having a par value of ₹ 1 each. Each holder of equity shares is entitled to one vote per share held. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

The distribution will be in proportion to the number of equity shares held by the shareholders.

**Consolidation**

During the F.Y. 2007-08: 89,843,620 equity shares of ₹ 1 each were consolidated into fully paid up 17,968,724 equity shares of ₹ 5 each.

**Share split**

During the F.Y. 2010-11: 75,099,118 equity shares of ₹ 5 each were split into fully paid up 375,495,590 equity shares of ₹ 1 each.

**Details of bonus shares issued**

- during the F.Y. 2007-08: 44,916,806 equity shares of ₹ 1 each (before consolidation of face value of equity share from ₹ 1 per share to ₹ 5 per share) were allotted as fully paid up bonus shares by capitalisation of ₹ 44.92 million from securities premium account.
- during the F.Y. 2007-08: 35,937,448 equity shares of ₹ 5 each were allotted as fully paid up bonus shares by capitalisation of ₹ 179.69 million from securities premium account.
- during the F.Y. 2010-11: 375,495,590 equity shares of ₹ 1 each (after split of face value of equity share from ₹ 5 to ₹ 1 per share) were allotted as fully paid-up bonus share by capitalisation of ₹ 2.60 million from capital redemption reserve and ₹ 372.90 million from securities premium account.

**Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

	As at 31 March 2012		As at 31 March 2011	
	Number of shares (in millions)	Percentage shareholding	Number of shares (in millions)	Percentage shareholding
Rashesh Shah	137.48	18.17%	137.48	18.28%
Heliconia Pte. Ltd.	62.27	8.23%	62.27	8.28%
Venkat Ramaswamy	53.03	7.01%	53.03	7.05%
First Carlyle Ventures Mauritius	42.51	5.62%	-	-
Spire Investment Advisors LLP	38.75	5.12%	38.75	5.15%

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.2 Reserves and surplus</b>		
Capital reserve		
Opening balance	2,343.66	1,111.84
Add : Movement from securities premium account	-	1,204.28
Add : Additions during the year	994.11	27.54
	<b>3,337.77</b>	2,343.66
Capital redemption reserve		
Opening balance	164.71	7.60
Add : Additions during the year (net)	-	157.11
	<b>164.71</b>	164.71
Securities premium account		
Opening balance	11,978.29	13,552.51
Less: Movement to capital reserve	-	(1,204.28)
Add : Additions / (utilisation) during the year	33.78	(369.94)
	<b>12,012.07</b>	11,978.29
Stock options outstanding		
Opening balance	20.63	18.91
Less : Transferred to securities premium account	(2.82)	(1.49)
(Less) / Add : Expense on Employees Stock Option Plans (ESOP)	(4.64)	3.21
	<b>13.17</b>	20.63
Foreign exchange translation reserves	<b>284.02</b>	98.32
Statutory reserve u/s 45-IC of The Reserve Bank of India Act, 1934		
Opening balance	979.60	752.68
Add : Additions during the year	173.22	226.92
	<b>1,152.82</b>	979.60
Statutory Reserve u/s 29C of The National Housing Bank Act, 1987	<b>0.14</b>	0.14
General reserve		
Opening balance	344.62	237.55
Add : Additions during the year	99.00	107.07
	<b>443.62</b>	344.62
Fair value change account	<b>0.56</b>	-
Surplus in statement of Profit and loss		
Opening balance	7,716.86	6,407.19
Add: Profit for the year	1,277.43	2,330.16
<b>Amount available for appropriation</b>	<b>8,994.29</b>	8,737.35
Appropriations:		
Interim dividend	226.99	187.98
Proposed dividend	227.34	263.24
Dividend distribution tax	85.24	75.58
Transfer to general reserve	99.00	107.82
Transfer to capital redemption reserve	-	158.95
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	173.22	226.92
	<b>8,182.50</b>	7,716.86
	<b>25,591.38</b>	23,646.83

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.3 Minority Interest</b>		
Opening balance	1,154.95	2,132.02
Add / (Less) : Movement during the year	1,232.84	(977.07)
	<b>2,387.79</b>	1,154.95
<b>2.4 Long-term borrowings</b>		
<b>Secured</b>		
Term loan from banks (Secured by pari passu first charge on current and future housing loan and other receivables of the company. The loan is repayable in 8 equal quarterly installments after the moratorium period of 12 months starting from March 2012)	250.00	-
Non-convertible debentures (Secured by way of fixed charge on immovable property and floating charge on trade receivables, stock-in-trade and loans and advances)	6,817.97	4,614.10
Other loans and advances		
Vehicle loans (Secured by hypothecation of vehicles and are repayable in equated monthly instalments over the tenure of the loans)	6.65	2.82
<b>Unsecured</b>		
Loans from others (Repayable after the end of one year but before the end of 3 years, as mutually agreed)	3,700.00	-
	<b>10,774.62</b>	<b>4,616.92</b>
<b>2.5 Other long term liabilities</b>		
Unamortised processing fees	27.35	3.13
Trade Payables (includes sundry creditors and customer payables)	3.55	0.23
Others		
Deposits from sub-brokers	76.16	44.82
Rental Deposits	8.70	-
Debenture application monies received pending allotment	-	33.50
	<b>115.76</b>	<b>81.68</b>
<b>2.6 Long-term provisions</b>		
Provision for employee benefits		
Gratuity	11.09	2.70
Compensated absences	12.60	12.38
Deferred bonus	73.57	255.39
Others		
Provision for non performing assets	126.59	-
Provision for standard assets	51.14	18.30
Provision for policyholders' liability	57.59	-
Others	11.59	1.34
	<b>344.17</b>	290.11

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.7 Short-term borrowings</b>		
<b>Secured</b>		
Bank overdraft (Secured by pledge of fixed deposits and charge on receivables of financing business)	30,522.12	19,076.77
Collateralised borrowing and lending obligation (Secured by pledge of Government securities)	15,120.00	970.00
Term loan (Secured against investments in debt securities and stock in trade)		
from banks	6,335.40	-
from other parties	250.00	-
Buyer's credit (Secured against fixed deposits)	995.73	-
Letter of credit discounted (Secured against fixed deposits)	38.99	-
<b>Unsecured</b>		
Inter corporate deposit	2,629.64	1,892.41
Deposits accepted	50.69	106.58
Commercial paper	35,171.05	50,555.17
Less: Unamortised discount	(886.72)	(1,075.04)
	<b>34,284.33</b>	<b>49,480.13</b>
Term loan from bank	-	500.00
Other Loans	245.16	208.58
	<b>90,472.06</b>	<b>72,234.47</b>
<b>2.8 Trade payables</b>		
Trade payables (includes sundry creditors, provision for expenses and customer payables)	7,833.32	40,781.29
	<b>7,833.32</b>	<b>40,781.29</b>
<b>2.9 Other current liabilities</b>		
Current maturities of long term debt (Refer note 2.4)		
Non-convertible debentures	2,892.80	1,725.40
Vehicle loans from banks	3.00	3.33
Interest accrued but not due on borrowings	472.67	283.65
Interest accrued and due on borrowings	1.80	-
Income received in advance	22.14	81.14
Unclaimed dividends	3.20	5.07
Premium received on exchange traded options	884.78	493.69
Other payables		
Accrued salaries and benefits	446.05	532.08
Payable to exchange / clearing house (net)	19.44	1,250.89
Withholding taxes, service tax and other taxes payable	423.81	385.47
Payable for capital assets / others	170.71	361.06
Advances payable	120.18	20.21
Book overdraft	727.89	1,657.15
Unamortised processing fees	22.88	1.55
Others	123.08	48.15
	<b>6,334.43</b>	<b>6,848.84</b>
<b>2.10 Short-term provisions</b>		
Provision for employee benefits		
Gratuity	0.60	2.41
Compensated absences	21.28	20.53
Deferred bonus	129.64	159.00
Others		
Proposed dividend	227.34	263.24
Dividend distribution tax	-	43.72
Provision for standard assets	53.49	47.55
Provision for tax (net of advance taxes)	364.41	219.14
Provision for non performing assets	31.40	96.04
	<b>828.16</b>	<b>851.63</b>

## Notes to the consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

## 2.11 Fixed assets

Particulars	Gross Block			Depreciation			Net Block	
	As at 1 April 2011	Additions during the year	Deductions/ adjustments during the year	As at 31 March 2012	Charge for the year	Deductions/ adjustments during the year	As at 31 March 2012	As at 31 March 2011
<b>a) Tangibles</b>								
Land	230.16	-	-	230.16	-	-	230.16	230.16
Flat and Building	231.24	3,749.42	761.36	3,219.30	130.26	9.95	3,088.44	220.69
Leasehold Premises	296.83	42.62	137.05	202.40	41.32	132.58	63.51	66.68
Plant and Equipment	-	3.52	0.02	3.50	0.22	-	3.28	-
Furniture and Fixtures	80.25	71.63	17.50	134.38	19.13	16.00	90.06	39.06
Vehicles	79.34	103.59	22.20	160.73	26.67	8.89	120.10	56.49
Office equipment	185.78	191.86	9.41	368.23	32.86	4.33	265.46	111.54
Vessel	6.96	-	-	6.96	0.84	-	3.36	4.20
Computers	434.76	210.47	46.24	598.99	103.09	43.29	206.10	101.67
<b>Total (A)</b>	1,545.32	4,373.11	993.78	4,924.65	354.39	215.04	4,070.47	830.49
<b>b) Intangibles</b>								
Software	155.17	154.13	0.13	309.17	67.55	0.03	134.12	47.64
ISE Membership Card	0.43	-	0.43	-	-	-	-	0.43
Trademark/Copyright	0.19	-	-	0.19	-	-	0.19	0.19
<b>Total (B)</b>	155.79	154.13	0.56	309.36	67.55	0.03	134.31	48.26
<b>Total (A+B)</b>	1,701.11	4,527.24	994.34	5,234.01	421.94	215.07	4,204.78	878.75
<b>Previous Year*</b>	737.25	625.46	14.36	1,701.11*	204.04	10.56	878.75	822.36*

\* The closing gross block and depreciation of previous year includes addition of ₹ 352.74 million and ₹ 245.93 million respectively on account of acquisition of Edelweiss Financial Advisors Limited and its subsidiaries with effect from 16 July, 2010.

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

		As at 31 March 2012	As at 31 March 2011
<b>2.12 Non-current investments</b>			
I. Trade (quoted)			
Equity shares	(a)	51.28	-
II. Others (quoted)			
Debentures and bonds	(b)	2,619.15	-
III. Others (unquoted)			
(A) Equity shares			
i) In subsidiary companies [Refer note 1.2 (d)]		0.10	0.10
ii) In others		1,007.89	876.59
	(c)	1,007.99	876.69
(B) Preference shares			
i) In associate companies		458.10	341.52
ii) In others		1,850.00	166.58
	(d)	2,308.10	508.10
(C) Government or trust securities	(e)	887.97	362.44
(D) Debentures and bonds	(f)	-	245.51
(E) Warrants	(g)	53.74	-
(F) Units of venture capital funds	(h)	54.22	259.76
(G) Units of mutual funds	(i)	0.12	0.11
(H) Investment in partnership firm			
Capital Account	(j)	0.02	0.02
(I) Long term investments in equity shares of associates			
i) Equity shares		153.47	67.88
ii) Further investment / disinvestments in associates		156.95	107.67
iii) Share in profit/(loss) of associates		95.44	(102.91)
iv) Share of profit as subsidiary		-	80.83
	(k)	405.86	153.47
	Total (a to k)	7,388.45	2,406.10
Less: Provision for diminution in value of investments		(72.33)	(52.33)
		7,316.12	2,353.77

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.13 Deferred tax assets</b>		
Difference between book and tax depreciation	219.24	59.01
Provision for doubtful debts/advances	35.04	110.48
Disallowances under section 43B of the Income Tax Act, 1961	4.65	169.53
Provision for mark to market loss on outstanding future and option contracts	-	188.51
Others	0.90	-
	<b>259.83</b>	<b>527.53</b>
<b>2.14 Long-term loans and advances</b>		
<b>Secured</b>		
Receivable from financing business		
Considered good	13,358.58	6,906.59
Considered non performing	124.09	0.22
	<b>13,482.67</b>	<b>6,906.81</b>
<b>Unsecured</b>		
(Considered good, unless stated otherwise)		
Capital advances	4.04	1.74
Security deposits		
Rental deposits	79.83	63.37
Deposits placed with exchange/depositories	99.36	83.45
Other deposits	52.98	15.79
Receivable from financing business		
Considered good	1,910.00	62.93
Considered non performing	66.85	59.31
	<b>1,976.85</b>	<b>122.24</b>
Other loans and advances		
Prepaid expenses	1.73	0.42
Unamortised loan origination costs	41.04	9.32
Advance income tax (net of provision for tax)	1,809.57	951.55
MAT credit entitlement	44.85	47.09
Loans given to employees welfare trusts	1,675.84	1,689.37
Input tax credit	0.56	0.51
	<b>19,269.32</b>	<b>9,891.66</b>
<b>2.15 Other non-current assets</b>		
Long term deposits with banks	1,323.45	12,513.40
Accrued interest on fixed deposits	25.46	226.48
	<b>1,348.91</b>	<b>12,739.88</b>
<b>2.16 Current investments</b>		
I. Others (quoted)		
Debentures and bonds	4,603.02	-
Equity shares	15.76	-
II. Others (unquoted)		
(A) Equity instruments of other companies	292.77	292.77
(B) Government or trust securities	9.76	999.20
(C) Debentures and bonds	398.27	-
(D) Units of venture capital funds #	210.00	-
(E) Units of mutual funds	1,160.22	279.37
(F) Investment in partnership firm		
Current Account	4.83	(37.90)
	<b>6,694.63</b>	<b>1,533.44</b>

# Current maturity of long term investment.



Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012			As at 31 March 2011		
	Face value	Quantity	Amount	Face value	Quantity	Amount
<b>2.17 Stock-in-trade</b>						
<b>A. Equity Shares (Quoted)</b>						
ACC Limited @	-	-	-	10	2	-
Ahlcon Parenterals (India) Limited	10	20,001	8.39	-	-	-
Agre Developer Limited	-	-	-	10	4,615	0.17
Agro Tech Foods Limited	-	-	-	10	357	0.13
Alok Textiles Limited @	10	1	-	-	-	-
Asian Paints Limited @	10	1	-	-	-	-
Alembic Limited	-	-	-	10	721	0.05
Ballarpur Industries Limited	-	-	-	2	420,542	15.27
Bharat Heavy Electricals Limited @	2	1	-	-	-	-
BGR Energy Systems Limited	-	-	-	10	2,500	1.19
Claris Lifesciences Limited	-	-	-	10	1,478,796	257.90
Dish TV India Limited	-	-	-	1	698,638	46.88
Eicher Motors Limited	-	-	-	10	73	0.10
Essar Oil Limited	-	-	-	10	1,280,000	159.23
Esab India Limited	10	64,715	34.62	-	-	-
Everonn Education Limited	10	20,000	5.22	-	-	-
Gujarat Pipavav Port Limited	-	-	-	2	780	0.05
Hindustan Dorr-Oliver Limited	2	36,030	1.26	-	-	-
ICICI Bank Limited @	10	2	-	-	-	-
India Bulls Securities Limited @	2	25	-	2	25	-
Indiabulls Wholesale Services Limited	2	150,000	0.63	-	-	-
Ipca Laboratories Limited	-	-	-	2	303	0.09
ITC Limited @	1	1	-	-	-	-
Karnataka Bank Limited	-	-	-	10	587,547	63.13
Larsen & Toubro Limited	-	-	-	2	1,163	1.92
Mahindra & Mahindra Limited	-	-	-	5	5,000	3.49
Man Infraconstruction Limited	-	-	-	10	214,005	30.01
Margo Finance Limited @	10	1	-	-	-	-
Multi Commodity Exchange of India Limited	10	2,362	2.44	-	-	-
Motilal Oswal Financial Services Limited	1	20,280	2.07	-	-	-
Mudra Lifestyle Limited	-	-	-	10	733,243	42.53
Oil India Limited	10	10	0.01	-	-	-
Pantaloon Retail (India) Limited	-	-	-	2	45,500	11.77
Patni Computer Systems Limited	2	38,000	18.76	2	275,451	131.40
Pidilite Industries Limited	-	-	-	1	540	0.08
Piramal Healthcare Limited	-	-	-	2	7,262	3.03
Pipavav Defence And Offshore Eng Limited	10	590,700	34.35	-	-	-
Pratibha Industries Limited	-	-	-	2	141	0.01
Prime Focus Limited @	-	-	-	1	1	-
Radico Khaitan Limited	-	-	-	2	5,000	0.65
REI Agro Limited @	-	-	-	1	19	-
Reliance Industries Limited @	-	-	-	10	1	-
Sadbhav Engineering Limited	-	-	-	1	5,320	0.66
Selan Exploration Technology Limited	-	-	-	10	21	0.01
Siemens Limited	-	-	-	2	896,176	789.07
Shriram Transport Finance @	10	1	-	-	-	-
Sterling Holiday Resorts (India) Limited	10	290,000	20.24	10	708,692	49.47
State Bank of India @	10	2	-	-	-	-
Usher Agro Limited	-	-	-	10	469,696	43.88
Yes Bank Limited @	10	1	-	-	-	-
Zee Learn Limited	-	-	-	1	904,036	21.02
<b>(A)</b>			<b>127.99</b>			<b>1,673.19</b>

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012			As at 31 March 2011		
	Face value	Quantity	Amount	Face value	Quantity	Amount
<b>2.17 Stock-in-trade (<i>Continued</i>)</b>						
<b>B. Equity Shares (Unquoted)</b>						
Citigroup Global Services Limited @	-	-	-	10	1	-
FCI OEN Connectors Limited @	10	1	-	-	-	-
Indiabulls Infrastructure and Power Limited @	2	1,252,747	-	-	-	-
Teledata Marine Solutions Limited	-	-	-	2	26,500	0.88
(B)			-			0.88
<b>C. Preference Shares (Quoted)</b>						
Network 18 Media & Investments Limited	-	-	-	150	76,417	7.60
Indiabulls Financial Services Limited	5	60,000	3.14	-	-	-
(C)			3.14			7.60
<b>D. Preference Shares (Unquoted)</b>						
Ispat Industries Limited	10	6,000	0.13	10	482,973	4.00
(D)			0.13			4.00
<b>E. Debentures/Bonds (Quoted)</b>						
6.70% BSES Limited 2018 NCD	-	-	-	100,000	20	1.54
12.50% Deccan Chronicle 2012 Bonds	-	-	-	10,000,000	10	102.00
9.15% Electrosteel Castings Limited 2013 Bonds	1,000,000	150	147.00	1,000,000	250	250.08
8.95% Infotel Broadband Services Pvt. Ltd. 2020 NCD	1,000,000	2,679	2,554.89	1,000,000	3,550	3,669.95
10.24% L&T Finance Limited 2019 NCD	1,000	19,480	19.59	1,000	1,386	1.43
6.15% NPC 2018 NCD	-	-	-	10,000	550	4.61
14.25% Parsvnath Developers Ltd. 30/08/2013 NCD	2,500,000	778	1,945.00	2,500,000	778	1,945.00
8.75% PFC 15/06/2025 Bonds	-	-	-	1,000,000	2	1.94
8.84% PGC 2019 Bonds	-	-	-	1,250,000	16	20.00
8.75% Reliance Capital 2011 Bonds	-	-	-	1,000,000	2	1.98
RECL 03/02/2021 Bonds	-	-	-	30,000	26	0.34
9.95% SBI 2026 Bonds	10,000	567	5.87	10,000	18,512	193.08
10.75% STFCL 2012 NCD	1,000	180,000	179.82	1,000	180,318	181.62
11.03% STFCL 2014 NCD (Cumulative)	1,000	100,010	99.99	1,000	200,010	209.33
11.00% STFCL 2014 NCD	-	-	-	1,000	56,429	58.97
10.75% Tata Bluescope Steel Ltd 27/09/2019 NCD	1,000,000	1,965	2,157.23	1,000,000	1,520	1,580.80
12.00% Tata Capital Limited 2014 NCD	-	-	-	1,000	34,869	36.55
10.90% Tata Motors Finance Limited 2020 NCD	-	-	-	500,000	15	7.76
10.75% Tata Motors Finance Limited 2020 NCD	500,000	336	162.37	-	-	-
10.15% Apollo Hospitals Enterprise Limited 19/03/2017	1,000,000	30	29.53	-	-	-
10.75% STFCL 03/05/2020 Bonds	100,000	10	0.97	-	-	-
11.85% Shriram City Union Finance Ltd. 2014	1,000	100	0.10	-	-	-
12.10% Shriram City Union Finance Ltd. 2016	1,000	5,125	5.10	-	-	-
7.20% RECL 17/03/2014 Bonds	1,000,000	1	0.94	-	-	-
7.22% RECL 31/12/2014 Bonds	1,000,000	2	1.88	-	-	-
8.10% IRFC Tax Free 23/02/2027 Bonds	1,000	288,911	285.70	-	-	-
10.20% SBI 07/06/2022 Bonds	1,000,000	2	2.07	-	-	-
8.20% HUDCO 05/03/2027 Bonds	1,000	13,500	12.91	-	-	-
8.30% PFC 01/02/2027 Bonds	1,000	5,000	5.01	-	-	-
8.50% PFC 15/12/2014 Bonds	1,000,000	20	19.32	-	-	-
9.40% PFC 25/03/2013 Bonds	1,000,000	1	0.99	-	-	-
9.45% SBI UT2 2026	10,000	31	0.31	-	-	-
9.50% SBI 2025	10,000	1,456	14.60	-	-	-
364 Days Treasury Bills 05/10/12	100	500,000	48.01	-	-	-
7.59% GOVT.STOCK 12/04/2016	100	20,000,000	1,947.81	-	-	-
7.80% GOVT. STOCK 11/04/2021	100	5,000,000	474.75	-	-	-
7.83% GOVT.STOCK 11/04/2018	100	50,000,000	4,834.00	-	-	-
7.99% GOVT.STOCK 09/07/2017	100	7,500,000	729.38	-	-	-
8.07% GOVT.STOCK 15/01/2017	100	35,000,000	3,426.50	-	-	-
Carried forward			19,111.64			8,266.98

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012			As at 31 March 2011		
	Face value	Quantity	Amount	Face value	Quantity	Amount
<b>2.17 Stock-in-trade (<i>Continued</i>)</b>						
<b>E. Debentures/Bonds (Quoted) (<i>Continued</i>)</b>						
Brought forward			19,111.64			8,266.98
8.08% GOVT.STOCK 2022	100	1,000,000	96.35	-	-	-
8.13% GOVT.STOCK 21/09/2022	100	20,000,000	1,936.00	-	-	-
8.28% GOVT.STOCK 2027	100	30,000	2.90	-	-	-
8.76% GOVT.STOCK FRB 21/12/2020	100	500,000	47.07	-	-	-
8.79% GOVT.STOCK 08/11/2021	100	20,500,000	2,085.26	-	-	-
9.15% GOVT.STOCK 14/11/2024	100	2,500,000	259.75	-	-	-
(E)			23,538.97			8,266.98
<b>F. Debentures/Bonds (Unquoted)</b>						
14.00% Era Housing & Developers (I) Ltd. 30/12/2013 NCD	10,000,000	25	250.00	10,000,000	25	250.00
10.15% ICICI Bank 2012 NCD	-	-	-	100,000	6	0.60
15.00% Medical Technologies Ltd 2012 Bonds	-	-	-	1,000,000	140	140.00
20.00 % Medical Technologies Limited 14/07/2013	1,000,000	500	500.00	-	-	-
20.00% Mighty Construction Pvt. Ltd. 16/03/2013 NCD	-	-	-	2,500,000	188	470.00
18.00% Jaycee Homes Ltd. NCD	1,000,000	600	600.00	-	-	-
19.00% Rational Buildcon Pvt. Ltd. 31/01/2016 NCD	500,000	800	400.00	-	-	-
(F)			1,750.00			860.60
<b>G. Mutual Fund (Unquoted)</b>						
Edelweiss Diversified Growth Equity Fund - Plan B -Div - Reinvestment	-	-	-	10	4,364,055	61.97
Edelweiss Diversified Growth Equity Top 100 Fund - Plan B - Dividend - Reinvestment	10	1,767,347	25.18	-	-	-
Edelweiss GILT Fund - Growth Plan	10	100,000	1.00	10	150,000	1.50
Edelweiss Income Advantage Fund - Dividend - Reinvestment	-	-	-	10	6,500,319	67.33
Edelweiss Income Advantage Fund - Growth	-	-	-	10	4,300,555	44.55
Edelweiss Absolute Return Equity Fund Growth Plan	-	-	-	10	9,950,062	111.44
Edelweiss Absolute Return Equity Fund - Dividend Scheme	10	2,152,363	23.35	-	-	-
Edelweiss Absolute Return Fund - Growth - Dividend - Reinvestment	10	854,020	9.27	-	-	-
Edelweiss - Monthly Interval Fund - Series 1 - Institutional Growth	-	-	-	10	115,927	1.28
Edelweiss - Liquid Plus CF	-	-	-	10	3,966,444	45.72
Edelweiss Ultra Short term Bond fund - Institutional Growth Plan	10	40,777	0.45	10	4,410,755	51.00
Edelweiss Gilt Fund	10	50,000	0.50	-	-	-
Edelweiss E.D.G.E. Fund Dividend Plan	10	250,331	3.57	-	-	-
Edelweiss Short Term Bond Fund - Institutional - Dividend Plan (Daily) - Reinvestment	10	2,152,363	23.35	-	-	-
Franklin India Prima Fund - Growth	10	414,226	101.40	-	-	-
HDFC Mid-Cap Opportunities Fund - Growth	10	6,921,724	101.40	-	-	-
Reliance Growth Fund - Growth Plan - Growth	10	250,540	101.40	-	-	-
Religare Ultra Short Term Fund - Regular Growth	-	-	-	1,000	6,000	7.50
(G)			390.87			392.29

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012			As at 31 March 2011		
	Face value	Quantity	Amount	Face value	Quantity	Amount
<b>2.17 Stock-in-trade (<i>Continued</i>)</b>						
<b>H. Warrants (Quoted)</b>						
HDFC Limited		480,450	39.04	-	-	-
(H)			39.04			-
<b>I. Commodities</b>						
Agri Commodities			6,414.05			1,341.62
Bullion			1,438.12			1,473.39
Metals			0.47			23.61
(I)			7,852.64			2,838.62
<b>J. Land</b>						
(J)			127.56			127.56
(Total A to J)			33,830.34			14,171.72

@ Amount is less than ₹ 0.01 million

	As at 31 March 2012	As at 31 March 2011
<b>2.18 Trade receivables</b>		
Outstanding for a period exceeding six months		
- Secured, considered good	40.68	14.94
- Unsecured, considered good	392.33	0.33
- Secured, considered doubtful	0.51	-
- Unsecured, considered doubtful	171.69	117.24
	605.21	132.51
Less : Provision for doubtful debts	(172.20)	(117.24)
	433.01	15.27
Other debts		
- Secured, considered good	442.88	521.30
- Unsecured, considered good	1,012.75	36,396.50
- Secured, considered doubtful	4.72	11.33
- Unsecured, considered doubtful	42.47	48.48
	1,502.82	36,977.61
Less : Provision for doubtful debts	(47.19)	(59.81)
	1,455.63	36,917.80
	1,888.64	36,933.07
<b>2.19 Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Cash in hand	0.57	1.93
Cheques in hand	8.95	-
Balances with banks		
- in Current accounts	1,728.68	3,337.84
- in fixed deposits with original maturity less than 3 months	1,254.77	1,416.30
	2,992.97	4,756.07
<b>Other bank balances</b>		
Fixed deposits, held as margin money or security against borrowings, guarantees	18,367.26	10,258.43
Short term fixed deposits with banks with maturity less than 12 months	11,387.33	9,095.14
	32,747.56	24,109.64

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.20 Short-term loans and advances</b>		
<b>Secured</b>		
(Considered good, unless stated otherwise)		
Receivable from financing business		
- considered good	23,896.83	18,197.17
- considered non performing	35.24	56.76
	<b>23,932.07</b>	<b>18,253.93</b>
<b>Unsecured</b>		
(Considered good, unless stated otherwise)		
Loans and advances	374.21	74.31
Receivable from financing business	172.24	1,250.92
Other loans and advances		
Loans given	-	12,713.63
Deposits placed with exchange/depositories	204.62	537.80
Rental deposits	3.57	90.18
Advances to others	12.54	924.80
Deposits- others	83.82	106.81
Prepaid expenses	222.78	227.46
Unamortised loan origination cost	18.31	12.99
Share application money pending allotment	0.28	325.76
Loans and advances to employees	21.84	22.37
Vendor advances	323.92	3,925.36
Intercompany deposits placed	1,702.90	751.50
Input tax credit	271.16	346.48
Advance income tax (net of provision for tax)	552.51	440.67
MAT credit entitlement	21.94	42.83
Advances recoverable in cash or in kind or for value to be received	51.19	33.27
	<b>27,969.90</b>	<b>40,081.07</b>
<b>2.21 Other current assets</b>		
Accrued interest on fixed deposits	2,003.06	1,354.83
Accrued interest on Inter-corporate deposits	47.12	13.25
Accrued interest on debt instruments	938.59	184.43
Accrued interest on loans given	55.96	60.47
Dividend receivable	0.47	0.25
Receivable from exchange / clearing house (net)	368.13	183.84
Mark to market on derivatives	1,164.63	287.71
Unamortised discount on cancellation of forward contracts	43.87	-
Premium paid on currency options	0.09	3.91
Premium paid on exchange traded options	905.64	99.56
Contribution to gratuity fund (net) (Refer note 2.33)	24.61	8.32
Margin placed with broker	1,954.47	546.01
	<b>7,506.64</b>	<b>2,742.58</b>

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>2.22 Fee and commission income</b>		
Income from securities broking	1,400.67	1,861.14
Income from commodities broking	141.88	50.36
Investment banking fees	411.43	1,117.15
Advisory and other fees	1,259.10	1,111.83
	<b>3,213.08</b>	<b>4,140.48</b>
<b>2.23 Income from treasury</b>		
(Loss) / profit on trading of securities (net)	(783.16)	630.88
Profit on trading in derivative instruments (net)	2,666.72	1,282.75
Gain on foreign exchange movement on trade	313.90	25.16
Profit on sale of commodities (net)	68.16	514.99
Profit on sale of real estate	33.75	18.21
Profit on sale of current investments	43.26	85.70
Profit / (loss) on sale of non current investments	14.45	(7.30)
Dividend on stock in trade	20.74	8.36
Dividend on current investments	2.76	8.42
Dividend on non current investment	-	0.03
Share of profit / (loss) in partnership firm	57.99	(51.44)
Share of profit / (loss) in associate companies	95.44	(102.91)
	<b>2,534.01</b>	<b>2,412.85</b>
<b>2.24 Interest Income</b>		
On loan	4,338.26	4,162.63
On inter-corporate deposits	101.96	14.91
On fixed deposits	3,032.43	1,152.78
On debt instruments	2,126.83	1,116.56
On margin with brokers / suppliers	839.54	1,080.65
On margin placed for collateralised borrowing and lending obligations	2.19	3.85
On others	219.74	21.31
	<b>10,660.95</b>	<b>7,552.69</b>
<b>2.25 Other operating revenue</b>		
Interest income on overdue accounts	-	2.45
Profit on securitisation of receivables	0.24	2.67
Delayed payment charges	72.52	130.57
Income from training centre	20.66	9.44
Warehouse charges	16.34	2.10
	<b>109.76</b>	<b>147.23</b>
<b>2.26 Other income</b>		
Profit on sale of current investment	9.16	1.09
Dividend on current investment	12.08	-
Miscellaneous income	40.68	35.78
Interest income - others	19.95	-
	<b>81.87</b>	<b>36.87</b>

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>2.27 Employee benefit expenses</b>		
Salaries and wages	2,646.97	2,269.65
Contribution to provident and other funds	44.71	55.14
Expense on employee stock option scheme	(4.64)	3.22
Staff welfare expenses	25.03	26.23
	<b>2,712.07</b>	<b>2,354.24</b>
<b>2.28 Finance costs</b>		
Interest on debentures	47.36	1,193.45
Interest on inter-corporate deposits	139.53	96.96
Interest on term loan	22.29	9.16
Interest on bank overdraft	640.46	81.03
Interest on deposits	8.75	1.27
Interest on margin	33.49	17.58
Interest - others	380.25	337.32
Discount on commercial papers	6,119.34	3,298.57
Financial and bank charges	210.70	243.15
Discount on benchmarked linked debentures	1.56	-
Interest on collateralised borrowing and lending obligations	692.77	50.01
	<b>8,296.50</b>	<b>5,328.50</b>
<b>2.29 Other expenses</b>		
Advertisement and business promotion	136.85	216.76
Auditors' remuneration	17.78	15.75
Bad debts and advances written off	48.89	27.53
Commission and brokerage	88.66	152.38
Communication	166.55	120.23
Computer software and other expenses	124.29	74.32
Change in policy liability - actuarial	57.59	-
Dematerialisation charges	10.78	9.00
Diminution in value of non-current investments	20.26	(0.53)
Directors' sitting fees	3.99	3.19
Donation	38.90	42.94
Electricity charges	87.31	70.39
Foreign exchange (gain)/loss (net)	(0.30)	92.50
Insurance	68.11	34.96
Legal and professional fees	493.01	431.05
Loss on sale/ write-off of fixed assets (net)	7.90	1.86
Membership and subscription	50.71	57.46
Mutual fund expenses	19.17	11.80
Office expenses	183.02	154.09
Postage and courier	32.60	40.76
Printing and stationery	47.88	54.89
Provision for standard assets	37.30	(27.05)
Provision for non performing assets	62.03	73.51
Provision for doubtful debts	86.94	53.36
Rates and taxes	67.21	96.09
Rent	270.19	308.63
Repairs and maintenance - others	31.83	30.71
Security transaction tax	340.97	345.48
Seminar and conference	49.93	66.38
Service tax expenses	112.83	14.67
Stamp duty	35.61	43.53
Stock exchange expenses	11.85	17.92
Travelling and conveyance	207.82	169.00
Warehousing charges	202.85	58.49
Miscellaneous expenses	68.08	41.17
	<b>3,289.39</b>	<b>2,903.22</b>

## Notes to the consolidated financial statements *(Continued)*

(Currency : Indian rupees in millions)

### 2.30 Segment reporting

The Group's business is organised and management reviews the performance based on the business segments as mentioned below:

Segment	Activities covered
Agency business	Broking, advisory, product distribution and other fee based services
Capital based business	Income from treasury, investment income and wholesale financing

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identified with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as at 31 March 2012 and segmental statement of profit and loss for the year ended 31 March 2012 have been prepared.



## Notes to the consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

## 2.30 Segment reporting (Continued)

Particulars	Agency business		Capital based business		Un-allocated		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>Segment revenue</b>								
Income from customers	3,751.30	4,466.20	12,311.80	9,752.70	643.77	71.22	16,706.87	14,290.12
<b>Total</b>	3,751.30	4,466.20	12,311.80	9,752.70	643.77	71.22	16,706.87	14,290.12
<b>Segment result</b>								
Income tax	336.20	1,476.91	2,440.50	3,716.86	(789.73)	(1,693.65)	1,986.97	3,500.12
Minimum alternate tax credit / (entitlement)					390.03	1,007.51	390.03	1,007.51
Deferred tax charge / (benefit)					23.13	(83.22)	23.13	(83.22)
<b>Profit after tax</b>					267.70	106.68	267.70	106.68
							1,306.11	2,469.15
<b>Other information</b>								
Carrying amount of segment assets	13,530.97	14,009.85	120,805.66	127,186.37	11,113.64	10,063.31	145,450.27	151,259.53
Carrying amount of segment liabilities	7,915.76	6,178.04	103,852.96	110,786.33	7,321.59	9,895.52	119,090.31	126,859.89
Capital expenditure	553.78	107.86	644.00	318.56	3,670.96	12.61	4,868.74	439.03
Depreciation	122.15	130.83	125.74	40.73	174.05	32.48	421.94	204.04
Other non cash expenditure	104.16	83.88	106.23	77.83	82.30	-	292.69	161.71

## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.31 Related parties

**(A) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise**

Rashesh Shah

Venkat Ramaswamy

**(B) Relatives of individuals exercising significant influence**

Vidya Shah

Aparna T. C.

Neel Shah

Kaavya Venkat

Shilpa Mody

Sharmishta Chandrakant Shah

A V Ramaswamy

**(C) Enterprises where significant influence is exercised, with whom transactions have taken place**

Edelweiss Employee Welfare Trust

Blue River Capital Advisors (India) Private Limited

Edelweiss Asset Reconstruction Company Limited

Edelweiss Fund Advisors Private Limited

Dahlia Financial Services Private Limited

Magnolia Financial Services Private Limited

Arum Investments Private Limited

Edelweiss Precious Metals Private Limited

**(D) Subsidiary Companies**

Edelgive Foundation [Refer note 1.2 (d)]

**(E) Enterprises which exercise significant influence over subsidiary, with whom transactions have taken place**

Tokio Marine & Nichido Fire Insurance Co., Limited (*Subsidiary of Tokio Marine Holdings Inc.* )

**(F) Enterprises which exercise significant influence over group, with whom transactions have taken place**

Oak Holdings Private Limited

Spire Investment Advisors LLC

**(G) Key Management Personnel**

Himanshu Kaji (with effect from 1 November 2011)

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.31 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
Capital account transactions							
<i>Investment in Equity shares</i>							
Edelweiss Asset Reconstruction Company Limited			124.77				
			(98.00)				
Edelweiss Precious Metals Private Limited			0.05				
			(-)				
<i>Equity share capital issued by subsidiary (including securities premium)</i>							
Tokio Marine & Nichido Fire Insurance Co., Limited					2,198.27		
					(201.15)		
<i>Disinvestment in Equity shares</i>							
Blue River Capital Advisors (India) Private Limited			-				
			(0.10)				
Edelweiss Capital USA , LLC				-			
				(0.53)			
<i>Redemption of fully convertible debentures</i>							
Dahlia Financial Services Private Limited			-				
			(1,800.00)				
<i>Loans given to</i>							
Edelweiss Asset Reconstruction Company Limited			645.57				
			(219.90)				
Magnolia Financial Services Private Limited			2,604.75				
			(18.61)				
Dahlia Financial Services Private Limited			-				
			(1,822.90)				
Edelweiss Precious Metals Private Limited			156.77				
			(-)				
Others			1.70				
			(1,502.65)				
<i>Loans repaid by</i>							
Edelweiss Employee Welfare Trust			24.20				
			(39.40)				

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

23.2 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
Edelweiss Fund Advisors Private Limited			1.70				
			(1,502.65)				
Edelweiss Asset Reconstruction Company Limited			495.34				
			(219.90)				
Dahlia Financial Services Private Limited			8.50				
			(1,814.40)				
Magnolia Financial Services Private Limited			2,614.60				
			(-)				
<i>Reimbursement paid</i>							
Arum Investments Private Limited			0.48				
			(-)				
<i>Reimbursement recovered</i>							
Edelweiss Fund Advisors Private Limited			3.48				
			(13.58)				
Oak Holdings Private Limited						0.02	
						(55.81)	
Edelweiss Asset Reconstruction Company Limited			5.05				
			(2.24)				
Arum Investments Private Limited			3.44				
			(-)				
Others			0.10	0.06			
			(0.69)	(0.76)			
<i>Dividend paid</i>							
Rashesh Shah	89.36						
	(145.95)						
Venkat Ramaswamy	34.47						
	(55.68)						
Oak Holdings Private Limited						-	
						(40.69)	
Spire Investment Advisors LLC						25.19	
						(-)	
Edelweiss Employee Welfare Trust			24.44				
			(39.48)				
Others		36.03					
		(57.37)					

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.31 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
<i>Advisory Fee received</i>							
Blue River Capital Advisors (India) Private Limited			-				
			(0.26)				
Edelweiss Asset Reconstruction Company Limited			4.49				
			(-)				
<i>Rental Income</i>							
Arum Investments Private Limited			2.69				
			(-)				
<i>Interest income</i>							
Edelweiss Fund Advisors Private Limited			.*				
			(0.01)				
Edelweiss Asset Reconstruction Company Limited			3.06				
			(1.20)				
Dahlia Financial Services Private Limited			0.26				
			(6.26)				
Edelweiss Precious Metals Private Limited			0.41				
			(-)				
Magnolia Financial Services Private Limited			5.79				
			(-)				
<i>Amount paid / debits with broker</i>							
Edelweiss Employee Welfare Trust			-				
			(159.60)				
Rashesh Shah	60.28						
	(94.48)						
Vidya Shah		80.74					
		(164.16)					
Oak Holdings Private Limited						-	
						(54.25)	
Others	6.69	19.09					
	(1.47)	(9.07)					
<i>Amount received / credits with broker</i>							
Edelweiss Employee Welfare Trust			-				
			(164.60)				
Rashesh Shah	60.28						
	(94.39)						



Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.31 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
<i>Interest Expense on non-convertible debentures</i>							
Oak Holdings Private Limited						-	
						(6.28)	
Aparna T. C.		-					
		(1.00)					
Kaavya Venkat		-					
		(0.80)					
Venkat Ramaswamy	-						
	(0.80)						
<i>Interest Expense on fully convertible debentures</i>							
Dahlia Financial Services Private Limited			-				
			(31.51)				
<i>Donations given</i>							
Edelgive Foundation				4.30			
				(23.85)			
<i>Cost reimbursements recovered</i>							
Arum Investments Private Limited			37.78				
			(0.05)				
Edelweiss Asset Reconstruction Company Limited			7.68				
			(6.94)				
Edelweiss Fund Advisors Private Limited			2.60				
			(12.40)				
Others			1.00				
			(0.55)				
<i>Fixed Assets</i>							
<i>Software License</i>							
Tokio Marine & Nichido Fire Insurance Co., Limited			0.25				
			(-)				
Balances with related parties							
<i>Investments</i>							
Edelweiss Asset Reconstruction Company Limited			247.27				
			(122.50)				
Arum Investments Private Limited			488.73				
			(488.73)				
Others			2.55	0.10			
			(2.50)	(0.10)			

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.31 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
<i>Advances</i>							
Edelweiss Asset Reconstruction Company Limited			156.78				
			(2.28)				
Edelweiss Employee Welfare Trust			1,380.45				
			(1,404.65)				
Arum Investments Private Limited			46.81				
			(10.87)				
Edelweiss Precious Metals Private Limited			159.25				
			(-)				
Others			12.14				
			(39.97)				
<i>Trade Receivables</i>							
Dahlia Financial Services Private Limited			0.51				
			(-)				
Magnolia Financial Services Private Limited			0.77				
			(-)				
Edelweiss Asset Reconstruction Company Limited			2.82				
			(-)				
Arum Investments Private Limited			4.43				
			(-)				
<i>Non-convertible debentures outstanding</i>							
Aparna T. C.		-					
		(5.00)					
Kaavya Venkat		-					
		(4.00)					
Venkat Ramaswamy	-						
	(4.00)						
<i>Interest payable on non-convertible debentures</i>							
Aparna T. C.		-					
		(2.27)					
Kaavya Venkat		-					
		(1.82)					
Venkat Ramaswamy	-						
	(1.82)						



Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.31 Related parties (*Continued*)

## (H) Transactions and balances with related parties :

Particulars	Individual exercising significant control	Relatives of individuals exercising significant influence	Enterprises in which / where significant influence is exercised	Subsidiary Companies	Enterprises which exercise significant influence over subsidiary	Enterprises which exercise significant influence over group	Key Management Personnel
<i>Bonus payable</i>							
Rashesh Shah	7.50						
	(-)						
Venkat Ramaswamy	4.50						
	(5.00)						
Himanshu Kaji							5.50
							(-)
<i>Trade Payables</i>							
Edelweiss Asset Reconstruction Company Limited					-		
			(0.02)				

Amounts in brackets represent previous year numbers

\* Amount is less than ₹ 0.01 million

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.32 Earnings per share**

In accordance with Accounting Standard 20 - Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2012	2011
a) <b>Shareholders earnings</b> (as per statement of profit and loss)	<b>1,277.43</b>	2,330.16
b) <b>Calculation of weighted average number of equity shares of ₹1 each:</b>		
- Number of shares outstanding at the beginning of the year	<b>752,026,280</b>	75,071,893
- Number of shares issued during the year	<b>4,773,000</b>	676,954,387*
Total number of equity shares outstanding at the end of the year	<b>756,799,280</b>	752,026,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	<b>755,440,936</b>	751,274,833
c) Number of dilutive potential equity shares	<b>12,605,670</b>	25,169,538
d) Basic earnings per share (in ₹) {a / b }	<b>1.69</b>	3.10
e) Diluted earnings per share (in ₹) {a / (b+c) }	<b>1.66</b>	3.00

\* includes issuance of bonus equity shares and considering split of equity shares.

**2.33 Disclosure pursuant to Accounting Standard 15 (Revised ) - Employee Benefits****A) Defined contribution plan (Provident fund):**

Amount of ₹ 51.04 million (Previous year: ₹ 32.32 million) is recognised as expenses and included in "Employee benefit expenses" – note 2.27 in the statement of profit and loss.

**B) Defined benefit plan (Gratuity):**

The following tables summarize the components of the net benefit expenses recognised in the statement of profit and loss and the funded and unfunded status and amount recognised in the balance sheet for the gratuity benefit plan.

**Statement of Profit and loss**

Net employee benefit expenses

	2012	2011
Current service cost	<b>23.75</b>	36.69
Interest on defined benefit obligation	<b>5.96</b>	4.16
Expected return on plan assets	<b>(6.51)</b>	(0.84)
Net actuarial losses/(gains) recognised in the year	<b>0.27</b>	(1.74)
Past service cost	-	-
Actuarial gain	<b>(24.49)</b>	(17.77)
<b>Total included in 'employee benefit expenses'</b>	<b>(1.02)</b>	20.50

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.33 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (*Continued*)****Balance sheet**

Details of provision for gratuity

	2012	2011
Liability at the end of the year	72.79	75.43
Fair value of plan assets at the end of the year	86.19	78.64
Difference	13.40	3.21
<b>Amount in balance sheet</b>	<b>13.40</b>	<b>3.21</b>
Included in:		
- Other current assets	24.61	8.32
- Provision for gratuity	(11.69)	(5.11)

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011
Liability at the beginning of the year	75.43	46.04
Liability on acquisition of subsidiary	-	10.36
Interest cost	5.96	4.16
Current service cost	23.75	36.69
Past service cost (non vested benefit)	-	-
Past service cost (vested benefit)	-	-
Benefits paid	(4.36)	(2.51)
Actuarial gain:		
Experience adjustment	(12.75)	(19.00)
Assumption change	(15.25)	(0.31)
<b>Liability at the end of the year</b>	<b>72.78</b>	<b>75.43</b>

Changes in the fair value of plan assets are as follows:

	2012	2011
Fair value of plan assets at the beginning of the year	78.64	-
Fair value of plan assets on acquisition of subsidiary	-	12.49
Expected return on plan asset	6.21	0.84
Contributions	9.19	67.60
Benefits paid	(4.36)	(2.51)
Actuarial gain / (loss):		
Experience adjustment	(0.62)	0.22
Assumption change	(2.88)	-
<b>Fair value of plan assets at the end of the year</b>	<b>86.18</b>	<b>78.64</b>

Principal actuarial assumptions at the balance sheet date:

	2012	2011
Discount rate	8%	8%
Salary escalation	6%	10%
Employee attrition rate	13% - 35%	2% - 15%

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

## 2.34 Operating leases

The Group has taken various premises on operating lease. Gross rental expenses for the year ended 31 March 2012 aggregated to ₹ 270.19 million (Previous year ₹ 308.63 million) which has been included under the head Other expenses – Rent in the statement of profit and loss.

Details of future minimum lease payments for non-cancellable operating leases are as follows:

	2012	2011
<b>Minimum lease payments for non-cancellable lease</b>		
- not later than one year	63.67	18.22
- later than one year and not later than five years	13.02	15.51
- later than five years	-	-
<b>Total</b>	<b>76.69</b>	<b>33.73</b>

## 2.35 A) Open interest in Equity Index/Stock Futures as at 31 March 2012:

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
1	Aban Offshore Limited	26-Apr-12	6	6,000
2	ABB Limited	26-Apr-12	20	5,000
3	ACC Limited	26-Apr-12	556	139,000
4	Ambuja Cements Limited	26-Apr-12	429	858,000
5	Aurobindo Pharma Limited	26-Apr-12	25	50,000
6	Axis Bank Limited	26-Apr-12	1,189	297,250
7	Bajaj Auto Limited	26-Apr-12	608	152,000
8	Bank Nifty	26-Apr-12	7,391	184,775
9	Bank Nifty	31-May-12	32	800
10	Bharti Airtel Limited	26-Apr-12	1,365	1,365,000
11	Bharat Heavy Electricals Limited	26-Apr-12	895	895,000
12	Bharat Petroleum Corporation Limited	26-Apr-12	304	152,000
13	BSX	26-Apr-12	3,070	46,050
14	Cairn India Limited	26-Apr-12	456	456,000
15	Cipla Limited	26-Apr-12	577	577,000
16	Coal India Limited	26-Apr-12	718	718,000
17	DLF Limited	26-Apr-12	418	418,000
18	Dr. Reddy's Laboratories Limited	26-Apr-12	572	143,000
19	GAIL (India) Limited	26-Apr-12	1,020	510,000
20	GMR Infrastructure Limited	26-Apr-12	2	16,000
21	Grasim Industries Limited	26-Apr-12	575	71,875
22	HCL Technologies Limited	26-Apr-12	290	290,000
23	Housing Development Finance Corporation Limited	26-Apr-12	3,358	1,679,000
24	HDFC Bank Limited	26-Apr-12	4,133	2,066,500
25	Housing Development and Infrastructure Limited	26-Apr-12	22	44,000
26	Hero Moto Corp Limited	26-Apr-12	1,111	138,875
27	Hindalco Industries Limited	26-Apr-12	753	1,506,000
28	Hindustan Unilever Limited	26-Apr-12	1,164	1,164,000
29	Indiabulls Real Estate Limited	26-Apr-12	10	40,000
30	ICICI Bank Limited	26-Apr-12	5,288	1,322,000
31	Infrastructure Development Finance Company Limited	26-Apr-12	721	1,442,000
32	Infosys Limited	26-Apr-12	4,393	549,125
33	ITC Limited	26-Apr-12	3,060	6,120,000
34	IVRCL Limited	26-Apr-12	8	64,000
35	Jindal Steel & Power Limited	26-Apr-12	907	453,500
36	Jaiprakash Associates Limited	26-Apr-12	327	1,308,000
37	Jaiprakash Power Ventures Limited	26-Apr-12	22	176,000
38	JSW Steel Limited	26-Apr-12	10	5,000
39	Kotak Mahindra Bank Limited	26-Apr-12	840	420,000

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.35 A) Open interest in Equity Index/Stock Futures as at 31 March 2012 (*Continued*)Long Position (*Continued*)

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
40	Larsen & Toubro Limited	26-Apr-12	2,606	651,500
41	Lupin Limited	26-Apr-12	65	32,500
42	Mahindra & Mahindra Limited	26-Apr-12	1,060	530,000
43	Maruti Suzuki India Limited	26-Apr-12	602	150,500
44	Nifty	26-Apr-12	8,190	409,500
45	NTPC Limited	26-Apr-12	728	1,456,000
46	Oracle Financial Services Software Limited	26-Apr-12	26	3,250
47	Oil & Natural Gas Corporation Limited	26-Apr-12	2,011	2,011,000
48	Punjab National Bank	26-Apr-12	606	151,500
49	Power Grid Corporation of India Limited	26-Apr-12	412	1,648,000
50	Punj Lloyd Limited	26-Apr-12	56	224,000
51	Ranbaxy Laboratories Limited	26-Apr-12	348	174,000
52	Reliance Communications Limited	26-Apr-12	216	864,000
53	Reliance Industries Limited	26-Apr-12	7,677	1,919,250
54	Reliance Infrastructure Limited	26-Apr-12	331	165,500
55	Reliance Power Limited	26-Apr-12	165	660,000
56	S&P500	20-Apr-12	81	20,250
57	Steel Authority of India Limited	26-Apr-12	352	704,000
58	State Bank of India	26-Apr-12	2,366	295,750
59	Sesa Goa Limited	26-Apr-12	443	443,000
60	Siemens Limited	26-Apr-12	388	97,000
61	Sterlite Industries (India) Limited	26-Apr-12	796	1,592,000
62	Sun Pharmaceuticals Industries Limited	26-Apr-12	853	426,500
63	Tata Motors Limited	26-Apr-12	1,002	2,004,000
64	Tata Power Company Limited	26-Apr-12	487	1,948,000
65	Tata Steel Limited	26-Apr-12	1,549	774,500
66	Tata Consultancy Services Limited	26-Apr-12	2,449	612,250
67	Tech Mahindra Limited	26-Apr-12	128	64,000
68	Wipro Limited	26-Apr-12	654	654,000
69	Yes Bank Limited	26-Apr-12	26	26,000

## Short Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
1	ABB Limited	26-Apr-12	13	3,250
2	Adani Enterprises Limited	26-Apr-12	33	16,500
3	Axis Bank Limited	26-Apr-12	528	132,000
4	Axis Bank Limited	31-May-12	2	500
5	Bank of Baroda	26-Apr-12	175	87,500
6	Bank of Baroda	31-May-12	1	500
7	Bank of India	26-Apr-12	94	94,000
8	Bank Nifty	26-Apr-12	192	4,800
9	Bharat Heavy Electricals Limited	26-Apr-12	11	11,000
10	Cairn India Limited	26-Apr-12	11	11,000
11	Canara Bank	26-Apr-12	146	73,000
12	Canara Bank	31-May-12	1	500
13	Divi's Laboratories Limited	26-Apr-12	6	3,000
14	Dr. Reddy's Laboratories Limited	26-Apr-12	25	6,250
15	Essar Oil Limited	26-Apr-12	20	80,000
16	Housing Development Finance Corporation Limited	26-Apr-12	921	460,500
17	HDFC Nifty	26-Apr-12	2	1,000
18	HDFC Bank Limited	26-Apr-12	1,850	925,000
19	HDFC Bank Limited	31-May-12	8	4,000
20	Hero Moto Corp Limited	26-Apr-12	4	500

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.35 A) Open interest in Equity Index/Stock Futures as at 31 March 2012 (*Continued*)Short Position (*Continued*)

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
21	Hindustan Unilever Limited	26-Apr-12	12	12,000
22	ICICI Bank Limited	26-Apr-12	2,358	589,500
23	ICICI Bank Limited	31-May-12	10	2,500
24	IDBI Bank Limited	26-Apr-12	88	176,000
25	Idea Cellular Limited	26-Apr-12	12	48,000
26	IndusInd Bank Limited	26-Apr-12	178	178,000
27	IndusInd Bank Limited	31-May-12	1	1,000
28	Infosys Limited	26-Apr-12	16	2,000
29	Infosys Limited	31-May-12	15	1,875
30	ITC Limited	26-Apr-12	10	20,000
31	Kotak Mahindra Bank Limited	26-Apr-12	382	191,000
32	Kotak Mahindra Bank Limited	31-May-12	2	1,000
33	Maruti Suzuki India Limited	26-Apr-12	22	5,500
34	McDowell Holdings Limited	26-Apr-12	16	4,000
35	Nifty	26-Apr-12	71,429	3,571,450
36	Oil India Limited	26-Apr-12	12	7,500
37	Oil & Natural Gas Corporation Limited	26-Apr-12	16	16,000
38	Patni Computer Systems Limited	26-Apr-12	18	18,000
39	Punjab National Bank	26-Apr-12	274	68,500
40	Punjab National Bank	31-May-12	1	250
41	Ranbaxy Laboratories Limited	26-Apr-12	4	2,000
42	Rural Electrification Corporation Limited	26-Apr-12	2	4,000
43	Reliance Capital Limited	26-Apr-12	26	13,000
44	Reliance Industries Limited	26-Apr-12	15	3,750
45	State Bank of India	26-Apr-12	1,056	132,000
46	State Bank of India	31-May-12	5	625
47	Sesa Goa Limited	26-Apr-12	28	28,000
48	Sterlite Industries (India) Limited	26-Apr-12	26	52,000
49	Sun Pharmaceuticals Industries Limited	26-Apr-12	19	9,500
50	Sun TV Network Limited	26-Apr-12	7	7,000
51	Titan Industries Limited	26-Apr-12	3	3,000
52	Union Bank of India	26-Apr-12	118	118,000
53	Union Bank of India	31-May-12	1	1,000
54	Unitech Limited	26-Apr-12	20	160,000
55	Zee Entertainment Enterprises Limited	26-Apr-12	27	54,000

## B) Open interest in Commodity Futures as at 31 March 2012:

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved (in kgs.)
1	Aluminium	30-Apr-12	60	300,000.00
2	Copper	20-Apr-12	5,249	4,047,000.00
3	Chilli	20-Apr-12	13	65,000.00
4	Gold 995	5-Jun-12	298	298.00
5	Gold 995	5-Apr-12	169	169.00
6	Gold 995	4-Aug-12	8	8.00
7	Gold Guinea	30-Apr-12	2	0.02
8	Guar Seed	20-Apr-12	760	7,600,000.00
9	Gold Mini 995	4-Apr-12	3000	300.00
10	Gold Mini 995	5-May-12	1,238	124.00
11	Mentha Oil	31-May-12	180	360.00
12	Undecorticated Cotton	20-Apr-12	149	1,490,000.00
13	Rape Mustard Seed	20-Apr-12	931	8,030,000.00
14	Silver	5-Jul-12	317	9,510.00
15	Silver	5-May-12	128	3,840.00

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**B) Open interest in Commodity Futures as at 31 March 2012 (*Continued*)**

Short Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved (in kgs.)
1	Aluminium	30-Apr-12	226	1,130,000.00
2	Castor Seed	20-Apr-12	17	170,000.00
3	Castor Seed	18-May-12	3	30,000.00
4	Chana	20-Apr-12	1,383	13,830,000.00
5	Chana	18-May-12	846	8,460,000.00
6	Chana	20-Jun-12	396	3,960,000.00
7	Chana	20-Jul-12	131	1,310,000.00
8	Chilli	20-Jun-12	45	225,000.00
9	Coriander	20-Apr-12	16	160,000.00
10	Coriander	18-May-12	14	140,000.00
11	Coriander	20-Jun-12	3	30,000.00
12	Gold 995	5-Apr-12	314	314.00
13	Gold 995	5-Jun-12	532	532.00
14	Gold 995	4-Aug-12	192	192.00
15	Gold Mini 995	4-Apr-12	3000	300.30
16	Gold Mini 995	5-May-12	4126	413.00
17	Gold Mini 995	5-Jun-12	1,689	169.00
18	Gold Guinea	30-Apr-12	247	2.00
19	Jeera	20-Apr-12	442	1,326,000.00
20	Jeera	18-May-12	182	546,000.00
21	Jeera	20-Jun-12	20	60,000.00
22	Lead	30-Apr-12	940	4,400,000.00
23	Mentha Oil	30-Apr-12	180	360.00
24	Natural Gas	25-Apr-12	9,296	11,620,000.00
25	Nickel	30-Apr-12	5,265	566,196.00
26	Rape Mustard Seed	20-Apr-12	22	220,000.00
27	Rape Mustard Seed	18-May-12	8,906	82,260,000.00
28	Silver	5-May-12	2,265	67,950.00
29	Silver	5-Jul-12	95	2,850.00
30	Silver Mini 999	30-Apr-12	2,562	12,810.00
31	Soyabean	20-Apr-12	194	19,40,000.00
32	Soyabean	18-May-12	281	2,810,000.00
33	Uncorticated Cotton	20-Apr-12	379	3,790,000.00
34	Uncorticated Cotton	18-May-12	1,042	10,420,000.00
35	Wheat	18-May-12	54	5,40,000.00

**C) Open interest in Currency Derivatives as at 31 March 2012:**

Long Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
1	USD	26-Apr-12	81,237	81,237,000
2	USD	27-Jun-12	888	888,000

Short Position

Sr. No.	Name of Future	Series of Future	Number of contracts	Number of units involved
1	EURO	26-Apr-12	2,750	2,750,000
2	GBP	26-Apr-12	500	500,000
3	JPY	26-Apr-12	100	100,000
4	USD	26-Apr-12	53,974	53,974,000
5	USD	27-Jun-12	2,652	2,652,000
6	USD	29-May-12	14,848	14,848,000

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.36 Option contracts outstanding as at 31 March 2012:****A) Index/Stock**

Sr. No.	Name of the Option – Index/Stock	Total premium carried forward at 31 March 2012 (Net of provisions made)
1	Bsx	(27.56)
2	Axis Bank Limited	0.36
3	Bharti Airtel Limited	0.43
4	Bharat Heavy Electricals Limited	0.02
5	DLF Limited	0.30
6	Housing Development Finance Corporation Limited	3.85
7	Housing Development and Infrastructure Limited	(0.87)
8	Hindalco Industries Limited	0.61
9	ICICI Bank Limited	0.71
10	Infosys Limited	1.98
11	IVRCL Limited	1.47
12	JSW Steel Limited	0.42
13	Larsen & Toubro Limited	0.08
14	Maruti Suzuki India Limited	0.15
15	Nifty	40.24
16	Reliance Communications Limited	0.49
17	Reliance Industries Limited	(1.74)
18	S&P500	0.06
19	State Bank of India	(0.57)
20	Unitech Limited	0.43
	<b>Total</b>	<b>20.86</b>

**B) Currency**

Name of the Option – Currency	Total premium carried forward at 31 March 2012 (Net of provisions made)
USD	<b>0.09</b>

**2.37 Employee stock option plans**

The Company has currently seven Employee Stock Option Plans ('Plans') in force. The Plans provide that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company that vests in a graded manner. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any, of the fair market value of the underlying share on the date of grant over the exercise price.

During the year, the Company has formulated ESOP 2011 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher.

The vesting period in respect of options granted under ESOP 2011 Plan during the F.Y. 2011-12 is as follows:-

Sr. No.	Vesting date	% of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
	<b>Total</b>	<b>100 (One hundred)% of grant</b>



## Notes to the consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.37 Employee stock option plans (Continued)

During the previous year, the Company had formulated ESOP 2010 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2010 Plan is as follows:-

Sr. No.	Vesting date	% of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
	<b>Total</b>	<b>100 (One hundred)% of grant</b>

During the year ended 31 March 2009, the Company had formulated ESOP 2009 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2009 Plan is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	36 months from the date of grant	30 (Thirty)% of grant
2	48 months from the date of grant	30 (Thirty)% of grant
3	60 months from the date of grant	40 (Forty)% of grant
	<b>Total</b>	<b>100 (One hundred)% of grant</b>

For determination of compensation cost, the Company has assumed the exercise price to be the specified amount.

With respect to stock options granted upto 31 March 2008, the fair market value of the underlying shares has been determined based on an independent valuer's report as these stock options were granted by the Company to its employees when it was not listed on the stock exchanges. The fair value under stock options granted during the year is arrived as stipulated in the Guidance Note on Accounting for Employee Share Based Payments issued by The Institute of Chartered Accountants of India. The compensation cost written back in the statement of profit and loss for the year is ₹ 4.64 million (Previous year charge: ₹ 3.21 million).

## Notes to the consolidated financial statements (Continued)

(Currency : Indian rupees in millions)

**2** **NOTES TO THE ACCOUNTS (CONTINUED)**  
**2.37** **Employee stock option plans (Continued)**

Details of various schemes are stated below:

Activity in the options outstanding under the employees stock option plans as at 31 March 2012:

Exercise Price (₹)	ESOP 2004		ESOP 2006		ESOP 2007			ESOP 2008		
	1.04	2.08	7.92	16.67	7.92	16.67	ESOP 2007		ESOP 2008	
ESOP Plan	F		G		I			III		
Scheme	24,000,000		48,000,000		81,000,000			12,000,000		
Total Options approved by the members	24,000,000		48,000,000		81,000,000			12,000,000		
Grants as at 1 April, 2011	645,000	1,185,000	2,004,320	2,400,000	15,165,000	2,400,000	2,400,500	14,352,000	2,808,000	2,808,000
Add - Options granted during the year	-	-	-	-	-	-	-	-	-	-
Less - Options lapsed / cancelled during the year	-	-	-	-	(600,000)	-	(36,000)	(499,000)	(570,000)	(2,808,000)
Less - Options exercised during the year	(270,000)	(510,000)	(921,020)	(600,000)	(3,375,000)	-	(63,000)	-	-	-
Grants as at 31 March, 2012	375,000	675,000	1,083,300	1,800,000	11,190,000	2,400,000	2,301,500	13,782,000	-	2,708,000
Options exercisable as at 31 March 2012	375,000	675,000	1,083,300	1,800,000	11,190,000	2,400,000	2,301,500	13,782,000	-	2,708,000

Exercise Price (₹)	ESOP 2009		ESOP 2010		ESOP 2011	
	Range of Exercise price (**)	Range of Exercise price (**)	Range of Exercise price (**)	Range of Exercise price (**)	Range of Exercise price (**)	Range of Exercise price (**)
ESOP Plan	ESOP 2009		ESOP 2010		ESOP 2011	
Scheme	F		G		H	
Total Options approved by the members	50,000,000	30,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Grants as at 1 April, 2011	17,909,500	19,789,000	-	-	-	-
Add - Options granted during the year	-	-	20,710,000	-	-	-
Less - Options lapsed / cancelled during the year	(1,300,000)	(2,565,500)	(3,690,800)	-	-	-
Less - Options exercised during the year	-	-	-	-	-	-
Grants as at 31 March, 2012	16,609,500	17,223,500	17,019,200	-	-	-
Options exercisable as at 31 March 2012	-	4,188,750	-	-	-	-

Activity in the options outstanding under the employees stock option plans as at 31 March 2011:

Exercise Price (₹)#	ESOP 2002		ESOP 2004		ESOP 2006		ESOP 2007			
	1	7.92	1.04	2.08	7.92	16.67	7.92	16.67	ESOP 2007	
ESOP Plan	D		F		G			I		
Scheme	D		F		G			I		
Total Options approved by the members#	60,960,000		24,000,000		48,000,000			81,000,000		
Grants as at 1 April, 2010#	15,000	15,000	645,000	1,410,000	2,322,170	2,400,000	15,213,000	2,400,000	3,489,500	15,922,000
Add - Options granted during the year	-	-	-	-	-	-	-	-	-	-
Less - Options lapsed / cancelled during the year	-	-	-	(60,000)	(36,000)	-	(6,000)	-	(351,000)	(736,000)
Less - Options exercised during the year	(15,000)	(15,000)	-	(165,000)	(281,850)	-	(42,000)	-	(738,000)	(62,000)
Grants as at 31 March, 2011	-	-	645,000	1,185,000	2,004,320	2,400,000	15,165,000	2,400,000	2,400,500	5,740,000
Options exercisable as at 31 March 2011	-	-	645,000	1,185,000	2,004,320	2,400,000	13,965,000	1,200,000	2,400,500	5,740,000

# Exercise price, total options approved by the members and opening grants as at 1 April 2010 have been adjusted to give the effect of corporate action during the year ended 31 March 2011.

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.37 Employee stock option plans (*Continued*)**Activity in the options outstanding under the employees stock option plans as at 31 March 2011(*continued*):

Exercise Price (₹)#	Pricing Formula (*)		Range of Exercise price(**)	Range of Exercise price(**)
	ESOP 2008	ESOP 2009	ESOP 2009	ESOP 2010
ESOP Plan	ESOP 2008		ESOP 2009	ESOP 2010
Scheme	I	III		
<b>Total Options approved by the members#</b>	<b>12,000,000</b>		<b>50,000,000</b>	<b>30,000,000</b>
Grants as at 1 April, 2010#	3,548,000	3,548,000	20,238,000	-
Add - Options granted during the year	-	-	-	22,810,000
Less - Options lapsed / cancelled during the year	(740,000)	(740,000)	(2,328,500)	(3,021,000)
Less - Options exercised during the year	-	-	-	-
<b>Grants as at 31 March, 2011</b>	<b>2,808,000</b>	<b>2,808,000</b>	<b>17,909,500</b>	<b>19,789,000</b>
<b>Options exercisable as at 31 March 2011</b>	<b>2,808,000</b>	<b>2,808,000</b>	-	-

# Exercise price, total options approved by the members and opening grants as at 1 April 2010 have been adjusted to give the effect of corporate action during the year ended 31 March 2011.

(\*) Pricing formula:

**ESOP 2008 (I)**

<b>Period during which vested options are exercised</b>	From the date of vesting to 31 December 2010	From 1 January 2011 to 31 December 2011
<b>Exercise price payable for such vested options</b>	10 % discount to market price on exercise date or ₹ 120; whichever is higher; otherwise ₹ 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

**ESOP 2008 (III)**

<b>Period during which vested options are exercised</b>	From the date of vesting to 31 December 2012	From 1 January 2013 to 31 December 2013
<b>Exercise price payable for such vested options</b>	In case shares are listed, 10 % discount to market price on exercise date or ₹ 120; whichever is higher; otherwise ₹ 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

**ESOP 2007 (I)**

<b>Period during which vested options are exercised</b>	From 1 October 2009 to 30 September 2010	From 1 October 2010 to 30 September 2014
<b>Exercise price payable for such vested options</b>	₹ 58.30	₹ 21.70

**ESOP 2007 (II)**

<b>Period during which vested options are exercised</b>	From 1 July 2009 to 30 June 2010	From 1 July 2010 to 30 June 2011	From 1 July 2011 to 30 June 2015
<b>Exercise price payable for such vested options</b>	In case shares are listed, 50% discount to market price on exercise date or ₹ 66.70; whichever is higher; otherwise ₹ 66.70.	₹ 50.00	₹ 33.30

**ESOP 2007 (III)**

<b>Period during which vested options are exercised</b>	From 1 January 2010 to 31 December 2013
<b>Exercise price payable for such vested options</b>	₹ 51.70

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.37 Employee stock option plans (*Continued*)**

(\*\*) Range of Exercise price

**ESOP 2009**

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher	₹ 39.44 to ₹ 50.26
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**ESOP 2010**

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher	₹ 41.40 to ₹ 61.00
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**ESOP 2011**

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet of the Company as on the date of the grant, whichever is higher	₹ 24.60 to ₹ 37.80
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The following summarises the information about stock options outstanding as at 31 March 2012:

Plan	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010	ESOP 2011
- Range of exercise price	₹ 1.04 to ₹ 16.67	₹ 7.92 to ₹ 16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	₹ 39.44 to ₹ 50.26	₹ 41.40 to ₹ 61.00	₹ 24.60 to ₹ 37.80
- Number of shares arising out of options	3,933,300	13,590,000	2,301,500	5,241,000	13,782,000	-	2,708,000	16,609,500	17,223,500	17,019,200
- Weighted average life of outstanding options (in years)	1.92	2.76	2.50	3.25	1.75	-	1.75	4.18	4.37	5.10
<b>Weighted average exercise prices of stock options</b>										
- outstanding at the beginning of the year	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88	N.A.
- granted during the year	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	36.85
- forfeited/cancelled during the year	N.A.	7.92	21.70	33.30	51.70	46.30	34.82	41.10	48.56	34.94
- exercised during the year	8.10	7.92	21.70	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	40.11	48.93	37.27
- exercisable at the end of the year	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	N.A.	N.A.	N.A.

The weighted average market share price during the year is ₹ 30.61 (Previous year: ₹ 47.81).

**Fair value methodology**

The fair value of options used to compute pro-forma net income and earnings per share have been estimated on the dates of each grant, on or after the date the 'Guidance Note on Accounting for Employee Share-based Payments', issued by the Institute of Chartered Accountants of India, became applicable, i.e. 1 April 2005, using the Black-Scholes option pricing model. Considering that the Company's shares have not been listed for a reasonable period necessary to derive representative volatility, the Company has estimated the volatility based on historical market volatility. The various assumptions considered in the pricing model for the aforementioned ESOP's granted are:

	For the year ended 31 March 2012
Dividend yield	0.4% - 2.19%
Expected volatility	16.29% - 47.70%
Risk free interest rate	6.50% - 8%
Expected life of the option	3.19 - 9 years

Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.37 Employee stock option plans (*Continued*)****Impact of fair value method on net profit and earnings per share**

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have reduced to the pro-forma amounts as indicated below:

	For the year ended 31 March 2012
Net Profit (as reported)	1,277.43
Less: Impact of incremental cost under fair value approach	(133.03)
<b>Net Profit: (pro-forma)</b>	<b>1,144.40</b>
Basic earnings per share (as reported) (in rupees)	1.69
Basic earnings per share (pro-forma) (in rupees)	1.51
Diluted earnings per share (as reported) (in rupees)	1.66
Diluted earnings per share (pro-forma) (in rupees)	1.49

**2.38 Share Application money pending allotment**

The company has received ₹ 11.78 million towards share application on exercise of ESOPs which will result in an issue of 1,002,000 shares. Of the total receipts, ₹ 10.78 million has been received towards share premium. These shares have since been allotted.

**2.39 Capital commitment**

Capital commitments (net of advances) ₹ 687.14 million (Previous year ₹ 2,488.36 million).

**2.40 Contingent liability****i. Edelweiss Financial Services Limited (*formerly known as Edelweiss Capital Limited*)**

- a. Taxation matters in respect of which appeal is pending ₹ 5.35 million (Previous year: ₹ 20.42 million).

**ii. Edelweiss Securities Limited (ESL)**

- a. ESL has provided bank guarantees aggregating to ₹ 3,900 million (Previous year: ₹ 2,000 million) to The National Stock Exchange of India Limited for meeting margin requirements. ESL has pledged fixed deposits with banks aggregating to ₹ 1,850 million (Previous year: ₹ 1,000 million) for obtaining the above bank guarantees.
- b. Taxation matters in respect of which appeal is pending ₹ 30.65 million (Previous year: ₹ 1.42 million).

**iii. Edelweiss Finance & Investments Limited**

- a. Taxation matters in respect of which appeal is pending ₹ 33.05 million (Previous year: ₹ 2.24 million).

**iv. Comfort Projects Limited (CPL) (After ETHL Merger during the year)**

- a. Taxation matters in respect of which appeal is pending before Commissioner of Income tax Appeals (CIT)- A for the assessment year 2009-10 ₹ 0.67 million (Previous year: ₹ Nil)
- b. CPL has provided stand-by letters of credit aggregating to ₹ 6,350 million (Previous year: ₹ Nil; ETHL Rs. 5,600 million) to The State Trading Corporation of India Limited for meeting margin requirements for buying bullion.
- CPL has provided stand-by letters of credit aggregating to ₹ 250 million (Previous year: ₹ Nil; ETHL ₹ 250 million) to The Bank of Nova Scotia for meeting margin requirements for buying bullion.
- CPL has pledged fixed deposit with bank amounting to ₹ 1,600 million (Previous year: ₹ Nil; ETHL ₹ 912.5 million) for obtaining the above stand-by letter of credit.

**v. ECL Finance Limited (ECLF)**

- a. Litigation pending against ECLF amounting to ₹ 2.81 million (Previous year: ₹ 1.58 million)

**vi. Ecap Equities Limited**

- a. Taxation matters in respect of which appeal is pending – ₹ 29.09 million (Previous year ₹ Nil)

## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.40 Contingent liability (*Continued*)

#### vii. Edelweiss Comtrade Limited (Edel Com)

- a. Edel Com has provided bank guarantees aggregating to ₹ Nil (Previous year: ₹ 59 million ) for the following purposes to:
  1. National Commodities Exchange of India Limited:- ₹ Nil (Previous year: ₹ 1.50 million) for meeting margin requirements.
  2. Multi Commodities Exchange of India Limited:- ₹ Nil (Previous year: ₹ 57.50 million) for meeting margin requirements.

Edel Com has pledged fixed deposits with banks aggregating to ₹ Nil (Previous year: ₹ 29.63 million) for obtaining the above bank guarantees.
- b. Claims against Edel Com not acknowledged as debts ₹ 0.30 million (Previous year: ₹ 0.08 million)
- c. Taxation matters in respect of which appeal is pending - ₹ 17.38 million (Previous year: ₹ 2.01 million)

#### viii. Edelweiss Financial Advisors Limited (EFAL)

- a. EFAL has provided bank guarantees to The National Stock Exchange of India Limited aggregating to ₹ Nil (Previous year: ₹ 117.50 million) for meeting margin requirements.
 

EFAL has pledged fixed deposits with banks aggregating to ₹ Nil (Previous year: ₹ 61.25 million) for obtaining the above bank guarantees.
- b. Corporate guarantee ₹ Nil (Previous year: ₹ 129.50 million) given to banks on behalf of Edelweiss Stock Broking Limited, Edelweiss Comtrade Limited and Edel Finance Company Limited.
- c. Claims against EFAL not acknowledged as debts ₹ 13.49 million (Previous year: ₹ 9.89 million).
- d. Taxation matters in respect of which appeal is pending - ₹ 87.40 million (Previous year: ₹ 54.51 million).

#### ix. Edelweiss Stock Broking Limited (ESBL)

- a. ESBL has provided bank guarantees aggregating to ₹ Nil (Previous year: ₹ 100 million) for meeting margin requirements to Bombay Stock Exchange Limited.
 

ESBL has pledged fixed deposits with banks aggregating to ₹ Nil (Previous year: ₹ 50 million) for obtaining the above bank guarantees.
- b. Corporate guarantee ₹ Nil (Previous year: ₹ 147 million) given to banks on behalf of Edelweiss Financial Advisors Limited, Edelweiss Comtrade Limited and Edel Finance Company Limited.
- c. Claim against ESBL not acknowledged as debt ₹ 3.62 million (Previous year: ₹ 4.14 million)
- d. Taxation matters in respect of which appeal is pending – ₹ 46.27 million (Previous year: ₹ 22.27 million).

**2.41** In accordance with the accounting policy set out in note 1.17, provision for standard assets created in the books as at 31 March 2012, is ₹ 104.63 million (Previous year: ₹ 65.85 million). Further, provision towards non-performing assets created in the books as at 31 March 2012 is ₹ 157.99 million (Previous year: ₹ 96.04 million).

**2.42** From the current year, brokerage income is disclosed net of (i) service tax, (ii) related sub-brokerage expenses and (iii) transaction charges collected thereon.

**2.43** Securities received from clients as collateral for margins are held by broking companies in the Group in their own names in fiduciary capacity.

**2.44** Certain companies in the Group have received demand notices from tax authorities on account of disallowance of expenditure for earning exempt income under section 14A(2) of Income Tax Act, 1961, read with Rule 8D of the Income Tax Rules, 1962. The Group has filed appeals and is defending its position. Due to the lack of clarity on the legal position relating to the application of Rule 8D, the outcome and quantification of the eventual tax liability on the Group, if any, at this stage cannot be estimated. The Group has been advised by its tax counsel that it has a good chance in sustaining its position.

## Notes to the consolidated financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.45 Prior year comparatives

Previous year figures have been regrouped and reclassified wherever necessary.

As per our report of even date attached.

For **B S R & Associates**

*Chartered Accountants*

Firm's Registration No.: 116231W

**N Sampath Ganesh**

*Partner*

Membership No.: 042554

Mumbai | 16 May 2012

For and on behalf of the Board of Directors

**Rashesh Shah**

**Venkat Ramaswamy**

**B Renganathan**

Mumbai | 16 May 2012

*Chairman & Managing Director*

*Whole-time Director*

*SVP & Company Secretary*

## Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Securities Limited	Edelweiss Finance & Investments Limited	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited	Edelweiss Global Wealth Management Limited	Edelweiss Trustee Services Limited	E Cap Equities Limited
Paid-up Equity Share Capital	45.00	26.55	1,891.85	6.95	42.27	10.00	0.50	2.40
Paid-up Preference Share Capital	2.60	-	-	-	-	-	-	18.00
Reserves of the Subsidiary	2,927.36	3,238.69	11,090.08	41.83	(22.85)	130.35	7.72	1,925.66
Purchase consideration payable	864.51*	-	-	-	-	-	-	-
Total Assets of the Subsidiary	18,507.09	21,698.26	41,588.81	84.40	104.36	607.65	8.42	4,857.80
Total Liabilities of the Subsidiary	14,667.62	18,433.02	28,606.88	35.62	84.94	467.30	0.20	2,911.74
Investments (other than in Subsidiary Companies)	1,604.81	1,862.33	4,670.72	-	-	33.74	-	12.09
Total Turnover	4,495.80	1,483.06	4,014.03	78.18	40.28	621.81	1.27	2,576.49
Profit/(Loss) before taxation	106.92	111.06	1,185.08	40.91	(23.58)	1.68	1.08	(14.48)
Provision for taxation (including Deferred Tax and Minimum alternate tax)	43.62	55.94	375.58	13.71	(3.53)	13.74	0.29	(39.43)
Profit/(Loss) after taxation	63.30	55.12	809.50	27.20	(20.05)	(12.06)	0.79	24.95
Proposed dividend	-	-	-	-	-	-	-	-

\* Pursuant to the Scheme of Arrangement ('the Scheme') approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad ('Order'), the securities business of Edelweiss Trading and Holdings Limited ('ETHL') has been merged with Edelweiss Securities Limited ('ESL') from 1 April, 2011 ('the Appointed Date'). The effective date of the Order is 12 May, 2012 ('the Effective Date').

In accordance with the Scheme, the value of the new equity shares to be issued for consideration payable by ESL to the shareholders of erstwhile ETHL (i.e. Edelweiss Financial Services Limited) aggregating to ₹ 864.51 million is disclosed as Purchase consideration payable.







## Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956 (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Allium Finance Private Limited	Edelweiss Tokio Life Insurance Company Limited	Edel Investments Limited	EAAA LLC	ECap International Limited	EW India Special Assets Advisors LLC	EW Special Opportunities Advisors LLC	Comfort Projects Limited	Edelweiss Financial Advisors Limited
Paid-up Equity Share Capital	8.30	1,500.00	8.70	4.82	4.82	1.58	1.71	-	60.64
Paid-up Preference Share Capital	1.44	-	-	-	-	-	-	10.00	-
Reserves of the Subsidiary	32.17	3,708.28	14.34	(14.29)	(1.42)	(17.22)	26.20	1,498.81	394.01
Purchase consideration payable	-	-	-	-	-	-	-	2,310.12*	-
Total Assets of the Subsidiary	45.37	5,392.44	23.53	26.82	5.20	5.30	149.74	45,784.42	1,315.58
Total Liabilities of the Subsidiary	3.46	184.16	0.49	36.29	1.80	20.94	121.83	41,965.49	860.93
Investments (other than in Subsidiary Companies)	-	4,945.94	-	-	-	-	-	2,109.87	-
Total Turnover	3.72	532.25	1.96	-	-	54.62	135.66	107,159.59	305.62
Profit/(Loss) before taxation	2.09	(180.70)	1.86	(10.45)	(0.69)	(7.47)	15.24	569.49	(21.86)
Provision for taxation (including Deferred Tax and Minimum alternate tax)	0.53	-	0.63	-	-	-	0.45	70.36	8.79
Profit/(Loss) after taxation	1.56	(180.70)	1.23	(10.45)	(0.69)	(7.47)	14.79	499.13	(30.65)
Proposed dividend	-	-	-	-	-	-	-	-	-

\* Pursuant to the Scheme of Arrangement ('the Scheme') approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad ('Order'), Edelweiss Trading and Holdings Limited ('ETHL') has been merged with its wholly owned subsidiary, Comfort Projects Limited ('CPL') from 1 April, 2011 ('the Appointed Date'). The effective date of the Order is 12 May, 2012 ('the Effective Date'). Consequently, CPL has become the subsidiary of Edelweiss Financial Services Limited ('EFSL').

In accordance with the Scheme, the value of the new equity and preference shares to be issued for consideration payable by CPL to the shareholders of erstwhile ETHL aggregating to ₹ 2,310.12 million is disclosed as Purchase consideration payable

## Summary of Financial Information of Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956 (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Stock Broking Limited	Edelweiss Comtrade Limited	Edel Finance Company Limited	Edelweiss Capital Markets Limited	Edelweiss Investment Advisors Private Limited (Singapore)	EFSL Commodities Limited	Edel Commodities Trading Limited	EFSL Comtrade Limited	EdelGive Foundation
Paid-up Equity Share Capital	35.00	50.00	4.00	1.80	0.34	1.70	1.70	1.70	0.10
Paid-up Preference Share Capital	-	-	-	-	-	-	-	-	-
Reserves of the Subsidiary	279.54	63.14	11.19	(7.07)	(1.03)	(0.52)	(11.40)	(4.40)	1.43
Purchase consideration payable	-	-	-	-	-	-	-	-	-
Total Assets of the Subsidiary	495.36	1,296.02	57.04	253.01	0.41	876.18	1,096.35	689.26	2.00
Total Liabilities of the Subsidiary	180.82	1,182.88	41.85	258.28	1.10	875.00	1,106.05	691.96	0.47
Investments (other than in Subsidiary Companies)	-	-	-	-	-	-	-	-	-
Total Turnover	133.08	209.64	7.76	7.83	-	(3.62)	13.32	(8.18)	47.82
Profit/(Loss) before taxation	(14.07)	24.50	(0.01)	(11.24)	(1.02)	(5.32)	(13.08)	(9.21)	0.34
Provision for taxation (including Deferred Tax and Minimum alternate tax)	(9.77)	10.72	1.80	-	-	(0.01)	3.12	(0.01)	-
Profit/(Loss) after taxation	(4.30)	13.78	(1.81)	(11.24)	(1.02)	(5.31)	(16.20)	(9.20)	0.34
Proposed dividend	-	-	-	-	-	-	-	-	-

The financial statements of foreign subsidiaries are converted into Indian Rupees on the basis of appropriate exchange rate.

For and on behalf of the Board of Directors

**Rashesh Shah**  
Chairman & Managing Director

**Venkat Ramaswamy**  
Whole-time Director

**B Renganathan**  
SVP & Company Secretary

Mumbai : 16 May 2012

## Auditors' Report on the Standalone Financial Statements

**To the Members of  
Edelweiss Financial Services Limited**  
*(formerly known as Edelweiss Capital Limited)*

We have audited the accompanying balance sheet of Edelweiss Financial Services Limited ('the Company') as at 31 March 2012, the statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto (together referred to as 'the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The balance sheet, the statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the balance sheet, the statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - (e) On the basis of the written representations received from the directors of the Company as at 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2012 from being appointed as director in terms of clause (g) of sub section (1) of section 274 to the Act; and
  - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012;
    - (ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended 31 March 2012; and
    - (iii) in the case of cash flow statement, of the cash flows of the Company for the year ended 31 March 2012.

For **B S R & Associates**  
*Chartered Accountants*  
Firm's Registration No.: 116231W

Mumbai  
16 May 2012

**N Sampath Ganesh**  
*Partner*  
Membership No.: 042554

## Annexure to Auditors' Report - 31 March 2012

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification performed in the current year ended 31 March 2012.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company primarily engaged in the business of rendering merchant banking services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) (a) During the year, the Company has granted unsecured demand loan to one subsidiary company which is covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ₹ 16,265,060 and the balance as at 31 March 2012 of such loan was ₹ 9,613,563.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (c) The loan granted to the aforementioned company is repayable on demand. According to the information and explanations given to us, the borrower has been regular in the payment of interest as stipulated.
- (d) The loans granted to the companies listed in the register maintained under section 301 are repayable on demand. Accordingly, there is no overdue amount of more than ₹ 1 lakh in respect of loans granted to any of the companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (e) The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to sale of services. The activities of the Company do not involve any purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant point in time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the activities conducted by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and Investor Education and Protection fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, other than those stated in Appendix I to this report there are no dues of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

## Annexure to Auditors' Report - 31 March 2012 (Continued)

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to information and explanations given to us, the Company is not a chit fund, nidhi or mutual benefit fund/society.
- (xiv) The Company has maintained proper records of the transactions and contracts in respect of dealing in securities and timely entries have been made therein. Further, such securities and investments have been held by the Company in its own name except to the extent of exemption granted under section 49 of the Act.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis during the year have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has created security or charge in respect of debentures issued during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

Mumbai  
16 May 2012

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

## Appendix I

Details of statutory dues which have not been deposited on account of any dispute

Name of the statute	Nature of dues	Amount (in ₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	141,432,331	A.Y 2009-10	CIT(A)

## Balance Sheet as at 31 March 2012

(Currency : Indian rupees in millions)	Note	As at 31 March 2012	As at 31 March 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2.1	756.80	752.03
(b) Reserves and surplus	2.2	12,749.45	12,477.29
		<b>13,506.25</b>	<b>13,229.32</b>
<b>Share application money pending allotment</b>	2.32	<b>11.78</b>	<b>0.78</b>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	2.3	2,525.47	538.33
<b>Current liabilities</b>			
(a) Short-term borrowings	2.4	21,300.62	34,966.04
(b) Trade payables	2.5	94.10	164.13
(c) Other current liabilities	2.6	789.04	1,062.63
(d) Short-term provisions	2.7	311.50	372.28
<b>TOTAL</b>		<b>38,538.76</b>	<b>50,333.51</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	2.8		
(i) Tangible assets		42.41	35.62
(ii) Intangible assets		14.47	1.89
(b) Non-current investments	2.9	14,406.89	11,966.66
(c) Deferred tax assets	2.10	19.98	42.29
(d) Long-term loans and advances	2.11	2,100.58	2,682.52
(e) Other non-current assets	2.12	-	3.05
		<b>16,584.33</b>	<b>14,732.03</b>
<b>Current assets</b>			
(a) Current investments	2.13	237.90	28.57
(b) Trade receivables	2.14	204.82	171.25
(c) Cash and bank balances	2.15	14.82	109.69
(d) Short-term loans and advances	2.16	20,846.00	35,097.85
(e) Other current assets	2.17	650.89	194.12
		<b>21,954.43</b>	<b>35,601.48</b>
<b>TOTAL</b>		<b>38,538.76</b>	<b>50,333.51</b>
Significant accounting policies and notes to the financial statements	1 & 2		

As per our report of even date attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

For and on behalf of the Board of Directors

**N Sampath Ganesh**

Partner

Membership No.: 042554

Mumbai | 16 May 2012

**Rashesh Shah****Venkat Ramaswamy****B Renganathan**

Mumbai | 16 May 2012

Chairman &amp; Managing Director

Whole-time Director

SVP &amp; Company Secretary



## Statement of Profit and Loss for the year ended 31 March 2012

(Currency : Indian rupees in millions)	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Revenue from operations</b>			
Fee income	2.18	1,050.05	2,282.36
Income from investments and dividend	2.19	610.65	524.97
Interest income	2.20	2.50	1,680.06
Other operating revenue	2.21	406.31	(91.87)
<b>Other income</b>	2.22	<b>3.40</b>	0.03
<b>Total revenue</b>		<b>2,072.91</b>	4,395.55
<b>Expenses</b>			
Employee benefit expenses	2.23	373.53	378.52
Finance costs	2.24	596.23	3,001.60
Depreciation and amortization expenses	2.8	17.07	14.19
Other expenses	2.25	326.30	377.53
<b>Total expenses</b>		<b>1,313.13</b>	3,771.84
<b>Profit before tax</b>		<b>759.78</b>	623.71
Tax expense:			
(1) Income tax (includes short provision of earlier years of ₹ 5.08 million; Previous year: ₹ Nil)		45.00	21.99
(2) Minimum alternate tax		6.13	(10.62)
(3) Deferred tax charge		22.31	25.09
<b>Profit for the year</b>		<b>686.34</b>	587.25
<b>Earnings per equity share (Face value of ₹ 1 each):</b>			
(1) Basic	2.28	0.91	0.78
(2) Diluted		0.89	0.76
Significant accounting policies and notes to the financial statements	1 & 2		

As per our report of even date attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

For and on behalf of the Board of Directors

**N Sampath Ganesh**

Partner

Membership No.: 042554

Mumbai | 16 May 2012

**Rashesh Shah**

**Venkat Ramaswamy**

**B Renganathan**

Mumbai | 16 May 2012

*Chairman & Managing Director*

*Whole-time Director*

*SVP & Company Secretary*

## Cash Flow Statement for the year ended 31 March 2012

(Currency : Indian rupees in millions)	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>A Cash flow from operating activities</b>		
Profit before tax	759.78	623.71
<b>Adjustments for</b>		
Depreciation/amortization expense	17.07	14.19
Provision for diminution, profit/(loss) on sale of investments	0.95	(6.22)
Profit on sale of portfolio mangement services business	1.50	-
Provision for deferred bonus written back	-	(6.75)
Bad debts written off	42.14	0.60
Provision for doubtful debts	9.68	5.86
Diminution in current investments	0.26	-
Dividend on long term investments	(610.65)	(519.28)
Loss on sale of fixed assets	1.26	-
Expense on employee stock option plans	(4.64)	3.21
Finance costs	596.23	3,001.60
<b>Operating cash flow before working capital changes</b>	<b>813.58</b>	<b>3,116.92</b>
<b>Adjustments for</b>		
(Increase)/decrease in trade receivables	(85.39)	406.15
Decrease/(increase) in loans and advances	14,960.18	(20,648.79)
Increase in other assets	(241.67)	(95.91)
Increase/(decrease) in liabilities and provisions	60.91	(13.49)
<b>Cash generated from/(used in) operating activities</b>	<b>15,507.61</b>	<b>(17,235.12)</b>
Income taxes paid	(118.65)	(256.06)
<b>Net cash generated from/(used in) operating activities - A</b>	<b>15,388.96</b>	<b>(17,491.18)</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(42.00)	(20.67)
Sale of fixed assets	0.30	-
Decrease in current investments	0.41	3.48
Purchase of long term investments	(3,361.76)	(1,057.13)
Redemption/ sale of long term investments	710.59	600.70
Dividend on long term investments	498.60	339.28
<b>Net cash used in investing activities - B</b>	<b>(2,193.86)</b>	<b>(134.34)</b>

Cash Flow Statement (*Continued*)

(Currency : Indian rupees in millions)	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>C Cash flow from financing activities</b>		
Share application money received	11.00	0.75
Proceeds from issue of share capital including securities premium	35.73	22.51
Bonus offering expense	-	(2.15)
Debenture redemption expense	-	(17.72)
Borrowed through secured loans	220.00	-
Repayment of secured loans	(719.29)	(3,723.39)
Repayment of unsecured loans	(292,227.07)	(415,531.37)
Borrowed through unsecured loans	280,861.65	440,681.86
Dividend paid	(490.23)	(788.72)
Dividend distribution tax paid	-	(74.87)
Finance costs	(884.36)	(3,246.04)
<b>Net cash (used in)/generated from financing activities - C</b>	<b>(13,192.57)</b>	<b>17,320.86</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>2.53</b>	<b>(304.66)</b>
Cash and cash equivalents as at the beginning of the year	9.69	314.35
Cash and cash equivalents as at the end of the year (refer note 2.15)	12.22	9.69

As per our report of even date attached.

For **B S R & Associates**

Chartered Accountants

Firm's Registration No.: 116231W

For and on behalf of the Board of Directors

**N Sampath Ganesh**

Partner

Membership No.: 042554

Mumbai | 16 May 2012

**Rashesh Shah**

**Venkat Ramaswamy**

**B Renganathan**

Mumbai | 16 May 2012

*Chairman & Managing Director*

*Whole-time Director*

*SVP & Company Secretary*

## Notes to the financial statements for the year ended 31 March 2012

(Currency : Indian rupees in millions)

### 1. Significant accounting policies

#### 1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the Revised Schedule VI to the Act, which has become effective from the current year. Figures of the previous year have been redrawn to conform to the Revised Schedule VI classification. The financial statements are presented in Indian rupees in millions.

#### 1.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 1.3 Revenue recognition

- a. Investment banking fee income is recognised on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- b. Interest income is recognised on accrual basis.
- c. Dividend income is recognised when the right to receive payment is established.
- d. Profit earned on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- e. The rating support fee for the borrowing programme of the subsidiaries is accrued on straight line basis over the rating period and as per the contractual terms agreed with the subsidiaries.
- f. Fee income from subsidiaries for Brand Equity, Brand Protection, Brand Promotion services provided by the Company is recognised on accrual basis in accordance with the contractual terms and conditions as agreed with the subsidiaries. The Company has ceased to charge such fees from its subsidiaries with effect from 01 April 2011.
- g. Portfolio management fees are accounted on accrual basis as follows:
  - i. In case of percentage based fees, in accordance with the Portfolio Management Agreement entered with the respective clients and with the SEBI Regulations as amended from time to time, on a quarterly basis.
  - ii. In case of return based fee, as a percentage of the annual profit, on an annual basis.

#### 1.4 Benchmark linked debentures

The Company has issued certain non-convertible debentures, the return of which is linked to performance of specified indices/commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

#### 1.5 Fixed assets and depreciation

##### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on a written down value basis from the date the asset is ready for its intended use or put to use, whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

Depreciation is charged at the rates prescribed in the Schedule XIV to the Act, as given below:

Class of asset	Rate of depreciation
Flat	5.00%
Office equipments	13.91%
Computers	40.00%
Furniture and fixtures	18.10%
Vehicles	25.89%

## Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 1. Significant accounting policies (*Continued*)

#### 1.5 Fixed assets and depreciation (*Continued*)

Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease, whichever is shorter.

##### **Intangible fixed assets**

Intangibles such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase.

#### 1.6 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

#### 1.7 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

#### 1.8 Foreign currency transactions and currency derivatives

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

The Company enters into currency derivative transactions to economically hedge its foreign exchange exposure. These derivative transactions are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument.

#### 1.9 Employee benefits

The accounting policy followed by the company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (Revised 2005), is set out below:

##### *Provident fund*

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the statement of profit and loss.

##### *Gratuity*

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method. The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on government securities as at the balance sheet date.

Benefits in respect of gratuity are funded with an Insurance Company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

##### *Compensated absences*

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

## Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 1. Significant accounting policies (*Continued*)

#### 1.10 Taxation

Tax expense comprises income tax (i.e. amount of tax for the year determined in accordance with the Income Tax Act, 1961), deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the year) and minimum alternate tax.

##### *Income tax*

Provision for income tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

##### *Deferred tax*

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain, as the case may be, to be realised.

##### *Minimum Alternate Tax (MAT)*

MAT credit asset is recognized where there is convincing evidence that the asset can be realized in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.

#### 1.11 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### 1.12 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 - Earnings Per Share prescribed by the Companies (Accounting Standards) Rules, 2006. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding at year end.

#### 1.13 Employee stock option plans

The Company follows the intrinsic value method to account for compensation cost of its stock based employee compensation plans. The compensation cost is amortised on a straight-line basis.

#### 1.14 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### 1.15 Change in accounting policies

The Company has ceased to charge Brand Equity, Brand Protection, Brand Promotion fees to its subsidiaries from 1 April 2011.

From 1 April 2011, the Company by virtue of its holding company activities has adopted the practice of charging its actual borrowing cost on the loans extended to its group companies.

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012		As at 31 March 2011	
<b>2.1 Share capital</b>				
<b>Authorised:</b>				
1,230,000,000 (Previous year: 1,230,000,000) equity shares of ₹ 1 each		1,230.00		1,230.00
20,000,000 (Previous year: 20,000,000) preference shares of ₹ 1 each		20.00		20.00
		<b>1,250.00</b>		<b>1,250.00</b>
<b>Issued, Subscribed and Paid up:</b>				
756,799,280 (Previous year: 752,026,280) equity shares of ₹ 1 each		756.80		752.03
		<b>756.80</b>		<b>752.03</b>
<b>Movement in share capital:</b>				
	As at 31 March 2012		As at 31 March 2011	
	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Outstanding at the beginning of the year	752.03	752.03	375.36	375.36
Issued during the year (excluding bonus shares)	4.77	4.77	1.17	1.17
Bonus shares issued during the year	-	-	375.50	375.50
Outstanding at the end of the year	<b>756.80</b>	<b>756.80</b>	752.03	752.03

**Rights of equity shareholders:**

The Company has only one class of equity shares having a par value of ₹ 1 each. Each holder of equity shares is entitled to one vote per share held. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

The distribution will be in proportion to the number of equity shares held by the shareholders.

**Consolidation:**

During the F.Y. 2007-08: 89,843,620 equity shares of ₹ 1 each were consolidated into fully paid-up 17,968,724 equity shares of ₹ 5 each.

**Share split:**

During the F.Y. 2010-11: 75,099,118 equity shares of ₹ 5 each were split into fully paid-up 375,495,590 equity shares of ₹ 1 each.

**Details of bonus shares issued:**

- during the F.Y. 2007-08: 44,916,806 equity shares of ₹ 1 each (before consolidation of face value of equity share from ₹ 1 per share to ₹ 5 per share) were allotted as fully paid up bonus shares by capitalisation of ₹ 44.92 million from securities premium account.
- during the F.Y. 2007-08: 35,937,448 equity shares of ₹ 5 each were allotted as fully paid up bonus shares by capitalisation of ₹ 179.69 million from securities premium account.
- during the F.Y. 2010-11: 375,495,590 equity shares of ₹ 1 each (after split of face value of equity share from ₹ 5 per share to ₹ 1 per share) were allotted as fully paid-up bonus shares by capitalisation of ₹ 2.60 million from capital redemption reserve and ₹ 372.90 million from securities premium account.

**Details of shareholders holding more than 5% shares in the Company:**

	31 March 2012		31 March 2011	
	Number of shares (in millions)	Percentage shareholding	Number of shares (in millions)	Percentage shareholding
Rashesh Shah	137.48	18.17%	137.48	18.28%
Heliconia Pte. Ltd.	62.27	8.23%	62.27	8.28%
Venkat Ramaswamy	53.03	7.01%	53.03	7.05%
First Carlyle Ventures Mauritius	42.51	5.62%	-	-
Spire Investment Advisors LLP	38.75	5.12%	38.75	5.15%

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.2 Reserves and surplus</b>		
Capital redemption reserve		
Opening balance	-	2.60
Less: Capitalisation on issue of bonus shares	-	(2.60)
	-	-
Securities premium account		
Opening balance	12,141.99	12,511.94
Add: Additions during the year	33.78	22.82
Less: Capitalisation on issue of bonus shares	-	(372.90)
Less: Expenses on redemption of debentures and on issue of bonus shares	-	(19.87)
	12,175.77	12,141.99
Stock options outstanding		
Opening balance	20.63	18.91
Less: Transferred to securities premium account during the year	(2.82)	(1.49)
(Less)/Add: Expense on Employee Stock Option Plans (ESOP)	(4.64)	3.21
	13.17	20.63
General reserve		
Opening balance	208.44	149.71
Add: Additions during the year	68.63	58.73
	277.07	208.44
Surplus in statement of profit and loss		
Opening balance	106.23	42.76
Add: Profit for the year	686.34	587.25
<b>Amount available for appropriation</b>	<b>792.57</b>	<b>630.01</b>
Appropriations:		
Interim dividend	226.99	187.98
Proposed dividend	227.34	263.24
Dividend distribution tax	(13.83)	13.83
Transfer to general reserve	68.63	58.73
	283.44	106.23
	12,749.45	12,477.29
<b>2.3 Long-term borrowings</b>		
<b>Secured</b>		
Non-convertible debentures (refer note 2.40)	220.00	538.20
- Secured by fixed charge on immovable property and floating charge on trade receivables, cash and bank balances and loans and advances		
Other loans		
Vehicle loans	5.47	0.13
- Secured by hypothecation of vehicles		
- These are fixed interest rate loans, payable in equated monthly instalments over the tenure of loans ending in August 2016		
	225.47	538.33
<b>Unsecured</b>		
Loans from related parties	2,300.00	-
- These loans are at an interest rate of 12 per cent per annum, repayable after the end of one year but before the end of three years, as mutually agreed		
	2,525.47	538.33



Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.4 Short-term borrowings</b>		
<i>Unsecured</i>		
Inter-corporate deposits	-	105.00
Commercial paper	21,850.00	35,150.00
Less: Unamortised discount	(549.38)	(788.96)
	21,300.62	34,361.04
Term loan from bank	-	500.00
	21,300.62	34,966.04
<b>2.5 Trade payables</b>		
Trade payables (includes sundry creditors and provision for expenses)	94.10	164.13
	94.10	164.13
<b>2.6 Other current liabilities</b>		
Current maturities of long term debt		
Non-convertible debentures (refer notes 2.3 and 2.40)	276.30	458.50
Vehicle loans from banks (refer note 2.3)	1.40	0.29
Interest accrued but not due on borrowings	119.25	407.37
Unclaimed dividends	3.20	5.07
Other payables		
Accrued salaries and benefits	75.18	156.80
Withholding taxes, service tax and other taxes payable	29.00	33.27
Book overdraft	283.65	1.33
Others	1.06	-
	789.04	1,062.63
<b>2.7 Short-term provisions</b>		
Provision for employee benefits		
Compensated absences	2.62	4.56
Deferred bonus	9.76	79.26
Others		
Proposed dividend	227.34	263.24
Provision for dividend distribution tax	-	13.83
Provision for taxation (net of advance tax and tax deducted at source ₹ 120.61 million; Previous year ₹ 122.30 million)	71.78	11.39
	311.50	372.28

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

## 2.8 Fixed assets

Description of assets	Gross block		Depreciation		Net block				
	As at 1 April 2011	Additions during the year	Deductions during the year	As at 31 March 2012	Charge for the year	Deductions during the year	As at 31 March 2011	As at 31 March 2012	
<b>Tangible assets</b>									
Flat	2.78	-	-	2.78	0.41	0.12	-	2.25	2.37
Leasehold improvements	31.70	-	31.70	-	29.99	1.71	31.70	-	1.71
Furniture and fixtures	4.06	0.02	3.23	0.85	3.68	0.04	2.96	0.09	0.38
Vehicles	22.58	22.13	7.43	37.28	6.80	6.68	3.09	26.89	15.78
Office equipment	16.51	0.72	0.75	16.48	7.63	1.45	0.50	7.90	8.88
Computers	36.66	2.42	14.95	24.13	30.16	3.04	14.35	5.28	6.50
<b>Total : A</b>	114.29	25.29	58.06	81.52	78.67	13.04	52.60	42.41	35.62
<b>Intangible assets</b>									
Computer software	3.00	16.72	0.14	19.58	1.11	4.03	0.03	14.47	1.89
<b>Total : B</b>	3.00	16.72	0.14	19.58	1.11	4.03	0.03	14.47	1.89
<b>Grand Total [A+B]</b>	117.29	42.01	58.20	101.10	79.78	17.07	52.63	56.88	37.51
Previous year	97.51	20.67	0.89	117.29	66.48	14.19	0.89	37.51	

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.9 Non-current investments**

	As at 31 March 2012			As at 31 March 2011		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
<b>I. Trade (quoted)</b>						
<b>Investments in equity instruments (fully paid up)</b>						
Kotak Mahindra Bank Limited*	5	5	0.00	5	5	0.00
			<b>0.00</b>			<b>0.00</b>
<b>II. Others (unquoted)</b>						
<b>Investments in equity instruments of subsidiary companies (fully paid up)</b>						
Edelweiss Securities Limited	10	4,500,000	92.00	10	4,500,000	92.00
Edelweiss Finance & Investments Limited	10	2,655,020	2,297.27	10	2,655,020	2,297.27
Edelweiss Trading & Holdings Limited	-	-	-	10	1,900,000	1,108.00
Comfort Projects Limited	10	1,900,000	1,108.00	-	-	-
ECL Finance Limited	1	1,499,959,129	5,190.56	1	1,499,959,129	5,190.56
Edelweiss Insurance Brokers Limited	10	499,760	5.00	10	499,760	5.00
Edelweiss Global Wealth Management Limited	10	1,000,000	45.63	10	1,000,000	45.63
Edelweiss Trustee Services Limited	10	50,000	0.50	10	50,000	0.50
ECap Equities Limited	10	240,000	10.00	10	240,000	10.00
Edelcap Securities Limited	10	300,000	13.00	10	300,000	13.00
Edelweiss Broking Limited	10	4,881,000	305.80	10	4,881,000	305.80
Edelweiss Asset Management Limited	10	60,000,000	1,000.00	10	60,000,000	1,000.00
Edelweiss Trusteeship Company Limited	10	100,000	1.00	10	100,000	1.00
Edelweiss Alternative Asset Advisors Limited	10	2,256,000	110.80	10	2,256,000	110.80
Edelweiss Housing Finance Limited	10	10,550,000	105.50	10	10,550,000	105.50
EC Commodity Limited	10	957,500	211.00	10	957,500	211.00
Edel Commodities Limited	10	50,000	0.50	10	50,000	0.50
Edelweiss Investment Advisors Limited	10	50,000	0.50	10	50,000	0.50
Edel Land Limited	10	50,000	0.50	10	50,000	0.50
Edelweiss Custodial Services Limited	10	51,750,000	517.50	10	51,750,000	517.50
EC International Limited	USD 1	125,000	6.20	USD 1	125,000	6.20
Edel Investments Limited	10	870,000	21.00	10	870,000	21.00
Edelweiss Tokio Life Insurance Company Limited	10	111,000,000	3,081.91	10	609,400	280.20
Edelweiss Capital (Singapore) Pte. Limited	SGD 1	13,800	0.43	SGD 1	13,800	0.43
Edelgive Foundation	10	10,000	0.10	10	10,000	0.10
			<b>14,124.70</b>			<b>11,322.99</b>
<b>Investments in equity instruments of associate companies (fully paid up)</b>						
Edelweiss Fund Advisors Private Limited	10	50,000	0.50	10	50,000	0.50
			<b>0.50</b>			<b>0.50</b>

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.9 Non-current investments (*Continued*)**

	As at 31 March 2012			As at 31 March 2011		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
<b>Investments in equity instruments of other companies (fully paid up)</b>						
Cadbury India Limited*	10	1	0.00	10	1	0.00
DSP Merrill Lynch Limited	10	50	0.01	10	50	0.01
Enmail.com Private Limited	10	1,250	0.01	10	1,250	0.01
Enter Technologies Private Limited	10	250,000	2.50	10	250,000	2.50
Exactus Corporation Private Limited	10	75,210	2.24	10	75,210	2.24
Servion Global Solutions Limited	10	37,800	0.14	10	37,800	0.14
Highmark Credit Information Services Private Limited	10	3,265,306	40.00	10	3,265,306	40.00
Percept Limited	10	67,843	200.00	10	67,843	200.00
Intellect Data Systems Private Limited	10	1,500	0.37	10	1,500	0.37
Health Care Global Enterprise Private Limited	-	-	-	10	1,530	0.34
You Telecom India Private Limited	10	1,824,818	25.00	10	1,824,818	25.00
Apnaloan.com India Private Limited*		500	0.00		500	0.00
Caltiger.com Limited		112,211	0.02		112,211	0.02
Choksi Technologies Private Limited		30,000	0.30		30,000	0.30
Datacomp WebTech Private Limited		14,850	2.48		14,850	2.48
EMR Technology Ventures Private Limited		120,000	2.40		120,000	2.40
Ezeenet Infotech Private Limited		67,600	1.34		67,600	1.34
July Systems, Inc.		83,695	0.33		83,695	0.33
Mecklai Financial & Commercial Services Limited		10,000	0.10		10,000	0.10
N-Logue Communication Private Limited*		358	0.00		358	0.00
Octon Technologies Limited		4,165	0.04		4,165	0.04
Starcom Software Private Limited		20,000	2.00		20,000	2.00
Travelanza Private Limited*		19	0.00		19	0.00
UTV (TSN) Private Limited		13,500	1.35		13,500	1.35
Hitech Drilling Services India Limited		100	-		100	-
JSM Holding Private Limited		14,849	2.00		14,849	2.00
			<b>282.63</b>			<b>282.97</b>
Less: Diminution in value			<b>(14.36)</b>			<b>(14.36)</b>
			<b>268.27</b>			<b>268.61</b>
<b>Investments in other instruments</b>						
MIC Electronics Limited - Warrants		1,500,000	36.60		1,500,000	36.60
Synergies Casting Limited - Warrants*		190,832	0.00		190,832	0.00
			<b>36.60</b>			<b>36.60</b>
Less: Diminution in value			<b>(36.60)</b>			<b>(36.60)</b>
			<b>0.00</b>			<b>0.00</b>

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

**2.9 Non-current investments (*Continued*)**

	As at 31 March 2012			As at 31 March 2011		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
<b>Investments in preference shares of subsidiary companies (fully paid up)</b>						
Edelweiss Investment Advisors Limited	-	-	-	10	70,000	70.00
Edel Land Limited	-	-	-	10	80,000	80.00
			-			150.00
<b>Investments in preference shares of other companies (fully paid up)</b>						
July Systems, Inc.		27,898	1.37		27,898	1.37
			1.37			1.37
Less: Diminution in value			(1.37)			(1.37)
			0.00			0.00
<b>Investments in units of venture capital funds</b>						
The Seed Fund	59,670	225	13.42	59,670	225	13.42
Edelweiss Property Fund I	-	-	-	10,000	21,000	210.00
Yatra Art Fund	-	-	-	228	5,000	1.14
			13.42			224.56
<b>Total</b>			<b>14,406.89</b>			<b>11,966.66</b>
Aggregate amount of unquoted investment						
- At carrying value			14,406.89			11,966.66
Aggregate amount of quoted investment						
- At carrying value *			0.00			0.00
- At market value *			0.00			0.00
Aggregate amount of provision for diminution			52.33			52.33

\* Amount is less than ₹ 0.01 million

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012			As at 31 March 2011		
<b>2.10 Deferred tax assets</b>						
Difference between book and tax depreciation			11.08			12.21
Provision for doubtful debts/advances			6.02			2.88
Disallowances under section 43B of the Income Tax Act, 1961			2.88			27.20
			<b>19.98</b>			<b>42.29</b>
<b>2.11 Long-term loans and advances</b>						
<i>Unsecured, considered good</i>						
Loans and advances to related parties			-			538.20
Capital advances			0.73			0.64
Other loans and advances						
Advance income tax (net of provision for tax: ₹ 332.87 million; Previous year: ₹ 308.16 million)			424.10			454.33
Loans given to employees welfare trusts			1,675.75			1,689.35
			<b>2,100.58</b>			<b>2,682.52</b>
<b>2.12 Other non-current assets</b>						
Accrued interest on fixed deposits			-			0.45
Long term deposits with banks			-			2.60
			-			3.05
<b>2.13 Current investments</b>						
	As at 31 March 2012			As at 31 March 2011		
	Face Value	Quantity	Amount	Face Value	Quantity	Amount
<b>Investments in units of venture capital funds*</b>						
Edelweiss Property Fund I	10,000	21,000	210.00	-	-	-
			210.00			-
<b>Investments in units of mutual funds</b>						
Edelweiss Diversified Growth Equity Top 100 Fund Plan B – Growth	-	-	-	10	1,988,692	28.24
Edelweiss Ultra Short Term Bond Fund-Institutional-Growth Plan	-	-	-	10	28,238	0.33
Edelweiss Diversified Growth Equity Top 100 Fund Plan B - Dividend- Reinvestment	10	1,958,010	27.90	-	-	-
			27.90			28.57
			<b>237.90</b>			<b>28.57</b>
Aggregate amount of unquoted investments						
Units of venture capital funds						
- At carrying value			210.00			-
Units of mutual funds						
- At carrying value			27.90			28.57
- At net asset value			27.90			28.57

\* Current maturity of long-term investment

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	As at 31 March 2012	As at 31 March 2011
<b>2.14 Trade receivables</b>		
Outstanding for a period exceeding six months		
Unsecured, considered good	-	31.40
Unsecured, considered doubtful	20.79	9.96
	20.79	41.36
Less: Provision for doubtful debts	20.79	9.96
	-	31.40
Other debts		
Unsecured, considered good	204.82	139.85
	204.82	171.25
<b>2.15 Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Cash in hand	0.07	0.08
Balances with banks		
- in Current accounts	12.15	9.61
	12.22	9.69
<b>Other bank balances</b>		
Short term deposits with bank	2.60	100.00
	14.82	109.69
<b>2.16 Short-term loans and advances</b>		
<i>Unsecured, considered good</i>		
Loans and advances to related parties		
To associates	27.72	31.52
To subsidiary companies	20,534.90	34,902.13
Other loans and advances		
Advances to others	7.05	21.34
Advances recoverable in cash or in kind or for value to be received	29.02	31.83
Deposits- others	4.56	14.89
Loans and advances to employees	6.52	6.58
Input tax credit	5.16	10.51
Advance income tax (net of provision for tax ₹ 525.26 million; Previous year ₹ 508.03 milion)	226.58	68.43
MAT credit entitlement	4.49	10.62
	20,846.00	35,097.85
<b>2.17 Other current assets</b>		
Accrued interest on fixed deposits	0.75	13.53
Accrued interest on loans given	215.15	-
Dividend receivable	292.05	180.00
Contribution to gratuity fund (net) (refer note 2.29)	3.31	0.59
Margin placed with broker	139.63	-
	650.89	194.12

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>2.18 Fee income</b>		
Investment banking fees	411.43	1,117.15
Advisory, rating support and other fees	638.62	1,165.21
	<b>1,050.05</b>	<b>2,282.36</b>
<b>2.19 Income from investments and dividend</b>		
Profit on sale of current investments	-	2.29
Profit on sale of long term investments	-	3.40
Dividend on long term investments	610.65	519.28
	<b>610.65</b>	<b>524.97</b>
<b>2.20 Interest income</b>		
On loans to subsidiary companies (refer note 2.38)	-	1,661.46
On fixed deposits	2.34	14.96
On others	0.16	3.64
	<b>2.50</b>	<b>1,680.06</b>
<b>2.21 Other operating revenue</b>		
Foreign exchange gain / (loss)	406.31	(91.87)
	<b>406.31</b>	<b>(91.87)</b>
<b>2.22 Other income</b>		
Miscellaneous income	1.90	0.03
Profit on transfer of portfolio management services business (refer note 2.39)	1.50	-
	<b>3.40</b>	<b>0.03</b>
<b>2.23 Employee benefit expenses</b>		
Salaries and wages (refer note 2.37)	370.15	363.76
Contribution to provident and other funds	7.04	9.51
Expense on Employee Stock Option Plans (ESOP) (refer note 2.31)	(4.64)	3.21
Staff welfare expenses	0.98	2.04
	<b>373.53</b>	<b>378.52</b>
<b>2.24 Finance costs</b>		
Interest on debentures	9.32	772.48
Interest on inter-corporate deposits	0.51	11.13
Interest on term loan	4.51	9.11
Interest on bank overdraft	0.35	0.02
Interest - others	0.50	0.50
Discount on commercial paper (net) (refer note 2.38)	580.95	2,195.14
Financial and bank charges	0.09	13.22
	<b>596.23</b>	<b>3,001.60</b>



Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>2.25 Other expenses</b>		
Advertisement and business promotion (refer note 2.37)	5.09	39.61
Auditors' remuneration (refer below)	2.91	3.02
Bad debts and advances written off	42.14	0.60
Commission and brokerage	12.01	7.37
Communication	8.29	9.00
Computer software	16.53	21.08
Clearing and custodian charges	1.99	1.22
Dematerialisation charges	2.82	1.24
Diminution in value of current investments	0.26	-
Diminution in value of long term investments	-	(0.53)
Directors' sitting fees	0.84	0.78
Donation	0.40	3.00
Electricity charges (refer note 2.37)	3.53	3.43
Insurance	19.76	3.26
Loss on sale of investments	0.95	-
Legal and professional fees	34.71	108.42
Loss on sale/write-off of fixed assets (net)	1.26	-
Membership and subscription	12.87	13.44
Office expenses	2.52	1.68
Postage and courier	3.73	10.68
Printing and stationery	7.78	14.90
Provision for doubtful debts	9.68	5.86
Rates and taxes	43.95	49.61
Rent (refer note 2.37)	33.75	13.36
Repairs and maintenance - others	2.35	4.12
Security transaction tax	0.07	0.08
Seminar and conference	16.67	8.59
Service tax expenses	3.81	-
Travelling and conveyance	31.50	49.15
Wealth tax	0.14	-
Miscellaneous expenses	0.02	0.22
Housekeeping and security charges	3.97	4.34
	<b>326.30</b>	<b>377.53</b>
<b>Auditors' remuneration:</b>		
As auditor	2.70	2.70
For other services	0.15	0.29
For reimbursement of expenses	0.06	0.03
	<b>2.91</b>	<b>3.02</b>

## Notes to the financial statements *(Continued)*

(Currency : Indian rupees in millions)

### 2.26 Segment reporting

The Company's business is organised and management reviews the performance, based on the business segments as mentioned below:

<b>Segment</b>	<b>Activities covered</b>
Agency business	Advisory and transactional services
Holding company activities	Development, managerial and financial support to the businesses of Edelweiss group entities

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as at 31 March 2012 and segmental statement of profit and loss for the year ended 31 March 2012 have been prepared.

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment.

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.26 Segment reporting (Continued)

Particulars	Agency business		Holding company activities		Un-allocated		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>Segment revenue</b>								
Income from customers	442.65	1,320.13	1,630.26	3,075.39	-	0.03	2,072.91	4,395.55
<b>Total</b>	442.65	1,320.13	1,630.26	3,075.39	-	0.03	2,072.91	4,395.55
<b>Segment result</b>	178.33	1,150.43	701.01	(412.10)	(119.56)	(114.62)	759.78	623.71
Income tax					45.00	21.99	45.00	21.99
MAT credit entitlement					6.13	(10.62)	6.13	(10.62)
Deferred tax benefit					22.31	25.09	22.31	25.09
<b>Profit after tax</b>							686.34	587.25
<b>Other information</b>								
Carrying amount of segment assets	157.29	214.81	37,670.72	49,447.40	710.75	671.30	38,538.76	50,333.51
Carrying amount of segment liabilities	59.58	102.31	24,273.87	36,497.39	687.28	503.70	25,020.73	37,103.40
Capital expenditure	31.60	21.31	4.02	3.84	6.38	(4.47)	42.00	20.68
Depreciation	12.85	14.63	1.63	2.63	2.59	(3.07)	17.07	14.19
Other non cash expenditure	51.82	6.47	-	(0.53)	-	-	51.82	5.94

## Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.27 Related parties

**(A) Subsidiaries which are controlled by the Company and with whom transactions have taken place:**

Edelweiss Securities Limited  
 Edelweiss Insurance Brokers Limited  
 Edelweiss Finance & Investments Limited  
 Edelweiss Trustee Services Limited  
 ECL Finance Limited  
 Edelweiss Custodial Services Limited  
 Edelcap Securities Limited  
 ECap Equities Limited  
 EC Commodity Limited  
 Edel Commodities Limited  
 Edelweiss Global Wealth Management Limited (*formerly Edelweiss Financial Products & Solutions Limited*)  
 Edelweiss Trusteeship Company Limited  
 Edelweiss Asset Management Limited  
 Edelweiss Broking Limited  
 Edelweiss Investment Advisors Limited  
 Edel Land Limited  
 Edelweiss Web Services Limited (*through Edelweiss Broking Limited*)  
 EC International Limited, Mauritius  
 Edelgive Foundation  
 Edelweiss Alternative Asset Advisors Limited  
 Edelweiss Housing Finance Limited (*through Comfort Projects Limited*)  
 Edelweiss Tokio Life Insurance Company Limited  
 Edel Investments Limited  
 Comfort Projects Limited  
 Edelweiss Stock Broking Limited  
 (*through Edelweiss Financial Advisors Limited*)  
 Edel Finance Company Limited (*through Edelweiss Financial Advisors Limited*)  
 Edelweiss Comtrade Limited (*formerly known as Anagram Comtrade Limited*)  
 (*through Edelweiss Securities Limited*)  
 Edelweiss Capital (Singapore) Pte. Limited  
 Edelweiss Financial Advisors Limited (*through Comfort Projects Limited*)  
 EFSL Commodities Limited (*through Edel Commodities Limited*)  
 EFSL Comtrade Limited (*through Edel Commodities Limited*)  
 Edel Commodities Trading Limited (*through Edel Commodities Limited*)  
 Edelweiss Capital Markets Limited (*through Comfort Projects Limited*)  
 Allium Finance Private Limited (*through Comfort Projects Limited*)  
 Arum Investments Private Limited (upto 28 March 2011) (*through Edelweiss Securities Limited*)  
 Edelweiss Capital USA, LLC (upto 09 September 2010)

**(B) Subsidiaries which are controlled by the Company and with whom no transactions have taken place:**

EC Global Limited (*through Edelweiss Finance & Investments Limited*)  
 Aster Commodities DMCC  
 (*through EC International Limited, Mauritius*)  
 ECap International Limited (*through EC International Limited, Mauritius*)  
 Edelweiss International (Singapore) Pte. Limited  
 (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 Edelweiss Alternative Asset Advisors Pte. Limited  
 (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 EAAA LLC, Mauritius (*through ECap International Limited*)  
 EW Special Opportunities Advisors LLC (*through EAAA LLC, Mauritius*)  
 EW India Special Assets Advisors LLC (*through EAAA LLC, Mauritius*)  
 Edelweiss Investment Advisors Private Limited  
 (*through Edelweiss Capital (Singapore) Pte. Limited*)  
 EW SBI Crossover Advisors LLC (*through EAAA LLC, Mauritius*)

## Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.27 Related parties (*Continued*)

**(C) Associates:**

Edelweiss Asset Reconstruction Company Limited  
*(through Edelweiss Alternative Asset Advisors Limited)*  
 Edelweiss Fund Advisors Private Limited  
 Dahlia Financial Services Private Limited *(through Edelweiss Securities Limited)*  
 Magnolia Financial Services Private Limited  
*(through Edelweiss Securities Limited)*  
 Arum Investments Private Limited (with effect from 29 March 2011)  
*(through Edelweiss Securities Limited)*  
 Edelweiss Precious Metals Private Limited *(through Comfort Projects Limited)*  
 Affluent Dealcom Private Limited *(through Edelcap Securities Limited)*

**(D) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company:**

Rashesh Shah  
 Venkat Ramaswamy

**(E) Key managerial personnel:**

Himanshu Kaji (with effect from 01 November 2011)

**(F) Relatives of individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company:**

Vidya Shah  
 Aparna T. C.  
 Kaavya Venkat  
 Shilpa Mody  
 Sharmishta Chandrakant Shah  
 A V Ramaswamy

**(G) Enterprise over which significant influence is exercised:**

Edelweiss Employees Welfare Trust

**(H) Enterprise which exercise significant influence over the Company:**

Spire Investment Advisors LLP  
 Oak Holdings Private Limited

Note: With effect from 1 April 2011 (being the appointed date), the securities business of erstwhile Edelweiss Trading & Holdings Limited (ETHL), a subsidiary of Edelweiss Financial Services Limited, has been demerged and merged with Edelweiss Securities Limited (ESL) and businesses other than securities business have been merged with Comfort Projects Limited (CPL) (a wholly owned subsidiary of Edelweiss Financial Services Limited) vide an order of the Hon. High Court of Andhra Pradesh. The effective date of the order is May 12, 2012. All related party transactions during the year and the outstanding balances as at the end of the year have accordingly been disclosed against ESL and CPL respectively in the financial statements of the Company. Also, investment in erstwhile ETHL is now disclosed as investment in CPL.

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Capital account transactions						
<i>Investments in Equity shares</i>						
Edelweiss Finance & Investments Limited	-					
	(525.00)					
Edelweiss Broking Limited	-					
	(170.00)					
Edelweiss Tokio Life Insurance Company Limited	2,801.71					
	(278.85)					
Others	-					
	(83.28)					
<i>Investments in Preference shares</i>						
Edelweiss Securities Limited	260.00					
	(-)					
Edelweiss Broking Limited	250.00					
	(-)					
<i>Disinvestment in Equity shares</i>						
Edelweiss Capital USA , LLC	-					
	(0.53)					
Others				-		
			(0.10)			
<i>Redemption of Preference shares</i>						
Edelweiss Securities Limited	-					
	(350.00)					
Edelweiss Finance & Investments Limited	-					
	(200.00)					
<i>Long term non convertible debentures redeemed to</i>						
ECap Equities Limited	464.00					
	(574.80)					
Others	28.00					
	(-)					
<i>Short term non convertible debentures subscribed by</i>						
Edelweiss Trading & Holdings Limited	-					
	(5,000.00)					
<i>Short term non convertible debentures redeemed to</i>						
Edelweiss Trading & Holdings Limited	-					
	(11,045.19)					
Others	-					
	(935.87)					

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Redemption of fully convertible debentures</i>						
Dahlia Financial Services Private Limited			-			
			(1,800.00)			
<i>Commercial papers subscribed by</i>						
Edelweiss Trading & Holdings Limited	-					
	(12,342.15)					
Comfort Projects Limited	26,400.00					
	(-)					
<i>Commercial papers redeemed to</i>						
Edelweiss Trading & Holdings Limited	-					
	(24,300.00)					
Comfort Projects Limited	88,070.42					
	(-)					
<i>Long term loan taken</i>						
ECap Equities Limited	1,800.00					
	(-)					
ECL Finance Limited	1,200.00					
	(-)					
<i>Long term loan repaid</i>						
ECL Finance Limited	700.00					
	(-)					
<i>Sale of investments</i>						
Comfort Projects Limited	760.45					
	(-)					
Current account transactions						
<i>Loans repaid by</i>						
Edelweiss Securities Limited	207,460.52					
	(253,705.19)					
Edelweiss Trading & Holdings Limited	-					
	(367,713.02)					
Comfort Projects Limited	553,246.66					
	(-)					
ECL Finance Limited	93,776.81					
	(286,445.87)					
Others	130,928.39	24.20	1.70			
	(187,835.96)	(39.40)	(1,502.65)			
<i>Loans given to</i>						
Edelweiss Securities Limited	215,300.06					
	(250,465.04)					

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Edelweiss Trading & Holdings Limited	- (385,250.55)					
Comfort Projects Limited	535,067.84 (-)					
ECL Finance Limited	94,275.03 (286,076.61)					
Others	134,615.66 (194,485.74)		1.70 (1,502.65)			
Secondary market transactions with broker						
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	674.97 (-)					
<i>Margin withdrawn from broker</i>						
Edelweiss Securities Limited	535.34 (-)					
<i>Reimbursement recovered</i>						
Edelweiss Finance & Investments Limited	107.59 (132.50)					
Edelweiss Trading & Holdings Limited	- (295.90)					
Comfort Projects Limited	138.48 (2.69)					
ECL Finance Limited	212.63 (361.73)					
Edelcap Securities Limited	162.94 (125.53)					
Others	287.48 (332.50)	0.00* (0.00)*	11.94 (89.51)			0.02 (55.81)
<i>Dividend paid</i>						
Rashesh Shah				89.36 (145.95)		
Venkat Ramaswamy				34.47 (55.68)		
Edelweiss Employees Welfare Trust		24.44 (39.48)				
Oak Holdings Private Limited						- (40.69)
Spire Investment Advisors LLP						25.19 (-)



Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others					36.03	
					(57.37)	
<i>Remuneration</i>						
Rashesh Shah				15.67		
				(7.26)		
Venkat Ramaswamy				12.41		
				(12.36)		
Himanshu Kaji				8.87		
				(-)		
<i>Dividend income</i>						
Edelweiss Securities Limited	-					
	(369.25)					
Edelcap Securities Limited	-					
	(150.00)					
Edelweiss Finance & Investments Limited	610.65					
	(-)					
<i>Advisory fee received</i>						
ECL Finance Limited	-					
	(86.71)					
Others	-		-			
	(5.72)		(0.26)			
<i>Rating fee received</i>						
ECL Finance Limited	464.05					
	(413.51)					
Edelweiss Securities Limited	101.21					
	(101.28)					
Edelweiss Trading & Holdings Limited	-					
	(75.84)					
Comfort Projects Limited	30.62					
	(-)					
Others	11.51					
	(-)					
<i>Branding fee received</i>						
Edelweiss Securities Limited	-					
	(125.00)					
Edelweiss Trading & Holdings Limited	-					
	(73.70)					
ECL Finance Limited	-					
	(55.90)					

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others	-					
	(117.00)					
<i>Interest income</i>						
Edelweiss Securities Limited	371.24					
	(179.55)					
Edelweiss Trading & Holdings Limited	-					
	(508.66)					
Comfort Projects Limited	2,136.11					
	(-)					
Edelweiss Finance & Investments Limited	291.99					
	(245.12)					
Edelcap Securities Limited	108.22					
	(215.16)					
EC International Limited, Mauritius	2,138.29					
	(208.24)					
Others	746.24		0.00*			
	(304.74)		(0.01)			
<i>Interest expense on loan</i>						
Ecap Equities Limited	9.93					
	(-)					
ECL Finance Limited	5.84					
	(-)					
<i>Interest income on margin</i>						
Edelweiss Securities Limited	0.93					
	(-)					
<i>Commission and brokerage</i>						
Edelweiss Securities Limited	4.31					
	(4.81)					
<i>Interest expense on long term non-convertible debentures</i>						
Ecap Equities Limited	216.64					
	(140.14)					
Edelcap Securities Limited	0.71					
	(20.42)					
Others	8.74			-	-	
	(-)			(0.80)	(1.80)	
<i>Interest expense on fully convertible debentures</i>						
Dahlia Financial Services Private Limited			-			
			(31.51)			

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.27 Related parties (Continued)

#### (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Interest expense on short term non convertible debentures</i>						
Edelweiss Trading & Holdings Limited	-					
	(118.62)					
Others	-					
	(5.97)					
<i>Rent Expense</i>						
Comfort Projects Limited	27.30					
	(-)					
<i>Cost reimbursements paid</i>						
Edelweiss Securities Limited	-					
	(11.55)					
Comfort Projects Limited	2.11					
	(-)					
<i>Cost reimbursements recovered</i>						
Edelweiss Securities Limited	31.50					
	(109.84)					
Edelweiss Trading & Holdings Limited	-					
	(50.70)					
Comfort Projects Limited	14.30					
	(-)					
ECL Finance Limited	17.40					
	(52.40)					
Others	4.62		16.93			
	(68.20)		(31.75)			
<i>Sale of portfolio management services business</i>						
Edelweiss Global Wealth Management Limited	1.50					
	(-)					
<b>Balances with related parties</b>						
<i>Investments in Equity shares</i>						
Edelweiss Finance & Investments Limited	2,297.27					
	(2,297.27)					
ECL Finance Limited	5,190.56					
	(5,190.56)					
Edelweiss Tokio Life Insurance Company Limited	3,081.91					
	(280.20)					
Others	3,554.95		0.50			
	(3,554.95)		(0.50)			
<i>Dividend receivable</i>						
Edelweiss Finance & Investments Limited	292.05					
	(-)					

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Investments in Preference shares</i>						
Edelweiss Investment Advisors Limited	-					
	(70.00)					
Edel Land Limited	-					
	(80.00)					
<i>Loans given</i>						
Edelweiss Trading & Holdings Limited	-					
	(22,047.70)					
Comfort Projects Limited	3,869.27					
	(-)					
Edelweiss Finance & Investments Limited	3,045.72					
	(2,458.91)					
Edel Commodities Limited	2,546.35					
	(314.84)					
EC International Limited, Mauritius	2,138.29					
	(5,279.16)					
Others	8,748.01		0.00*			
	(4,659.53)		(-)			
<i>Interest receivable</i>						
EC International Limited, Mauritius	214.66					
	(-)					
Others	0.49					
	(-)					
<i>Loans taken</i>						
ECap Equities Limited	1,800.00					
	(-)					
ECL Finance Limited	500.00					
	(-)					
<i>Interest payable</i>						
ECap Equities Limited	9.93					
	(-)					
ECL Finance Limited	5.84					
	(-)					
<i>Long term non convertible debentures outstanding</i>						
ECap Equities Limited	43.50					
	(88.00)					
Edelcap Securities Limited	-					
	(27.00)					

Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

2.27 Related parties (*Continued*)

## (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
Others				-	-	
				(4.00)	(9.00)	
<i>Interest payable on non convertible debentures outstanding</i>						
Ecap Equities Limited	15.16					
	(47.87)					
Edelcap Securities Limited	-					
	(20.92)					
Others				-	-	
				(1.82)	(4.09)	
<i>Trade receivables</i>						
ECL Finance Limited	63.40					
	(-)					
Edelweiss Securities Limited	19.79					
	(-)					
Others	11.90					
	(-)					
<i>Margin placed with broker</i>						
Edelweiss Securities Limited	139.63					
	(-)					
<i>Trade payables</i>						
Edelweiss Securities Limited	4.31					
	(-)					
Comfort Projects Limited	29.49					
	(-)					
Others	0.36					
	(-)					
<i>Advances</i>						
Edelweiss Finance & Investments Limited	-					
	(250.99)					
Edelweiss Employees Welfare Trust		1,380.45				
		(1,404.65)				
Others	187.34		27.72			
	(637.43)		(31.52)			
<i>Bonus payable</i>						
Rashesh shah				7.50		
				(-)		
Venkat Ramaswamy				4.50		
				(5.00)		
Himanshu Kaji				5.50		
				(-)		

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.27 Related parties (Continued)

#### (I) Transactions and balances with related parties:

Particulars	Subsidiaries/ entities controlled by the Company	Enterprise over which significant influence is exercised	Associates	Individual exercising significant control/key managerial personnel	Relatives of individuals exercising significant control	Enterprises which exercise significant influence
<i>Corporate guarantee given</i>						
ECL Finance Limited	14,000.00					
	(5,000.00)					
Edelweiss Securities Limited	4,430.00					
	(7,200.00)					
Edelweiss Trading & Holdings Limited	-					
	(8,750.00)					
Comfort Projects Limited	10,672.70					
	(-)					
Others	1,800.00					
	(-)					

Amounts in brackets represent previous year numbers.

\* Amount is less than ₹ 0.01 million

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.28 Earnings per share

In accordance with Accounting Standard 20 – Earnings Per Share prescribed by Companies (Accounting Standards) Rules, 2006, the computation of earnings per share is set out below:

	2012	2011
a. <b>Shareholders earnings</b> (as per statement of profit and loss)	<b>686.34</b>	587.25
b. <b>Calculation of weighted average number of equity shares of ₹ 1 each :</b>		
- Number of shares outstanding at the beginning of the year	752,026,280	75,071,893
- Number of shares issued during the year	4,773,000	676,954,387*
Total number of equity shares outstanding at the end of the year	756,799,280	752,026,280
Weighted average number of equity shares outstanding during the year (based on the date of issue of shares)	755,440,936	751,274,833
c. Number of dilutive potential equity shares	12,605,670	25,169,538
d. Basic earnings per share (in rupees) {a/b}	0.91	0.78
e. Diluted earnings per share (in rupees) {a/(b+c)}	0.89	0.76

\* includes issuance of bonus equity shares and split of equity shares during the year ended 31 March 2011.

### 2.29 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits

#### A) Defined contribution plan (Provident fund):

Amount of ₹ 8.76 million (Previous year: ₹ 5.75 million) is recognised as expense and included in “Employee benefit expenses” – note 2.23 in the statement of profit and loss.

#### B) Defined benefit plan (Gratuity):

The following tables summarise the components of the net employee benefit expenses recognised in the statement of profit and loss, the funded status and amount recognised in the balance sheet for the gratuity benefit plan.

##### Statement of profit and loss

Net employee benefit expenses

	For the year ended 31 March 2012	For the year ended 31 March 2011
Current service cost	4.20	8.94
Interest on defined benefit obligation	1.17	0.91
Expected return on plan assets	(1.26)	-
Net actuarial (gain) recognised in the year	(5.84)	(6.09)
<b>Total included in ‘employee benefit expenses’</b>	<b>(1.73)</b>	3.76

##### Balance sheet

Details of provision for gratuity

	As at 31 March 2012	As at 31 March 2011
Liability at the end of the year	13.25	15.15
Fair value of plan assets at the end of the year	16.56	15.74
Funded status	3.31	0.59
<b>Amount in Balance sheet (included in other current assets)</b>	<b>3.31</b>	0.59

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.29 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee Benefits (Continued)

Changes in the present value of the defined benefit obligation are as follows:

	As at 31 March 2012	As at 31 March 2011
Liability at the beginning of the year	15.15	11.36
Interest cost	1.17	0.91
Current service cost	4.20	8.94
Benefits paid	(1.00)	-
Actuarial (gain)/loss:		
Assumptions change	(0.97)	-
Experience adjustments	(5.30)	(6.06)
<b>Liability at the end of the year</b>	<b>13.25</b>	<b>15.15</b>

Changes in fair value of plan assets:

	As at 31 March 2012	As at 31 March 2011
Fair value at the beginning of the year	15.74	-
Expected return on plan assets	1.26	-
Contributions	1.00	15.71
Benefits paid	(1.00)	-
Actuarial (gain)/loss:		
Assumptions change	(0.47)	-
Experience adjustments	0.03	0.03
<b>Fair value of plan assets at the end of the year</b>	<b>16.56</b>	<b>15.74</b>

Principal actuarial assumptions as at the balance sheet date:

	For the year ended 31 March 2012	For the year ended 31 March 2011
Discount rate	8%	8%
Salary escalation	6%	10%
Employee attrition rate	13%-35%	2%-15%

### 2.30 Foreign currency transactions

The Company has undertaken the following transactions in foreign currency:

	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Expenditure incurred in foreign currency (on accrual basis)</b>		
Travel	0.55	3.08
Professional fees	3.07	15.86
Software license fees	2.98	3.15
Business development	-	0.21
Subscription charges	0.74	1.31
Seminar and conference	0.78	0.17
Software maintenance charges	7.80	1.77
Staff training	7.19	-
Group loan	5.83	-
Market data services	4.51	-
Reimbursement	0.44	-
<b>Total</b>	<b>33.89</b>	<b>25.55</b>
<b>Income earned in foreign currency (on accrual basis)</b>		
Fee income	131.13	113.78
Reimbursement	2.40	0.62
<b>Total</b>	<b>133.53</b>	<b>114.40</b>



## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.30 Foreign currency transactions (Continued)

Amount remitted in foreign currency during the year ended 31 March 2012 on account of equity dividend:

	(Dividend)	(Interim dividend)
Number of equity shareholders	7	6
Number of equity shares	18,687,530	18,609,530
Dividend relates to year ended	31 March 2011	31 March 2012
Amount remitted (Indian rupees in millions)	6.54	5.58

Amount remitted in foreign currency during the year ended 31 March 2011 on account of equity dividend:

	(Dividend)	(Interim dividend)
Number of equity shareholders	8	7
Number of equity shares	20,712,480	18,687,530
Dividend relates to year ended	31 March 2010	31 March 2011
Amount remitted (Indian rupees in millions)	16.57	4.67

### 2.31 Employee stock option plans

The Company has currently seven Employee Stock Option Plans ('Plans') in force. The Plans provide that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company that vest in a graded manner. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any, of the fair market value of the underlying share on the date of grant over the exercise price.

During the year, the Company has formulated ESOP 2011 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The vesting period in respect of options granted under ESOP 2011 Plan during F.Y. 2011-12 is as follows:-

Sr. No.	Vesting date	% of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
<b>Total</b>		<b>100 (One hundred)% of grant</b>

During the previous year, the Company had formulated ESOP 2010 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2010 Plan is as follows:-

Sr. No.	Vesting date	% of options that shall vest
1	12 months from the date of grant	25 (Twenty five)% of grant
2	24 months from the date of grant	25 (Twenty five)% of grant
3	36 months from the date of grant	25 (Twenty five)% of grant
4	48 months from the date of grant	25 (Twenty five)% of grant
<b>Total</b>		<b>100 (One hundred)% of grant</b>

During the year ended 31 March 2009, the Company had formulated ESOP 2009 Plan wherein stock options were granted to employees where the exercise price was linked to either closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher.

The schedule of stock options vesting period for ESOP 2009 Plan is as follows:-

Sr. No.	Vesting date	Maximum % of options that shall vest
1	36 months from the date of grant	30 (Thirty)% of grant
2	48 months from the date of grant	30 (Thirty)% of grant
3	60 months from the date of grant	40 (Forty)% of grant
<b>Total</b>		<b>100 (One hundred)% of grant</b>

For determination of compensation cost, the Company has assumed the exercise price to be the specified amount.

With respect to stock options granted upto 31 March 2008, the fair market value of the underlying shares has been determined based on an independent valuer's report as these stock options were granted by the Company to its employees when it was not listed on the stock exchanges. The fair value under stock options granted during the year is arrived as stipulated in the Guidance Note on Accounting for Employee Share Based Payments issued by The Institute of Chartered Accountants of India. The compensation cost written back in the statement of profit and loss for the year is ₹ 4.64 million (Previous year charge: ₹ 3.21 million).

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

## 2.31 Employee stock option plans (Continued)

Details of various schemes are stated below:

Activity in the options outstanding under the employees stock option plans as at 31 March 2012:

Exercise Price (₹)	ESOP 2004				ESOP 2006			ESOP 2007			ESOP 2008		
	1.04	2.08	7.92	16.67	7.92	16.67	G	I	II	III	I	II	III
<b>ESOP Plan</b>													
<b>Scheme</b>													
<b>Total Options approved by the members</b>	24,000,000				48,000,000			81,000,000			12,000,000		
Grants as at 1 April 2011	645,000	1,185,000	2,004,320	2,400,000	15,165,000	2,400,000	2,400,500	2,400,500	5,740,000	14,352,000	2,808,000	2,808,000	2,808,000
Add - Options granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Less - Options lapsed / cancelled during the year	-	-	-	-	(600,000)	-	(36,000)	(36,000)	(499,000)	(570,000)	(2,808,000)	(2,808,000)	(100,000)
Less - Options exercised during the year	(270,000)	(510,000)	(921,020)	(600,000)	(3,375,000)	-	(63,000)	-	-	-	-	-	-
<b>Grants as at 31 March 2012</b>	<b>375,000</b>	<b>675,000</b>	<b>1,083,300</b>	<b>1,800,000</b>	<b>11,190,000</b>	<b>2,400,000</b>	<b>2,301,500</b>	<b>2,301,500</b>	<b>5,241,000</b>	<b>13,782,000</b>	<b>-</b>	<b>-</b>	<b>2,708,000</b>
<b>Options exercisable as at 31 March 2012</b>	<b>375,000</b>	<b>675,000</b>	<b>1,083,300</b>	<b>1,800,000</b>	<b>11,190,000</b>	<b>2,400,000</b>	<b>2,301,500</b>	<b>2,301,500</b>	<b>5,241,000</b>	<b>13,782,000</b>	<b>-</b>	<b>-</b>	<b>2,708,000</b>

Exercise Price (₹)	Range of Exercise price(**)		Range of Exercise price(**)	
	ESOP 2009	ESOP 2010	ESOP 2011	ESOP 2011
<b>ESOP Plan</b>				
<b>Total Options approved by the members</b>	50,000,000	30,000,000	100,000,000	100,000,000
Grants as at 1 April 2011	17,909,500	19,789,000	-	-
Add - Options granted during the year	-	-	20,710,000	-
Less - Options lapsed / cancelled during the year	(1,300,000)	(2,565,500)	(3,690,800)	-
Less - Options exercised during the year	-	-	-	-
<b>Grants as at 31 March 2012</b>	<b>16,609,500</b>	<b>17,223,500</b>	<b>17,019,200</b>	<b>-</b>
<b>Options exercisable as at 31 March 2012</b>	<b>-</b>	<b>4,188,750</b>	<b>-</b>	<b>-</b>

Activity in the options outstanding under the employees stock option plans as at 31 March 2011:

Exercise Price (₹)#	ESOP 2002				ESOP 2004			ESOP 2006			ESOP 2007		
	1	7.92	1.04	2.08	7.92	16.67	7.92	16.67	G	I	II	III	
<b>ESOP Plan</b>													
<b>Scheme</b>													
<b>Total Options approved by the members#</b>	60,960,000				24,000,000			48,000,000			81,000,000		
Grants as at 1 April 2010#	15,000	15,000	645,000	1,410,000	2,322,170	2,400,000	15,213,000	2,400,000	3,489,500	6,496,000	15,922,000	15,922,000	
Add - Options granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	
Less - Options lapsed / cancelled during the year	-	-	-	(60,000)	(36,000)	-	(6,000)	-	(6,000)	(736,000)	(1,508,000)	(1,508,000)	
Less - Options exercised during the year	(15,000)	(15,000)	-	(165,000)	(281,850)	-	(42,000)	-	(42,000)	(738,000)	(20,000)	(62,000)	
<b>Grants as at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>645,000</b>	<b>1,185,000</b>	<b>2,004,320</b>	<b>2,400,000</b>	<b>15,165,000</b>	<b>2,400,000</b>	<b>2,400,500</b>	<b>5,740,000</b>	<b>2,400,500</b>	<b>14,352,000</b>	
<b>Options exercisable as at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>645,000</b>	<b>1,185,000</b>	<b>2,004,320</b>	<b>2,400,000</b>	<b>13,965,000</b>	<b>2,400,500</b>	<b>1,200,000</b>	<b>2,400,500</b>	<b>5,740,000</b>	<b>14,352,000</b>	

# Exercise price, total options approved by the members and opening grants as at 1 April 2010 have been adjusted to give the effect of corporate action during the year ended 31 March 2011.

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.31 Employee stock option plans (Continued)

Activity in the options outstanding under the employees stock option plans as at 31 March 2011 (continued):

Exercise Price (₹) #	Pricing Formula (*)		Range of Exercise price(**)	Range of Exercise price(**)
	ESOP 2008			
ESOP Plan	ESOP 2008		ESOP 2009	ESOP 2010
Scheme	I	III		
<b>Total Options approved by the members #</b>	<b>12,000,000</b>		<b>50,000,000</b>	<b>30,000,000</b>
Grants as at 1 April, 2010 #	3,548,000	3,548,000	20,238,000	-
Add - Options granted during the year	-	-	-	22,810,000
Less - Options lapsed / cancelled during the year	(740,000)	(740,000)	(2,328,500)	(3,021,000)
Less - Options exercised during the year	-	-	-	-
<b>Grants as at 31 March, 2011</b>	<b>2,808,000</b>	<b>2,808,000</b>	<b>17,909,500</b>	<b>19,789,000</b>
<b>Options exercisable as at 31 March 2011</b>	<b>2,808,000</b>	<b>2,808,000</b>	<b>-</b>	<b>-</b>

# Exercise price, total options approved by the members and opening grants as at 1 April 2010 have been adjusted to give the effect of corporate action during the year ended 31 March 2011.

(\*) Pricing formula:

#### ESOP 2008 (I)

<b>Period during which vested options are exercised</b>	From the date of vesting to 31 December 2010	From 1 January 2011 to 31 December 2011
<b>Exercise price payable for such vested options</b>	10 % discount to market price on exercise date or ₹ 120; whichever is higher; otherwise ₹ 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

#### ESOP 2008 (III)

<b>Period during which vested options are exercised</b>	From the date of vesting to 31 December 2012	From 1 January 2013 to 31 December 2013
<b>Exercise price payable for such vested options</b>	In case shares are listed, 10 % discount to market price on exercise date or ₹ 120; whichever is higher; otherwise ₹ 120.	10% discount to the reference price i.e., average of closing price of grant date and 14 days preceding the grant date

#### ESOP 2007 (I)

<b>Period during which vested options are exercised</b>	From 1 October 2009 to 30 September 2010	From 1 October 2010 to 30 September 2014
<b>Exercise price payable for such vested options</b>	₹ 58.30	₹ 21.70

#### ESOP 2007 (II)

<b>Period during which vested options are exercised</b>	From 1 July 2009 to 30 June 2010	From 1 July 2010 to 30 June 2011	From 1 July 2011 to 30 June 2015
<b>Exercise price payable for such vested options</b>	In case shares are listed, 50% discount to market price on exercise date or ₹ 66.70; whichever is higher; otherwise ₹ 66.70.	₹ 50.00	₹ 33.30

#### ESOP 2007 (III)

<b>Period during which vested options are exercised</b>	From 1 January 2010 to 31 December 2013
<b>Exercise price payable for such vested options</b>	₹ 51.70

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.31 Employee Stock Option Plans (Continued)

(\*\*) Range of Exercise price

#### ESOP 2009

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	₹ 39.44 to ₹ 50.26
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#### ESOP 2010

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	₹ 41.40 to ₹ 61.00
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#### ESOP 2011

<b>Exercise price payable for such vested options</b>	Closing market price of the shares on the date of the grant or book value of the shares as per the last audited balance sheet as on the date of the grant, whichever is higher	₹ 24.60 to ₹ 37.80
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Following summarises the information about stock options outstanding as at 31 March 2012:

Plan	ESOP 2004 Scheme F	ESOP 2006 Scheme G	ESOP 2007 Scheme I	ESOP 2007 Scheme II	ESOP 2007 Scheme III	ESOP 2008 Scheme I	ESOP 2008 Scheme III	ESOP 2009	ESOP 2010	ESOP 2011
- Range of exercise price	₹ 1.04 to ₹ 16.67	₹ 7.92 to ₹ 16.67	Pricing formula	Pricing formula	Pricing formula	Pricing formula	Pricing formula	₹ 39.44 to ₹ 50.26	₹ 41.40 to ₹ 61.00	₹ 24.60 to ₹ 37.80
- Number of shares arising out of options	3,933,300	13,590,000	2,301,500	5,241,000	13,782,000	-	2,708,000	16,609,500	17,223,500	17,019,200
- Weighted average life of outstanding options (in years)	1.92	2.76	2.50	3.25	1.75	-	1.75	4.18	4.37	5.10
<b>Weighted average exercise prices of stock options</b>										
- outstanding at the beginning of the year	9.47	9.11	21.70	33.30	51.70	46.30	34.82	40.19	48.88	N.A.
- granted during the year	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	36.85
- forfeited/cancelled during the year	N.A.	7.92	21.70	33.30	51.70	46.30	34.82	41.10	48.56	34.94
- exercised during the year	8.10	7.92	21.70	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
- outstanding at the end of the year	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	40.11	48.93	37.27
- exercisable at the end of the year	10.26	9.46	21.70	33.30	51.70	N.A.	34.82	N.A.	N.A.	N.A.

The weighted average market share price during the year is ₹ 30.61 (Previous year: ₹ 47.81).

#### Fair value methodology

The fair value of options used to compute pro-forma net income and earnings per share have been estimated on the dates of each grant, on or after the date the 'Guidance Note on Accounting for Employee Share-based Payments', issued by the Institute of Chartered Accountants of India, became applicable, i.e. 1 April 2005, using the Black-Scholes option pricing model. Considering that the Company's shares have not been listed for a reasonable period necessary to derive representative volatility, the Company has estimated the volatility based on the historical market volatility. The various assumptions considered in the pricing model for the aforementioned ESOP's granted are:

	For the year ended 31 March 2012
Dividend yield	0.4% - 2.19%
Expected volatility	16.29% - 47.70%
Risk free interest rate	6.50% - 8%
Expected life of the option	3.19 - 9 years

#### Impact of fair value method on net profit and earnings per share

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have reduced to the pro-forma amounts as indicated below:

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.31 Employee Stock Option Plans (Continued)

	For the year ended 31 March 2012
Net Profit (as reported)	686.34
Less: Impact of incremental cost under fair value approach	(133.03)
<b>Net Profit: (pro-forma)</b>	<b>553.31</b>
Basic earnings per share (as reported) (in rupees)	0.91
Basic earnings per share (pro-forma) (in rupees)	0.73
Diluted earnings per share (as reported) (in rupees)	0.89
Diluted earnings per share (pro-forma) (in rupees)	0.72

### 2.32 Share application money pending allotment

The company has received ₹ 11.78 million towards share application on exercise of ESOPs which will result in an issue of 1,002,000 shares. Of the total receipts, ₹ 10.78 million has been received towards share premium. These shares have since been allotted.

### 2.33 Capital commitment

Capital commitments (net of advances) – ₹ Nil (Previous year: ₹ Nil)

### 2.34 Contingent liability

- Taxation matters in respect of which appeal is pending – ₹ 5.35 million (Previous year: ₹ 20.42 million).
- The Company has issued corporate guarantees to the extent of ₹ 23,902.70 million (Previous year: ₹ 15,950 million), in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited, Comfort Projects Limited, ECL Finance Limited, Edel Commodities Trading Limited, Edelweiss Comtrade Limited, Edelweiss Housing Finance Limited, EFSL Commodites Limited, EFSL Comtrade Limited (subsidiary companies) and ₹ 7,000 million (Previous year: ₹ 5,000 million) in favour of IDBI Trusteeship Services Limited for non-convertible debentures issued by ECL Finance Limited (subsidiary company) against due discharge of debt.

### 2.35 Details of dues to micro, small and medium enterprises

The Company has requested its creditors to confirm the applicability to them under the Micro Small and Medium Enterprises Development Act, 2006. Based on the responses received by the Company, the details of dues to micro, small and medium enterprises:

Sr. No.	Particulars	As at 31 March 2012	As at 31 March 2011
1.	the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting period	Nil	Nil
2.	the amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during accounting period	Nil	Nil
3.	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
4.	the amount of interest accrued and remaining unpaid at the end of accounting period	Nil	Nil
5.	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil

### 2.36 Disclosure of loans and advances pursuant to clause 32 of listing agreement

- ₹ 66.88 million (Previous year: ₹ 13.73 million) due from Edelweiss Alternative Asset Advisors Limited (maximum amount due at any time during the year ₹ 196.09 million; Previous year: ₹ 29.76 million)
- ₹ 350.90 million (Previous year: ₹ 155.54 million) due from Edelweiss Broking Limited (maximum amount due at any time during the year ₹ 589.39 million; Previous year: ₹ 922.52 million)
- ₹ 1,475.84 million (Previous year: ₹ 514.39 million) due from EC Commodity Limited (maximum amount due at any time during the year ₹ 5,810.18 million; Previous year: ₹ 5,158.72 million)
- ₹ 3,869.27 million (Previous year: ₹ 22,047.70 million) due from Edelweiss Trading & Holdings Limited and ₹ Nil from Comfort Projects Limited) due from Comfort Projects Limited (maximum amount due at any time during the year ₹ 32,217.76 million from Comfort Projects Limited; Previous year: ₹ 52,415.11 million from Edelweiss Trading and Holdings Limited and ₹ Nil from Comfort Projects Limited)

## Notes to the financial statements (*Continued*)

(Currency : Indian rupees in millions)

### 2.36 Disclosure of loans and advances pursuant to clause 32 of listing agreement (*Continued*)

- e. ₹ 2,001.62 million (Previous year: ₹ 104.40 million) due from ECap Equities Limited (maximum amount due at any time during the year ₹ 2,293.47 million; Previous year: ₹ 8,332.87 million)
- f. ₹ 2,546.35 million (Previous year: ₹ 314.84 million) due from Edel Commodities Limited (maximum amount due at any time during the year ₹ 4,851.95 million; Previous year: ₹ 519.26 million)
- g. ₹ 720.05 million (Previous year: ₹ 1,430.70 million) due from Edelcap Securities Limited (maximum amount due at any time during the year ₹ 5,832.78 million; Previous year: ₹ 8,464.84 million)
- h. ₹ 3,045.72 million (Previous year: ₹ 2,458.91 million) due from Edelweiss Finance & Investments Limited (maximum amount due at any time during the year ₹ 7,833.92 million; Previous year: ₹ 9,796.27 million)
- i. ₹ 84.57 million (Previous year: ₹ 44.24 million) due from Edel Land Limited (maximum amount due at any time during the year ₹ 84.57 million; Previous year: ₹ 168.55 million)
- j. ₹ 508.05 million (Previous year: ₹ 1,469.26 million) due from Edelweiss Securities Limited (maximum amount due at any time during the year ₹ 13,574.80 million; Previous year: ₹ 16,498.33 million)
- k. ₹ 68.38 million (Previous year: ₹ 64.43 million) due from Edelweiss Web Services Limited (maximum amount due at any time during the year ₹ 92.14 million; Previous year: ₹ 96.83 million)
- l. ₹ Nil (Previous year: ₹ Nil) due from Edelweiss Trustee Services Limited (maximum amount due at any time during the year ₹ Nil; Previous year: ₹ 0.50 million)
- m. ₹ 203.02 million (Previous year: ₹ 94.59 million) due from Edelweiss Global Wealth Management Limited (formerly Edelweiss Financial Products & Solutions Limited) (maximum amount due at any time during the year ₹ 799.01 million; Previous year: ₹ 3,791.85 million)
- n. ₹ 1,380.45 million (Previous year: ₹ 1,404.65 million) due from Edelweiss Employees Welfare Trust (maximum amount due at any time during the year ₹ 1,404.65 million; Previous year: ₹ 1,444.05 million)
- o. ₹ 636.74 million (Previous year: ₹ 533.42 million) due from Edelweiss Housing Finance Limited (maximum amount due at any time during the year ₹ 3,217.40 million; Previous year: ₹ 533.42 million)
- p. ₹ Nil (Previous year: ₹ Nil) due from Edelweiss Custodial Services Limited (maximum amount due at any time during the year ₹ Nil; Previous year: ₹ 1.10 million)
- q. ₹ 36.00 million (Previous year: ₹ 70.01 million) due from Edelweiss Financial Advisors Limited (maximum amount due at any time during the year ₹ 420.00 million; Previous year: ₹ 980.00 million)
- r. ₹ 1,652.30 million (Previous year: ₹ 8.38 million) due from Edelweiss Investment Advisors Limited (maximum amount due at any time during the year ₹ 1,652.30 million; Previous year: ₹ 178.00 million)
- s. ₹ Nil (Previous year: ₹ Nil) due from Edelweiss Tokio Life Insurance Company Limited (maximum amount due at any time during the year ₹ Nil; Previous year: ₹ 0.70 million)
- t. ₹ 8.69 million (Previous year: ₹ 1.79 million) due from Edelweiss Capital (Singapore) Pte. Limited (maximum amount due at any time during the year ₹ 8.98 million; Previous year: ₹ 1.82 million)
- u. ₹ 2,352.95 million (Previous year: ₹ 5,279.16 million) due from EC International Limited (maximum amount due at any time during the year ₹ 2,352.95 million; Previous year: ₹ 5,279.16 million)
- v. ₹ 639.13 million (Previous year: ₹ 140.91 million) due from ECL Finance Limited (maximum amount due at any time during the year ₹ 15,084.88 million; Previous year: ₹ 31,408.27 million)
- w. ₹ 9.61 million (Previous year: ₹ 13.74 million) due from Edelweiss Insurance Brokers Limited (maximum amount due at any time during the year ₹ 16.27 million; Previous year: ₹ 41.56 million)
- x. ₹ Nil (Previous year: ₹ Nil) due from Edelweiss Fund Advisors Private Limited (maximum amount due at any time during the year ₹ 0.10 million; Previous year: ₹ 1.45 million)
- y. ₹ 0.93 million (Previous year: ₹ Nil) due from Edelweiss Comtrade Limited (maximum amount due at any time during the year ₹ 1200.00 million; Previous year: ₹ Nil)

All the above loans are repayable on demand except for loan of ₹ 276.30 million (Previous year: ₹ 541.20 million) to Edelcap Securities Limited where repayment is as per contracted terms.

### 2.37 Cost sharing

The Company, being the holding company of Edelweiss group incurs expenditure like common senior management compensation cost, advertisement cost, rent expenditure, etc. which is for the common benefit of itself and certain subsidiary companies. This cost so expended is recovered as reimbursement from the subsidiaries on the basis of number of employees, area occupied, time spent by employees for other companies, actual identifications, etc. On the same lines, operational cost expended by the Company's Subsidiary for the benefit of the Company is reimbursed by the Company. Accordingly, and as identified by management, the expenditure heads in notes 2.23 and 2.25 are net of these reimbursements.

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.38 Impact of change in accounting policy

The Company has ceased to charge Brand Equity, Brand Protection, Brand Promotion fees to its subsidiaries from 1 April 2011. Had the Company continued to charge these fees, Advisory, rating support and other fees disclosed under Fee Income in the standalone financial results would have been higher by ₹ 438.00 million.

From 1 April 2011, the Company by virtue of its holding company activities has adopted the practice of charging its actual borrowing cost on the loans extended to its group companies. Consequently, in the standalone financial results, interest income amounting to ₹ 4,002.75 million has been netted against finance costs.

### 2.39 Transfer of Portfolio Management Services Business

The company has with effect from 2 February 2012 transferred its Portfolio Management Services business which forms part of the Agency business segment of the company on a going concern basis to its wholly owned subsidiary, Edelweiss Global Wealth Management Limited.

### 2.40 Secured Loans (non-convertible debentures)

Series of issue	Date of redemption	As at 31 March 2012	As at 31 March 2011
<b>Long Term</b>			
10.6% Debenture	29-Jul-13	100.00	-
10.6% Debenture	12-Jun-13	50.00	-
11.12% Debenture	16-Apr-13	70.00	-
J2K911	28-Feb-13	-	0.70
K2K915*	26-Feb-13	-	100.00
J2K904	18-Feb-13	-	7.20
I2J901*	31-Dec-12	-	3.00
K2K917*	31-Dec-12	-	20.00
K2K907*	28-Dec-12	-	36.00
K2K912*	28-Dec-12	-	59.00
K2K914*	28-Dec-12	-	46.90
H2H908*	26-Dec-12	-	5.00
G2H905*	14-Dec-12	-	5.00
G2H902	3-Dec-12	-	72.70
G2H903*	3-Dec-12	-	20.00
G2G906	30-Nov-12	-	1.00
H2H904	28-Nov-12	-	3.50
F2G907	16-Nov-12	-	55.00
F2G905	8-Nov-12	-	50.00
F2G901	6-Nov-12	-	5.00
F2F901	25-Oct-12	-	21.00
D2D903	27-Jul-12	-	1.00
D2D901	26-Jul-12	-	6.60
B2C901	8-Jun-12	-	0.50
B2B905	28-May-12	-	3.00
B2B902	18-May-12	-	2.00
A2A904	30-Apr-12	-	7.80
A2A905	27-Apr-12	-	2.00
A2B901	26-Apr-12	-	0.80
A2A901	3-Apr-12	-	1.50
A2A902	3-Apr-12	-	2.00
		<b>220.00</b>	<b>538.20</b>
<b>Current maturities of long term debt</b>			
J2K911	28-Feb-13	0.70	-
J2K904	18-Feb-13	7.20	-
I2J901*	31-Dec-12	3.00	-
H2H908*	26-Dec-12	5.00	-
G2H905*	14-Dec-12	5.00	-
G2H902	3-Dec-12	72.70	-
G2H903*	3-Dec-12	20.00	-
G2G906	30-Nov-12	1.00	-
H2H904	28-Nov-12	3.50	-
F2G907	16-Nov-12	55.00	-
F2G905	8-Nov-12	50.00	-
F2G901	6-Nov-12	5.00	-

## Notes to the financial statements (Continued)

(Currency : Indian rupees in millions)

### 2.40 Secured Loans (non-convertible debentures) (Continued)

Series of issue	Date of redemption	As at 31 March 2012	As at 31 March 2011
F2F901	25-Oct-12	21.00	-
D2D903	27-Jul-12	1.00	-
D2D901	26-Jul-12	6.60	-
B2C901	8-Jun-12	0.50	-
B2B905	28-May-12	3.00	-
B2B902	18-May-12	2.00	-
A2A904	30-Apr-12	7.80	-
A2A905	27-Apr-12	2.00	-
A2B901	26-Apr-12	0.80	-
A2A901	3-Apr-12	1.50	-
A2A902	3-Apr-12	2.00	-
C1C803	30-Jun-11	-	26.00
C1C804	30-Jun-11	-	33.00
C1C806	20-Jun-11	-	30.00
C1C807	20-Jun-11	-	20.00
D1D804	29-Jul-11	-	5.00
D1E807	5-Aug-11	-	23.00
E1F802	1-Sep-11	-	44.00
F1G801	3-Oct-11	-	33.00
F1G803	10-Oct-11	-	18.00
F1G808	11-Oct-11	-	50.00
F1G807	14-Oct-11	-	23.00
G1G809	17-Oct-11	-	12.00
G1G810	18-Oct-11	-	16.00
F1G806	4-Oct-11	-	35.00
G1H802	7-Nov-11	-	37.00
G1H801	8-Nov-11	-	37.00
H1H802	25-Nov-11	-	5.00
I1I801*	29-Dec-11	-	5.00
J2K902	17-Jan-12	-	2.00
K1K801	28-Feb-12	-	1.50
A1A803	29-Mar-12	-	3.00
		<b>276.30</b>	<b>458.50</b>

\* Non principal protected.

The non-convertible debentures other than non principal protected are redeemable at par.

Certain benchmark linked debentures have a clause for an early redemption event which is automatically triggered on the achievement of pre-determined benchmark index level(s).

### 2.41 Open interest in currency futures as at the balance sheet date (refer note 1.8):

Short position

Sr.No.	Name of future	Series of future	Number of contracts	Number of units involved
1	USD	26-Apr-12	46	45,900

**2.42** The Company has received demand notices from tax authorities on account of disallowance of expenditure for earning exempt income under section 14A(2) of Income Tax Act, 1961 read with Rule 8D of the Income Tax Rules, 1962. The company has filed appeal and is defending its position. Due to the lack of clarity on legal position relating to the application of Rule 8D, the outcome and quantification of the eventual tax liability on the company, if any, at this stage cannot be estimated. The Company has been advised by its tax counsel that it has a good chance in sustaining its position.

### 2.43 Prior year comparatives

Previous year figures have been regrouped and rearranged wherever necessary.

As per our report of even date attached.

For **B S R & Associates**  
Chartered Accountants  
Firm's Registration No.: 116231W

For and on behalf of the Board of Directors

**N Sampath Ganesh**  
Partner  
Membership No.: 042554

**Rashesh Shah**  
**Venkat Ramaswamy**  
**B Renganathan**

Chairman & Managing Director  
Whole-time Director  
SVP & Company Secretary

Mumbai | 16 May 2012

Mumbai | 16 May 2012



## Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Securities Limited	Edelweiss Finance & Investments Limited	ECL Finance Limited	Edelweiss Insurance Brokers Limited	Edelweiss Web Services Limited <sup>1</sup>	Edelweiss Global Wealth Management Limited	Edelweiss Trustee Services Limited	E Cap Equities Limited	Edelcap Securities Limited
	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012
Relevant financial period / year of the subsidiary ended on	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012
Number of Equity Shares held in Subsidiary	4,500,000	2,655,020	1,744,352,462	499,760	4,227,451	1,000,000	50,000	240,000	300,000
Paid up Equity Share Capital	45.00	26.55	1,891.85	6.95	42.27	10.00	0.50	2.40	3.00
Purchase consideration payable	864.51 *	-	-	-	-	-	-	-	-
Percentage of Equity Shares held in the subscribed capital of the Subsidiary	100.00	100.00	92.20	71.91	100.00	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the Company and is not dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	63.30	55.12	746.36	19.56	(20.05)	(12.06)	0.79	24.95	45.26
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	2,677.66	1,903.94	2,754.39	10.51	(2.80)	106.79	6.93	111.11	457.96
The net aggregate amount so far as it concerns members of the company and is dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	-	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	601.20	6.00	-	-	-	-	-	-	285.60

\* Pursuant to the Scheme of Arrangement ('the Scheme') approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad ('Order'), the securities business of Edelweiss Trading and Holdings Limited ('ETHL') has been merged with Edelweiss Securities Limited ('ESL') from 1 April, 2011 ('the Appointed Date'). The effective date of the Order is 12 May, 2012 ('the Effective Date').

In accordance with the Scheme, the value of the new equity shares to be issued for consideration payable by ESL to the shareholders of erstwhile ETHL (i.e. Edelweiss Financial Services Limited) aggregating to ₹ 864.51 million is disclosed as Purchase consideration payable.



**Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies (Continued)**  
(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edel Land Limited	Edelweiss Custodial Services Limited	Edelweiss Capital (Singapore) Pte. Limited	Edelweiss Alternative Asset Advisors Pte. Limited <sup>2</sup>	Edelweiss International (Singapore) Pte. Limited <sup>2</sup>	EW SBI Crossover Advisors LLC <sup>6</sup>	EC International Limited	Aster Commodities DMCC <sup>3</sup>	Allium Finance Private Limited <sup>5</sup>
	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012
Relevant financial period / year of the subsidiary ended on	50,000	4,750,000	13,800	3,000	6,000	25,000	125,000	11,000	830,000
Number of Equity Shares held in Subsidiary	0.50	47.50	0.43	0.10	0.19	1.27	6.20	153.20	8.30
Paid up Equity Share Capital	-	-	-	-	-	-	-	-	-
Purchase consideration payable	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Percentage of Equity Shares held in the subscribed capital of the Subsidiary									
The net aggregate amount so far as it concerns members of the Company and is not dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	(1.17)	37.82	(1.71)	(1.92)	(1.08)	2.17	1.05	621.44	1.56
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	8.47	34.47	(1.25)	(0.99)	(0.08)	NA	9.42	168.93	0.67
The net aggregate amount so far as it concerns members of the Company and is dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	-	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	-	-	-	-	-	NA	-	-	-

## Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies (Continued)

(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Tokio Life Insurance Company Limited	Edel Investments Limited	EAAA LLC <sup>4</sup>	E Cap International Limited <sup>3</sup>	EW India Special Assets Advisors LLC <sup>6</sup>	EW Special Opportunities Advisors LLC <sup>6</sup>	Comfort Projects Limited	Edelweiss Financial Advisors Limited <sup>7</sup>	Edelweiss Stock Broking Limited <sup>8</sup>
Relevant financial period / year of the subsidiary ended on	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012
Number of Equity Shares held in Subsidiary	111,000,000	870,000	101,001	101,001	25,000	25,000	-	6,064,400	3,500,070
Paid up Equity Share Capital	1,500.00	8.70	4.82	4.82	1.58	1.71	-	60.64	35.00
Purchase consideration payable	-	-	-	-	-	-	2,310.12*	-	-
Percentage of Equity Shares held in the subscribed capital of the Subsidiary	74.00	100.00	100.00	100.00	90.00	67.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the Company and is not dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	(133.72)	1.23	(10.45)	(0.69)	(6.72)	9.91	499.13	(30.65)	(4.30)
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	(82.55)	0.81	(3.15)	(0.94)	(8.47)	6.25	1,069.07	40.09	18.22
The net aggregate amount so far as it concerns members of the Company and is dealt with in the Company's accounts of Subsidiary									
(i) Profit/(Loss) for the financial period / year ended	-	-	-	-	-	-	-	-	-
(ii) Profit/(Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	-	-	-	-	-	-	-	-	-

\* Pursuant to the Scheme of Arrangement ('the Scheme') approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad ('Order'), Edelweiss Trading and Holdings Limited ('ETHL') has been merged with its wholly owned subsidiary, Comfort Projects Limited ('CPL') from 1 April, 2011 ('the Appointed Date'). The effective date of the Order is 12 May, 2012 ('the Effective Date'). Consequently, CPL has become the subsidiary of Edelweiss Financial Services Limited ('EFSL').

In accordance with the Scheme, the value of the new equity and preference shares to be issued for consideration payable by CPL to the shareholders of erstwhile ETHL aggregating to ₹ 2,310.12 million is disclosed as Purchase consideration payable.

**Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies (Continued)**  
(Currency : Indian rupees in millions)

Name of the Subsidiary Company	Edelweiss Comtrade Limited <sup>11</sup>	Edel Finance Company Limited <sup>8</sup>	Edelweiss Capital Markets Limited <sup>5</sup>	Edelweiss Investment Advisors Private Limited (Singapore) <sup>2</sup>	EFSL Commodities Limited <sup>9</sup>	Edel Commodities Trading Limited <sup>9</sup>	EFSL Comtrade Limited <sup>9</sup>	EdelGive Foundation
Relevant financial period / year of the subsidiary ended on	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012	31 March 2012
Number of Equity Shares held in Subsidiary	5,000,000	40,000	180,000	10,000	170,000	170,000	170,000	10,000
Paid up Equity Share Capital	50.00	4.00	1.80	0.34	1.70	1.70	1.70	0.10
Purchase consideration payable	-	-	-	-	-	-	-	-
Percentage of Equity Shares held in the subscribed capital of the Subsidiary	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
The net aggregate amount so far as it concerns members of the Company and is not dealt with in the Company's accounts of subsidiary								
(i) Profit / (Loss) for the financial period / year ended	13.78	(1.81)	(11.24)	(1.02)	(5.31)	(16.20)	(9.20)	0.34
(ii) Profit / (Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	12.78	(16.50)	(1.03)	-	NA	NA	NA	1.09
The net aggregate amount so far as it concerns members of the Company and is dealt with in the Company's accounts of Subsidiary								
(i) Profit / (Loss) for the financial period / year ended	-	-	-	-	-	-	-	-
(ii) Profit / (Loss) for the Previous financial years of the Subsidiary since it became the Company's Subsidiary	-	-	-	-	NA	NA	NA	-

The financial statements of foreign subsidiaries are converted into Indian Rupees on the basis of appropriate exchange rate.

- <sup>1</sup> held through Edelweiss Broking Limited
- <sup>2</sup> held through Edelweiss Capital (Singapore) Pte. Limited
- <sup>3</sup> held through EC International Limited
- <sup>4</sup> held through ECap International Limited
- <sup>5</sup> held through Comfort Projects Limited
- <sup>6</sup> held through EAAA LLC
- <sup>7</sup> held through Comfort Projects Limited and Edelweiss Finance & Investments Limited
- <sup>8</sup> held through Edelweiss Financial Advisors Limited
- <sup>9</sup> held through Edel Commodities Limited
- <sup>10</sup> held through Edelweiss Finance & Investments Limited
- <sup>11</sup> held through Edelweiss Securities Limited

**For and on behalf of the Board of Directors**

**Rashesh Shah**  
Chairman & Managing Director

**Venkat Ramaswamy**  
Whole-time Director

**B Renganathan**  
SVP & Company Secretary

Mumbai | 16 May 2012

## Notice

**NOTICE IS HEREBY GIVEN THAT THE 17<sup>TH</sup> ANNUAL GENERAL MEETING OF THE MEMBERS OF EDELWEISS FINANCIAL SERVICES LIMITED WILL BE HELD ON THURSDAY, JULY 26, 2012 AT 3.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT EDELWEISS HOUSE, OFF C.S.T. ROAD, KALINA, MUMBAI – 400 098 TO TRANSACT THE FOLLOWING BUSINESS:**

### **ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet of the Company as at March 31, 2012 and the Profit and Loss Account of the Company for the financial year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Berjis Desai who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Kunnasagaran Chinniah who retires by rotation and, being eligible, offers himself for re-appointment.
5. To re-appoint B S R & Associates, Chartered Accountants, (Firm's Registration No. 116231W) as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

### **SPECIAL BUSINESS**

#### **6. Appointment of Mr. Himanshu Kaji as a Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

**"RESOLVED** that Mr. Himanshu Kaji, who was appointed by the Board of Directors of the Company as an Additional Director and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing the candidature of Mr. Himanshu Kaji for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

#### **7. Appointment of Mr. Sunil Mitra as a Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

**"RESOLVED** that Mr. Sunil Mitra, who was appointed by the Board of Directors of the Company as an Additional Director and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing the candidature of Mr. Sunil Mitra for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

#### **8. Appointment of Mr. Himanshu Kaji as an Executive Director**

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**"RESOLVED** that subject to the provisions of Sections 198, 269, 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and any amendment, re-enactment, thereof, the Rules, Regulations, Guidelines and Circulars thereto, Mr. Himanshu Kaji be appointed as an Executive Director of the Company for a period of three years with effect from November 1, 2011 on the terms and conditions as mentioned below:

- (a) Salary Limit: Not to exceed ₹1,50,00,000/- per annum.
- (b) Performance Bonus: In addition to salary and perquisites, performance based bonus may also be made, up to 200% of salary limit and at such intervals as may be decided by the Board of Directors (hereinafter referred to as the 'Board' which expression shall also include the Remuneration Committee of the Board).
- (c) Perquisites: The following perquisites shall be paid to Mr. Himanshu Kaji and the expenditure incurred by the Company on perquisites shall be restricted to an amount equivalent to the annual salary:
  - i. Housing: Rent free residential accommodation will be provided by the Company in a place where Mr. Himanshu Kaji is posted. In case the accommodation is owned by the Company, an amount equivalent to 10% of his salary shall be taken as the perquisite value. In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance as per the Company Rules. The Company defray the expenses incurred on gas, electricity, water and furnishing for the residential accommodation.
  - ii. Medical Reimbursement: Expenses incurred for Mr. Himanshu Kaji and his family subject to a ceiling of one month's salary in a year or 3 month's salary over a period of 3 years.

- iii. Leave Travel Concession: Leave Travel Concession for Mr. Himanshu Kaji and his family in accordance with the Company Rules.
- iv. Club Fees: Fees of clubs subject to a maximum of 2 clubs.
- v. Personal Accident Insurance: Premium not to exceed ₹ 8,000/- per annum.
- vi. A chauffeur driven car(s) and telephone at residence for use on the Company's business.
- vii. Leave with full salary and perquisites as per the Company rules.
- viii. Payment of Gratuity as per the Company rules.

**FURTHER RESOLVED that** the consent of the Company be and is hereby given to the Board to vary the terms and conditions of the appointment of Mr. Himanshu Kaji from time to time as may be required.

**FURTHER RESOLVED that** where in any financial year during the currency of his tenure as an Executive Director, the Company has no profits or the profits are inadequate, a minimum remuneration be paid to Mr. Himanshu Kaji subject to the limits specified under the Companies Act, 1956.

**FURTHER RESOLVED that** the Board be and is hereby authorised to fix the remuneration payable to Mr. Himanshu Kaji in such manner as it deems fit within the above limits and to do all such acts, deeds and things that may be necessary to give effect to this Resolution.

**FURTHER RESOLVED that** subject to and in accordance with the provisions of the Act, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power on behalf of the Company to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

#### 9. Payment of Commission to the Non-Executive Directors

**To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

"**RESOLVED that** pursuant to the provisions of Section 309(4) and all other applicable provisions of the Companies Act, 1956 ("the Act"), approval of the members be and is hereby accorded for payment of commission of upto 1% of the net profits of the Company computed in accordance with Section 198 of the Act, to the Non-Executive Directors of the Company for a period of 5 years commencing April 1, 2012.

**FURTHER RESOLVED that** subject to and in accordance with the provisions of the Act, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary and with power on behalf of the Company to settle questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

**For and on behalf of the Board of Directors  
EDELWEISS FINANCIAL SERVICES LIMITED**

**B. Renganathan  
Sr. Vice President & Company Secretary**

May 16, 2012

Registered Office:  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098.

#### NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business is annexed hereto. The details in respect of Item Nos. 3, 4, 6 and 7 above, as required under Clause 49 of the Listing Agreement are annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**

3. Members/Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.

**4. Book Closure and Dividend**

The Register of Members and the Share Transfer Book of the Company will remain closed from July 16, 2012 to July 26, 2012 (both days inclusive).

Dividend, if declared, at the Annual General Meeting will be credited/dispatched between August 6, 2012 and August 11, 2012, to those persons or their mandates:

- a) whose names appear as Beneficial Owners as at the end of the business hours on July 14, 2012, in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
- b) whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Registrar & Share Transfer Agent on or before July 14, 2012.

**5. Nomination Facility**

Members holding shares in physical form may obtain the Nomination forms from the Company's Registrar & Share Transfer Agent.

Members holding shares in electronic form may obtain the Nomination forms from their respective Depository Participants.

**6. National Electronic Clearing Services (NECS) facility**

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the dividend will be credited through NECS facility at the locations identified by the Reserve Bank of India.

Members holding shares in physical form and who are desirous of availing this facility are requested to contact the Registrar & Share Transfer Agent of the Company.

Members holding shares in electronic form are requested to contact their respective Depository Participants.

**7. Bank Mandates**

In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate the Registrar & Share Transfer Agent under the signature of the Sole/First holder, the following information to be incorporated on the Dividend Warrants:

- I. Name of the Sole/First holder and the folio number
- II. Particulars of Bank Account viz.,
  - a) Name of the Bank
  - b) Name of the Branch
  - c) Complete address of the Bank with Pin code
  - d) Bank Account Number allotted by the Bank

8. In respect of the matters pertaining to Bank details, NECS mandates, nomination, power of attorney, change in name/address, etc., the members are requested to approach:

- the Company's Registrar & Share Transfer Agent, in case of shares held in physical form; and
- the respective Depository Participants, in case of shares held in electronic form.

In all correspondence with the Company/Registrar & Share Transfer Agent, members are requested to quote their account/folio numbers or DP ID and Client ID in respect of physical or electronic holdings, respectively.

9. Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to "Investors Education and Protection Fund" (Fund). No amount is due for transfer to the Fund.

10. Members desirous of getting any information in respect of the contents of the Annual Report are requested to forward the queries to the Company at least ten days prior to the Annual General Meeting so that the required information can be made available at the Meeting.

11. Members desirous of receiving the documents like notices, annual report and all other communications in electronic form may write to the Company at [efsl.shareholders@edelcap.com](mailto:efsl.shareholders@edelcap.com).



**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 6:-**

Mr. Himanshu Kaji was appointed as an Additional Director by the Board of Directors of the Company on November 1, 2011. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Himanshu Kaji holds office upto the date of the ensuing Annual General Meeting.

Mr. Himanshu Kaji is the Group Chief Operating Officer. Mr. Himanshu Kaji is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Stakeholder Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group.

Mr. Himanshu Kaji is a qualified Chartered Accountant with a post graduate diploma in securities law. Mr. Himanshu Kaji has over 20 years experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Himanshu Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange (BSE) between 1999-2002.

Keeping in view the rich and varied experience of Mr. Himanshu Kaji in the financial services sector, the Board is of the view that the Company will be immensely benefitted by his appointment as a Director.

The Board recommends for approval, the Ordinary Resolution as set out in Item No. 6 of the Notice.

None of the Directors except Mr. Himanshu Kaji is concerned or interested in this item of business.

**ITEM NO. 7:-**

Mr. Sunil Mitra was appointed as an Additional Director by the Board of Directors of the Company on December 7, 2011. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Sunil Mitra holds office upto the date of the ensuing Annual General Meeting.

Mr. Sunil Mitra holds a bachelor's degree in Science from Delhi University and belongs to the 1975 batch of the Indian Administrative Service. He possesses rich and varied experience in public administration and general management having held diverse positions in Government of India such as Disinvestment Secretary, Revenue Secretary & Finance Secretary. During his stint with the Ministry of Finance, Government of India, Mr. Sunil Mitra was involved in the design of significant tax reforms.

During his earlier stint with the West Bengal Government, Mr. Sunil Mitra was responsible for designing and implementing widespread policy reforms in the State-owned public sector undertakings. He also played an important role in the successful demutualization of the Calcutta Stock Exchange.

The Board is of the view that the Company will be immensely benefitted with the appointment of Mr. Sunil Mitra as a Director on the Board and, therefore, recommends for approval, the Ordinary Resolution as set out in Item No. 7 of the Notice.

None of the Directors except Mr. Sunil Mitra is concerned or interested in this item of business.

**ITEM NO. 8:-**

The Board of Directors of the Company had, subject to the approval of the members, appointed Mr. Himanshu Kaji as an Executive Director for a period of three years w.e.f. November 1, 2011.

**DETAILS OF THE COMPANY****I. GENERAL INFORMATION**

## i. Nature of Industry:

The Company along with its subsidiaries provide wide range of financial services.

The Company has grown from a boutique investment bank to a diversified financial conglomerate providing credit and engaged in capital markets, assets management services, commodities, life insurance and treasury functions, operating through the Company and its subsidiaries. The services provided inter alia include investment banking, institutional equities, securities broking, private client brokerage, asset management, wealth management, client advisory services, wholesale financing, housing finance and treasury operations.

Being a company engaged in the financial services sector, a substantial portion of the total cost is incurred on Human Resources who manage the business which is distinct from the other sectors.

## ii. Date or expected date of commencement of commercial production: N.A.

## iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: N.A.

## iv. Financial performance:

The net profits of the Company has grown from ₹ 587.25 million for the financial year ended March 31, 2011 to ₹ 686.34 million for the financial year ended March 31, 2012

The consolidated net profit has decreased from ₹ 2,330.16 million for the financial year ended March 31, 2011 to ₹ 1,227.43 million for the financial year ended March 31, 2012.

## v. Export performance and net foreign exchange collaborations: N.A.

## vi. Foreign investments or collaborators, if any:

During the financial year ending March 31, 2012, the Company has made foreign investments of ₹ 46 million (including loans given at gross value) in its wholly-owned subsidiaries abroad.

**II. DETAILS OF THE APPOINTEE**

## i. Background:

Mr. Himanshu Kaji is the Group Chief Operating Officer. He is a qualified Chartered Accountant and has over 20 years experience in the financial services sector. Before joining Edelweiss in 2009, he was corporate advisor to various large companies in the financial services sector. Mr. Himanshu Kaji was Honorary Treasurer & Official Spokesman and Director of Bombay Stock Exchange between 1999-2002.

## ii. Past Remuneration:

The gross remuneration drawn by Mr. Himanshu Kaji was ₹ 87,78,286/- during the financial year ended March 31, 2011.

## iii. Recognition and Awards:

None.

## iv. Job profile and suitability:

As the Group Chief Operating Officer, Mr. Himanshu Kaji is responsible for the overall functioning of the Corporate Planning, Operations, Technology, Business Solutions, Governance, Compliance, Finance, Planning, Stakeholder Relations, Global Risk, Resources, Legal and Administration departments of the Group. He is involved in formulating strategy and providing vital inputs for the effective functioning of the Group.

## v. Remuneration Proposed:

The remuneration proposed to be paid to Mr. Himanshu Kaji shall comprise of annual salary not exceeding ₹ 1,50,00,000/-, performance based bonus payments upto 200% of the amount of salary and perquisites up to an amount equivalent to the annual salary, as per the details provided in the resolution.

## vi. Comparative remuneration profile:

The remuneration proposed to be paid to Mr. Himanshu Kaji is not directly comparable with other entities in the financial sector due to the diverse nature of business, but is broadly in line with other corporates engaged in similar operations.

## vii. Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any: Mr. Himanshu Kaji is not related to any other Director of the Company.

**iii. OTHER INFORMATION**

## i. Reasons of loss or inadequate profits:

The Company had adequate profits during the previous financial year. As a prudent measure, the approval of the members is being sought in order to remunerate Mr. Himanshu Kaji and other Directors in executive capacity in the event of inadequacy of profits in any financial year.

## ii. Steps taken or proposed to be taken for improvement:

While the profits of the Company is presently adequate, the Company constantly endeavours to enhance the ambit of services provided and increase its market presence.

## iii. Expected increase in productivity and profits in measurable terms.

The Company expects increase in the profits in line with the increase in its activity and market penetration.

The Board recommends for approval the Special Resolution as set out in Item No. 8 of the Notice.

None of the Directors except Mr. Himanshu Kaji is concerned or interested in this item of business.

**ITEM NO. 9:-**

The members at the 12<sup>th</sup> Annual General Meeting of the Company held on September 12, 2007, had passed a Special Resolution for payment of commission of upto 1% per annum of the net profits of the Company to the Non-executive Directors of the Company for a period of five years commencing April 1, 2007. The said Special Resolution was in force upto March 31, 2012.

Pursuant to Section 309(4) of the Companies Act, 1956, a director other than a director in whole-time employment of the Company can be paid remuneration by way of commission upto 1% of the net profits of the Company. Approval of the members of the Company is required for the payment of remuneration to the non-executive directors by way of commission.

Accordingly, it is proposed to pass a special resolution seeking the approval of the members for payment of commission of upto 1% of the net profits of the Company to the Non-executive Directors of the Company for a further period of five financial years commencing April 1, 2012.

The Directors recommend passing the Resolution set out in Item No. 9 of the Notice as a Special Resolution.

The Non-executive Directors of the Company may be deemed to be concerned or interested in this item of business.

**For and on behalf of the Board of Directors**  
**EDELWEISS FINANCIAL SERVICES LIMITED**  
**B. Renganathan**  
**Sr. Vice President & Company Secretary**

May 16, 2012

Registered Office:  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai – 400 098.

**Details of Directors seeking appointment/re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

Particulars	Mr. Berjis Desai	Mr. Kunnasagaran Chinniah	Mr. Himanshu Kaji	Mr. Sunil Mitra
Date of Birth	August 2, 1956	May 10, 1957	August 24, 1965	June 24, 1951
Date of Appointment	November 18, 2009	June 5, 2007	November 1, 2011	December 7, 2011
Experience in functional Area	Has rich and varied experience of more than 3 decades in the legal field.	Has more than 2 decades experience in private equity sector.	Has more than 2 decades of experience in the financial services sector.	IAS (Retd.) having rich and varied experience in administrative and general management
Qualification	Masters in Law	<ul style="list-style-type: none"> <li>• B. E. (Electrical) National University of Singapore</li> <li>• MBA degree from the University of California (Berkeley)</li> <li>• Chartered Financial Analyst</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Institute of Chartered Accounts of India.</li> <li>• Diploma in Securities Law</li> <li>• Bachelor of Commerce</li> </ul>	Bachelor in Science
Directorship in other Companies (Public Limited Companies)	<ul style="list-style-type: none"> <li>• Sterlite Industries (India) Limited</li> <li>• The Great Eastern Shipping Company Limited</li> <li>• NOCIL Limited</li> <li>• Praj Industries Limited</li> <li>• Emcure Pharmaceuticals Limited</li> <li>• Greatship (India) Limited</li> <li>• Deepak Nitrite Limited</li> <li>• Himatsingka Seide Limited</li> <li>• DCW Limited</li> <li>• Adani Power Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Reid &amp; Taylor (India) Limited</li> <li>• Asset Reconstruction Company (India) Limited</li> </ul>	Nil	<ul style="list-style-type: none"> <li>• West Bengal State Electricity Distribution Company Limited</li> <li>• The Calcutta Stock Exchange Limited</li> </ul>
Membership of committees of other Public Limited Companies (Audit Committee and Shareholders'/Investors' Grievance Committee only)	<ul style="list-style-type: none"> <li>• Sterlite Industries (India) Limited</li> <li>• The Great Eastern Shipping Company Limited</li> <li>• NOCIL Limited</li> <li>• Praj Industries Limited</li> <li>• Emcure Pharmaceuticals Limited</li> <li>• Greatship (India) Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Reid &amp; Taylor (India) Limited</li> </ul>	Nil	Nil
No. of shares held in the Company	Nil	Nil	Nil	Nil

## NOTES

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## NOTES



## Edelweiss Financial Services Limited

Registered Office: Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai - 400098

### Attendance Slip

(To be signed and handed over at the entrance of the meeting venue)

Regd. Folio No.:

No. of Shares held :

DP ID\*

Client ID\*

Full Name of the Member (in Block Letters) \_\_\_\_\_

Name of the Proxy \_\_\_\_\_

(To be filled-in if the Proxy Form has been duly deposited with the Company)

I hereby record my presence at the 17<sup>th</sup> ANNUAL GENERAL MEETING of the Company on Thursday, July 26, 2012 at 3.00 p.m. at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai - 400 098.

\_\_\_\_\_  
Members / Proxy's Signature  
(To be Signed at the time of handing over this slip)

\* Applicable for members holding shares in electronic form.

Note : Members are requested to bring their copies of the Annual Report to the meeting.



## Edelweiss Financial Services Limited

Registered Office: Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai - 400098

### Proxy Form

Regd. Folio No.:

No. of Shares held :

DP ID\*

Client ID\*

I/We \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

being a member / members of the above-named Company hereby appoint Shri \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

\_\_\_\_\_ or failing him Shri \_\_\_\_\_

as my / our proxy to vote for me / us on my / our behalf at the 17<sup>th</sup> ANNUAL GENERAL MEETING of the Company on Thursday, July 26, 2012 at 3.00 p.m. at the Registered Office of the Company at Edelweiss House, Off C.S.T. Road, Kalina, Mumbai - 400 098 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Signature \_\_\_\_\_

Affix  
Revenue  
Stamp

\* Applicable for members holding shares in electronic form.

Note : This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.



# Year 2011-12 @Edelweiss



The 7<sup>th</sup> Edelweiss India Conference held across Delhi and Mumbai saw representatives of the Government, Think Tanks as well as the thought leaders of corporate India.

The mega launch of Edelweiss Tokio Life Insurance in October 2011 was attended by Shuzo Sumi, President, Tokio Marine Holdings amongst many other esteemed guests. The launch saw a subsequent roll out of over 31 offices across 22 cities of the country through the year.



Edelweiss Institutional Equities was proud to celebrate its 10<sup>th</sup> anniversary. In the short span of a decade, Edelweiss is the largest domestic institutional broking house.



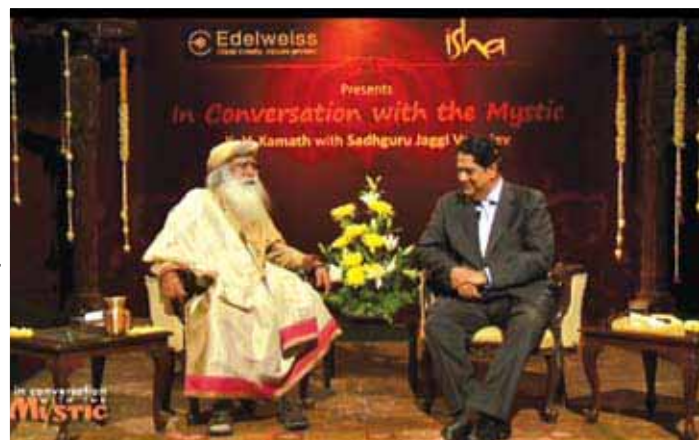
The first-of-its-kind, “Convergence—The Edelweiss Private Companies Conference” witnessed a huge response and served as a platform for more than 50 unlisted companies to present their vision and growth outlook to over 150 private and public markets investors.





Customer centricity is a group-wide service language to orient all products and services towards the needs of the customer. The batch of 20 “Course Leaders” have been trained by internationally acclaimed experts in achieving superior service and will cascade this culture through the organisation.

Edelweiss hosts an evening of conversation between Sadhguru Jaggi Vasudev and K.V. Kamath.



The EdelGive Social Innovation Honours (ESIH) is a national-level awards programme that recognises innovative work that catalyses change in India. The awards were given this year by well known actor and social activist Rahul Bose.



Edelweiss was awarded Best Advisory Broker, Asia at the Exchanges & Brokers Awards 2012, organised by London based World Finance magazine.





The Shot-Ts and Business Insight series are cross-functional knowledge sharing platforms for Edelweiss employees to interact with business leaders and share information on business and other topics of interest.



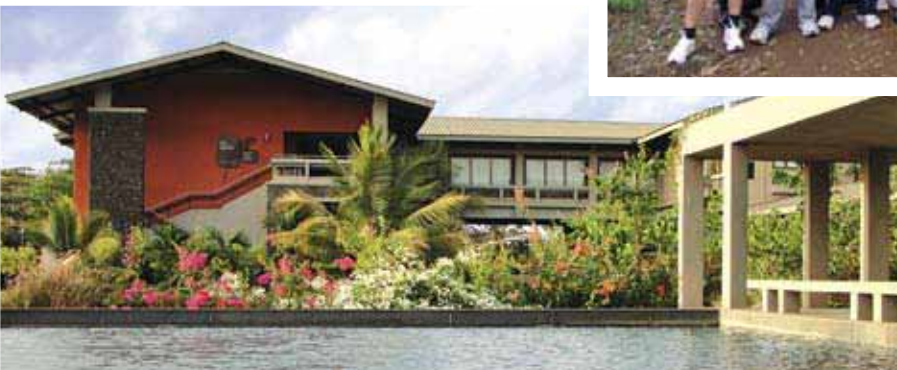
Edelweiss employees regularly contribute to EdelGive Foundation, investing their time, expertise and finance. Currently over 100 employees contribute to various institutions through the Employee Engagement Programme.



Edelweiss strongly believes in nurturing leadership through trainings and team offsites. These help set business challenges and opportunities for the year ahead.

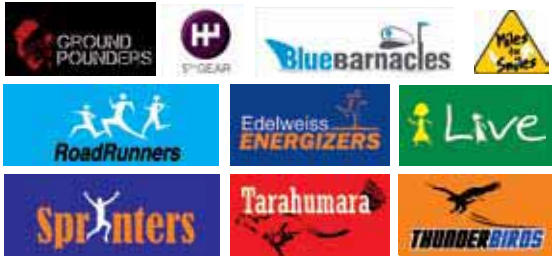


The Edelweiss Adventure Club enjoyed a number of trekking and adventure trips out of the city on weekends!



Edelweiss' corporate and leadership training initiative, the Fountainhead Leadership Centre at Alibaug with state-of-the-art conferencing, residential and recreational facilities hosted several corporates through the year and has been used extensively by Edelites for training and workshops.

The EdelHealth Marathon through the Sanjay Gandhi National Park in Mumbai saw Edelites and their families enthusiastically participate and win prizes.



Edelites participated whole heartedly in the Mumbai Marathon 2012 with 10 teams running for various EdelGive investees. The total collection through the month long initiative crossed ₹ 5 million.



Edelweiss is awarded the "Most Enthusiastic Participating Team" at the NSE Investothon in 2012.



Edelweiss encourages its employees to join the Striders group to prepare for the annual Mumbai Marathon and train through the year to stay healthy.

The EdelHealth Workplace Ergonomics session saw a packed house of employees as Dr. Ramchandani, from QI Lifecare Spine Rehab Centre taught Edelites the correct working posture and eye exercises to stay fit.

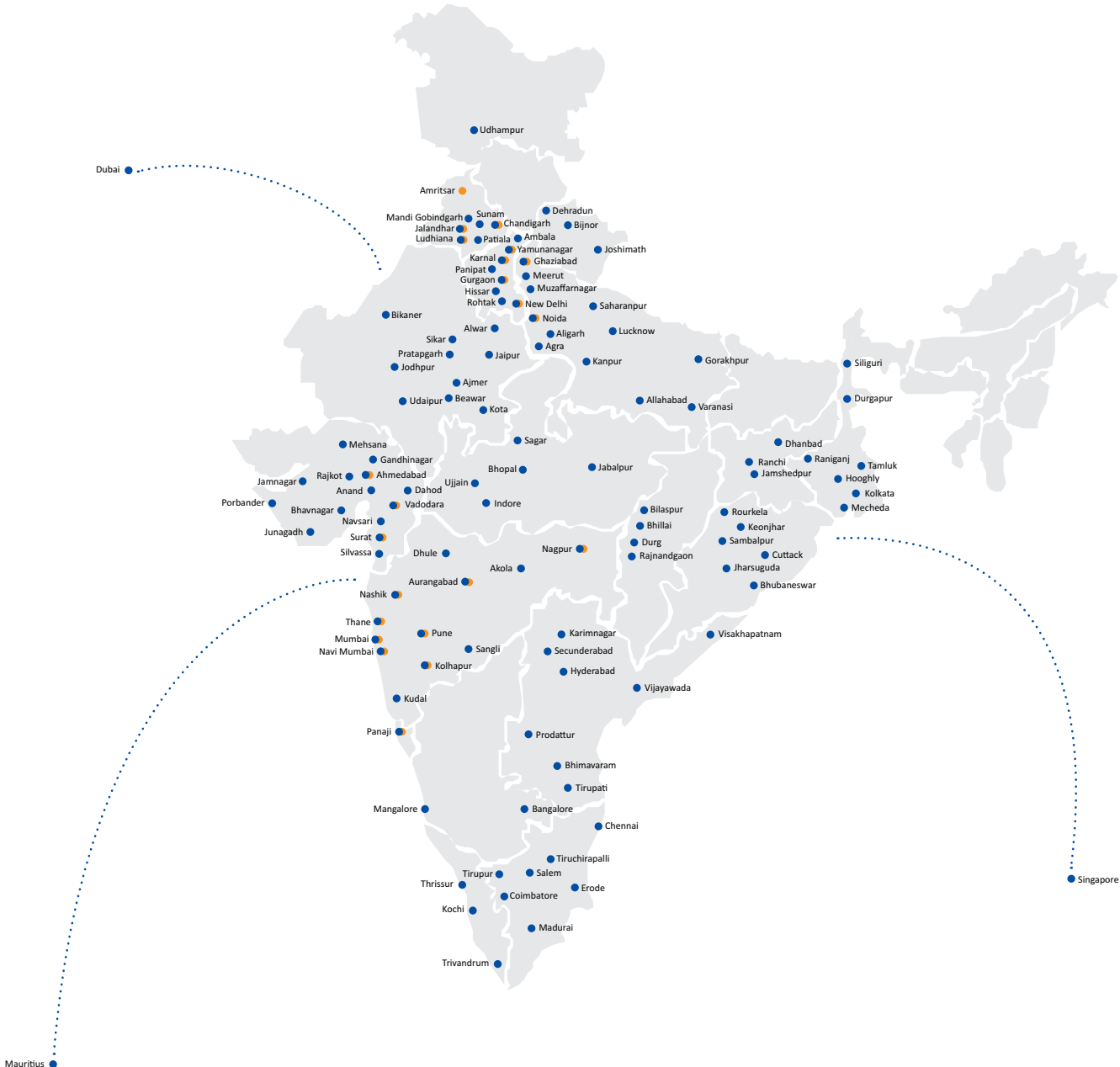


The Edelweiss Corporate Style Icons Contest saw much excitement in the office as those who imbibe the true Edelweiss spirit in attire and attitude were voted for by their peers.



# Presence of Edelweiss and Edelweiss Tokio Life Insurance in major cities

- Edelweiss
- Edelweiss Tokio Life Insurance



Map not to scale



Head Office:  
Edelweiss Financial Services Limited  
Edelweiss House, Off C.S.T. Road,  
Kalina, Mumbai - 400 098.  
Maharashtra, India.  
[www.edelweissfin.com](http://www.edelweissfin.com)

