KEYNOTE

Special Situation

Edelweiss Financial Services Ltd.

12th August 2025

Strategic realignment: Value unlock in independent verticals

Edelweiss Financial Services Limited (EFSL) is a diversified financial services platform with businesses spanning across asset management, lending, and insurance. Its asset management (alternatives and mutual funds) businesses are capital-light and fee-based, while the lending (NBFC, housing finance) and asset reconstruction segments represent its capital heavy businesses. The Company also operates in insurance (life and general insurance), catering to both retail and institutional customers. Between FY12–19, EFSL witnessed a high-growth phase as it expanded into multiple verticals. However, following a period of internal and external disruptions and high debt levels, post-FY19 the group has strategically pivoted from a financial conglomerate to a structure with independently run businesses in various segments. With this shift, the focus has now turned to improving profitability, deleveraging and unlocking value across each of these verticals. Management has articulated a clear intent to unlock value through strategic stake sales and listing of key businesses.

Strategic transformation & value unlocking

EFSL has been undergoing a strategic transformation, shifting focus from a traditional credit-led financial player to a platform of independently run, fee-based, asset-light businesses. A key part of this transition is the Company's emphasis on value unlocking. This unbundling was deliberate as EFSL wanted each business to have strategic autonomy and its own capital/resource pool. Management has outlined a clear path to unlock value through strategic sales, listings, and spin-offs of key subsidiaries, aiming to maximize value in the core businesses. EFSL is aiming to monetise and deliver value to shareholders as each vertical matures.

In line with this transformation, the Company remains focused on strengthening its balance sheet and liquidity position. EFSL has already taken significant steps to reduce its debt which stood at peak level of Rs. 490 Bn in FY18, which has been reduced to Rs. 180 Bn in FY25. The Company plans to further reduce this debt significantly, using proceeds from its value unlocking initiatives to improve its capital structure.

Individual businesses growing in the right trajectory

EFSL's individual businesses are growing well and on the right trajectory. The Company has successfully reduced its exposure to the wholesale credit segment and now focuses on building a retail loan franchise, with a special emphasis on the co-origination model. This model is enabling a more diversified and granular portfolio. Meanwhile, the Edelweiss Alternatives Asset Advisors (EAAA) division is seeing strong growth, with AUM increasing by 19% annually over FY21-25. The mutual fund business has continued to grow its AUM, particularly equity AUM, and the insurance businesses are progressively improving in scale, with breakeven expected by FY27.

Valuation

EFSL offers a compelling sum-of-parts opportunity, with the market significantly undervaluing its underlying businesses. The successful Nuvama listing and the DRHP filing for EAAA signal a clear roadmap for value unlocking. At a current market cap of ~Rs. 88 Bn, the stock trades well below intrinsic value, with EAAA alone likely to list at ~Rs. 58-69 Bn. With further value unlocking steps expected over the next 4–5 years, the risk-reward remains favourable, offering downside protection and meaningful upside.

BUY

CMP Rs. 94

TARGET Rs. 184 (+95.7%)

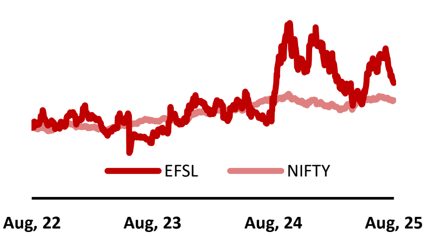
Company Data

Bloomberg Code	EDEL IN
MCAP (Rs. Mn)	88,448
O/S Shares (Mn)	945.8
52w High/Low	146/71
Face Value (in Rs.)	1
Liquidity (3M) (Rs. Mn)	665

Shareholding Pattern %

	Jun 25	Mar 25	Dec 24
Promoters	32.7	32.7	32.7
FIIs	25.3	28.2	26.9
DIIs	3.8	3.1	3.2
Non-Institutional	38.2	36.0	37.2

EFSL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY23	FY24	FY25
Revenue	84.8	95.0	90.8
PBT	3.8	4.4	8.0
Net Profit	3.4	4.2	4.0
Total Assets	429	414	398
ROCE (%)	10%	11%	11%
ROE (%)	5%	6%	7%

Source: Company, Keynote Capitals Ltd.

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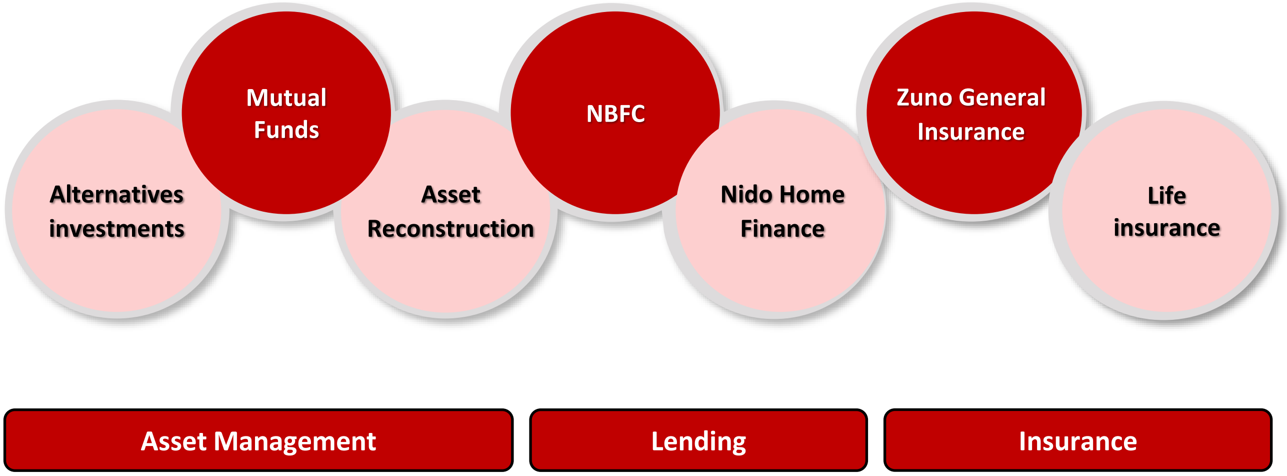
About Edelweiss Financial Services Limited (EFSL)

Established in 1995 as a merchant banking business, EFSL has, over the years, transformed into a diversified financial services group. The Company offers services across various divisions such as alternative investment services, mutual funds, NBFC lending, asset reconstruction, and life and general insurance. These services are provided to institutional, corporate, and retail clients across India. This broad presence has been built through a combination of organic expansion and strategic acquisitions.

Since 2019, the Company has been undergoing a strategic transformation to simplify its conglomerate structure. It is now organized into 7 independently managed verticals, each with dedicated leadership and individual business focus. The ongoing focus is on unlocking value through IPOs, demergers, and other structural initiatives aimed at enhancing transparency, improving capital efficiency, and reducing leverage across the platform. Chairman Rashesh Shah has clearly stated his intent to unlock value by stating: “We don’t want to remain a hold-co where businesses are trapped. The Nuvama unlock is visible; the next one is Alternatives.”

Business Segments



Source: Company, Keynote Capitals Ltd.

Business	Start Year
Alternatives	2007
NBFC	2007
Mutual Funds	2008
Asset reconstruction	2008
Nido Home Finance	2011
Life Insurance	2011
Zuno General Insurance	2018

Source: Company, Keynote Capitals Ltd.

Business evolution

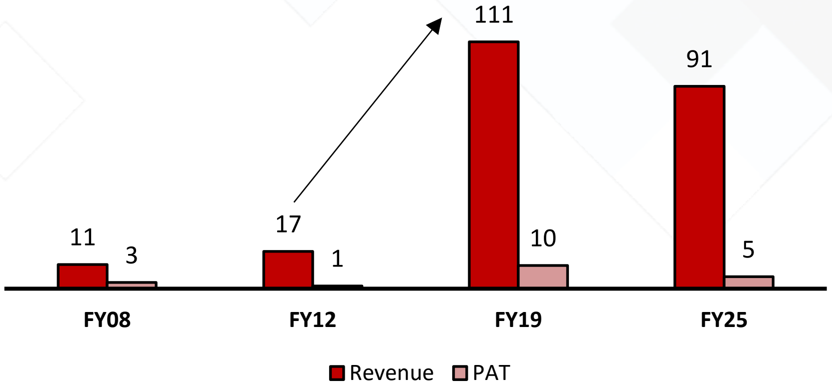
	Capital market foundation **1995-08**	*Diversification & Expansion* **2009-18**	*Unbundling & Strategic Repositioning* **2019-25**
Trigger event	Started operations as a merchant banker and later started insurance broking	Global Financial Crisis (2008)	Regulatory issues, high debt levels and IL&FS crisis
Impact	EFSL's growth was led almost entirely by capital market linked businesses	Overdependence on capital markets exposed revenue volatility and concentration risk	Pressure from overexposure to wholesale lending and high debt levels
Steps taken	- Focused on merchant banking and capital market activities and built credibility	- Strategic decision to diversify into credit (NBFC), insurance, and asset management - Launched ARC in 2007, Mutual funds in 2008, Life Insurance in 2011	- Strategic pivot from conglomerate to independently run businesses - Focus on retail, co-lending, asset-light models - Value unlocking: Nuvama Wealth spin-off in FY24 - Reduced wholesale book and group net debt - Sale of insurance broking business

Source: Company, Keynote Capitals Ltd.

Why the strategic transformation?

Although EFSL began incubating new verticals as early as 2007-08, the real inflection came during FY12-19 when the Company scaled rapidly across credit, alternatives, insurance and asset reconstruction.

Rapid expansion from FY 12-19 (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

However, the expansion, outpaced the evolution of internal controls, risk frameworks, management bandwidth and capital cushions. By FY19 the Company's wholesale-book concentration, instances of sector-wide regulatory breaches, and external shocks such as the IL&FS crisis and the Covid-19 pandemic exposed gaps in governance and capital efficiency. Recognising these vulnerabilities, the board initiated a Company wide strategic redesign:

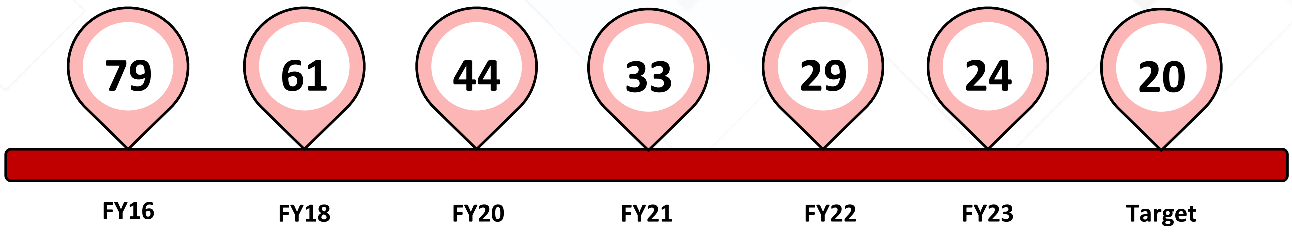
Simplify the architecture	Collapse the conglomerate model into 7 stand-alone, independently governed businesses to improve transparency and sharpen leadership accountability
Re-balance the balance sheet	Pivot from an asset-heavy, NBFC-centric structure to fee-based businesses, systematically run down the wholesale credit book and reduce consolidated leverage.
Institutionalize controls	Embed tighter risk, liquidity and compliance frameworks that align with the heightened regulatory landscape
Unlock embedded value	Surface hidden equity through calibrated IPOs, stake sales and demergers, thereby attracting capital, strategic partners and providing direct value accretion to shareholders.

Source: Company, Keynote Capitals Ltd.

Simplification of corporate structure

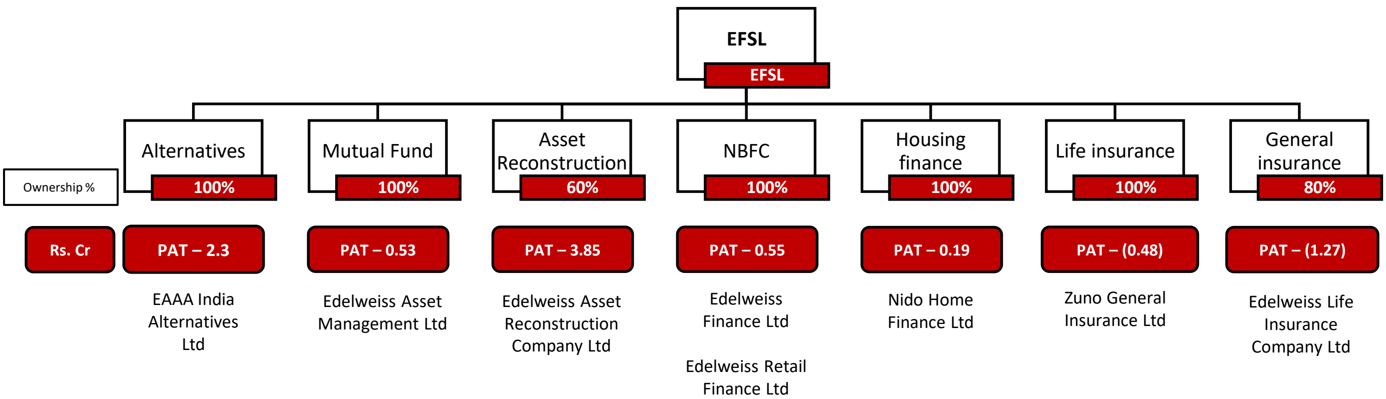
As part of its diversification journey, EFSL launched multiple businesses across lending, insurance, asset management, and advisory, leading to a highly complex corporate structure over time. Recognising the inefficiencies of managing such scale, the Company undertook a rationalisation of its legal entities. As a result, the total entity count has come down from 79 in FY16 to 24 by FY23, with a further reduction target to 20.

Number of entities



Source: Company, Keynote Capitals Ltd.

The corporate structure has now been significantly streamlined, with each business housed under a single, key operating entity.



Source: Company, Keynote Capitals Ltd.

Value unlock trigger for each business

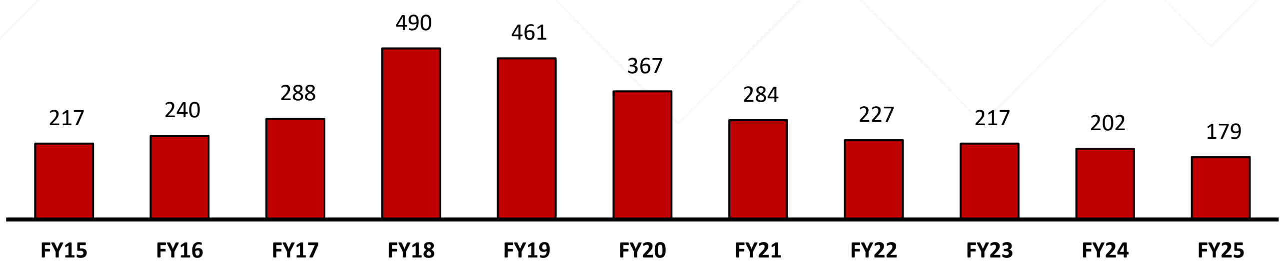
Business	Value unlock triggers
Alternatives (EAAA)	DRHP filed in Dec 24 and management expect to list by Q1FY27
Mutual Funds	AUM has grown from Rs. 229 Bn to Rs. 1,418 Bn over FY20-25. Equity now forms 44% of total AUM. Management believes current scale justifies exploring listing possibilities.
Asset reconstruction	Management anticipates value unlocking to follow the next revival in the NPA cycle which is expected after 3–4 years, once resolution activity picks up.
NBFC	Management commentary indicates that listing or monetisation will follow stabilization of the loan book post wholesale cleanup and sustained profits.
Nido Home Finance	Management has indicated its intent to achieve double-digit ROE. In our view, any value unlocking should logically follow the attainment of this milestone.
Zuno General Insurance	Expected breakeven by FY27 as per management guidance; value unlocking to follow scale-up and profitability.
Life Insurance	Expected breakeven by FY27 as per management guidance; value unlocking to follow scale-up and profitability.

Source: Company, Keynote Capitals Ltd.

Debt reduction and balance sheet strategy

At its peak in FY18, EFSL carried a consolidated gross debt of ~Rs. 500 Bn. Much of this was used to support operations and growth within group entities, especially credit linked businesses. The model was inherently balance sheet-heavy, with significant exposure to wholesale lending. Recognising the vulnerabilities of this approach, the Company initiated a decisive shift post 2019 to deleverage the balance sheet by reducing wholesale loan book and focus on fee-based business and asset light lending through co lending models.

Borrowings (Rs. Bn)

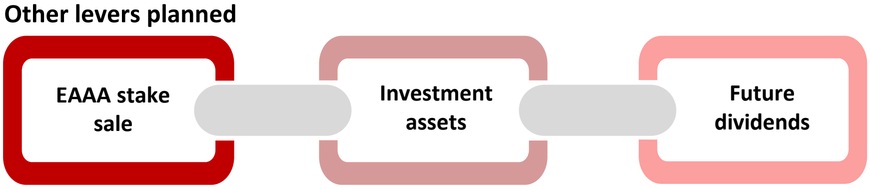


Source: Company, Keynote Capitals Ltd.

Funding sources for deleveraging

The PAG-led stake sale in Nuvama's wealth management business in 2021 brought in Rs 20 Bn for EFSL. Later, after the demerger, selling the remaining 14% stake fetched another ~Rs 30 Bn. Together, these proceeds helped the Company repay a significant portion of its debt. Further, profits from fee-based units like alternatives and mutual funds flow back to repay debt. Lower debt improves credit ratings and trims borrowing costs for the lending arms, which lifts their returns.

Other levers planned



10–20% sale targeted, expected proceeds Rs. 15-20 Bn

~Rs. 20 Bn assets identified for liquidation over next two years

Dividends from profitable verticals expected to generate Rs. 4–5 Bn annually

Source: Company, Keynote Capitals Ltd.

FY26 Outlook – Corporate debt repayment

The Company aims to reduce debt across business verticals in line with their respective strategies. At the consolidated level, management has targeted corporate debt to come down to Rs. 25-30 Bn by FY26, with a total repayment plan of Rs. 38 Bn already in place.

Opening Rs. 63 Bn − Net repayment Rs. 38 Bn = Closing Rs. 25 Bn

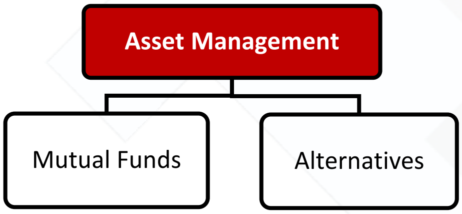
Source: Company, Keynote Capitals Ltd.

This will assist in cleaning up the balance sheet, lower interest expenses, and improve flow-through to pre-tax profitability.

While reducing corporate leverage remains a priority, the broader strategy includes unlocking value through strategic monetisation of its businesses.

EAAA (alternatives)

EFSL's asset management operations include 2 verticals;



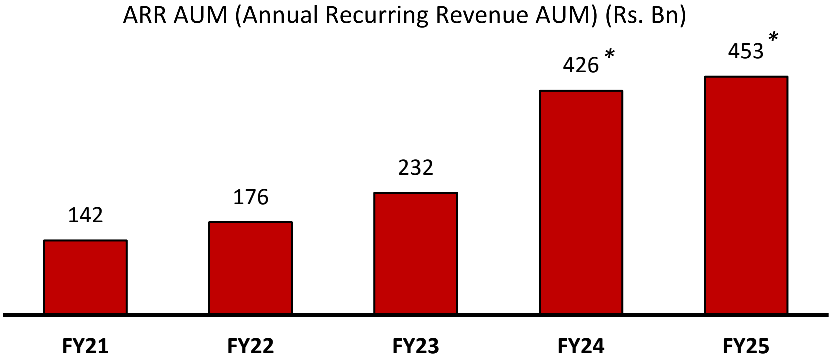
Source: Company, Keynote Capitals Ltd.

EFSL entered the alternatives space in 2007 as an early mover in the industry and launched its first fund the following year. However, growth in this segment was significantly driven by the acquisitions of Forefront Capital in 2014 and Ambit Alpha fund in 2016 (~Rs. 11 Bn AUM). The segment further emerged as a core growth engine after the 2019 strategic overhaul. Before then, most attention and capital were tied up in wholesale lending and other credit businesses. The 2019 pivot deliberately pushed fee-based, capital-light businesses, led by alternatives, to center stage.

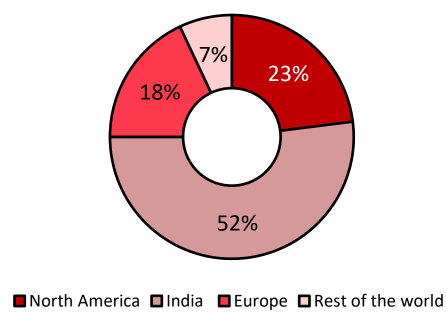
As of FY25, EAAA is primarily anchored in two verticals: private credit (65% of AUM) and real assets (34% of AUM). Notably, the private credit and infrastructure space in India remains relatively concentrated, with only 8–10 institutional platforms. In contrast, private equity is far more fragmented, with over 80 active players. This lack of segmentation in alternatives space presents a unique competitive advantage for scaled platforms like EFSL.

For leading the business, Mr. Amit Agarwal and Mr. Subahoo Chordia have been appointed as CEOs. The AUM has grown at a strong pace in recent years.

ARR AUM (Annual Recurring Revenue AUM) (Rs. Bn)



Geography wise AUM (FY25)



** - For FY24 and FY25, the reporting metric has been changed from Fee paying AUM to ARR AUM and hence numbers were restated*

Source: Company, Keynote Capitals Ltd.

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR*
Revenue	1.6	2.8	4.0	5.0	6.7	*42%*
As a % of ARR AUM	*1.2%*	*1.6%*	*1.7%*	*1.2%**	*1.5%**	
PAT	0.1	0.5	1.6	1.8	2.3	*101%*

** - Metric for ARR AUM changed, therefore % appears to be lower*

Source: Company, Keynote Capitals Ltd.

Value unlocking

EAAA is already IPO-ready, with its DRHP filed. The Company has received certain observations from SEBI regarding revenue classification and the Company is expected to re-file the documents soon. The Company plans to divest a 10-20% stake in the business during IPO.

Expected details of IPO	
Filed	December 2024
Sale stake in IPO	10-20%
Amount raised	Rs. 15-20 Bn
Purpose	Debt repayment
Expected listing	Q1FY27

Source: Company, Keynote Capitals Ltd.

AUM is growing with steady inflows and profitability (currently ~50 bps of AUM) has room to improve with scale and the management is targeting to grow it by 25-30%. If the business is valued based on its intrinsic value, the estimated valuation stands at Rs. 58–69 Bn (considering Rs. 2.3 Bn PAT in FY25 and a multiple of 25–30x). A 25–30x P/E multiple is considered given the asset-light model and annuity like fee income that supports earnings visibility. The platform is already profitable, with steady AUM growth of 19% from FY21-25. Unlike capital intensive lending models, this segment requires minimal incremental capital to scale, enabling margin expansion.

Mutual Funds

EFSL forayed into the mutual fund business in 2008, but the segment gained real traction following the acquisition of Forefront Capital in 2014 and JP Morgan AMC India in 2016. EFSL aimed to accelerate its entry into the mutual fund space by acquiring an existing platform rather than building from scratch. The acquisition gave EFSL a ready AUM base of Rs. 40 Bn at that time and a team of 35+ employees. Currently, the mutual funds arm offers 61 schemes across categories as of FY24.

Business evolution

Foundation 2015-2017

Founded in 2008

Acquired JP Morgan AMC India business in 2016 and gained Rs. 40 Bn of AUM

36th

Build up 2017-2022

Scaled the business to provide entire service offerings of a mutual fund

20th

Growth 2022-present

Growth of equity AUM became the main focus as revenue and value is significantly higher in equity AUM as compared to debt AUM.

13th

Industry ranking based on Equity Average AUM

Source: Company, Keynote Capitals Ltd.

EFSL initially established itself as a dominant player in passive debt strategies. In recent years, however, the business has pivoted towards building a stronger equity presence, driven by the structurally higher fee potential and profitability of active equity management.

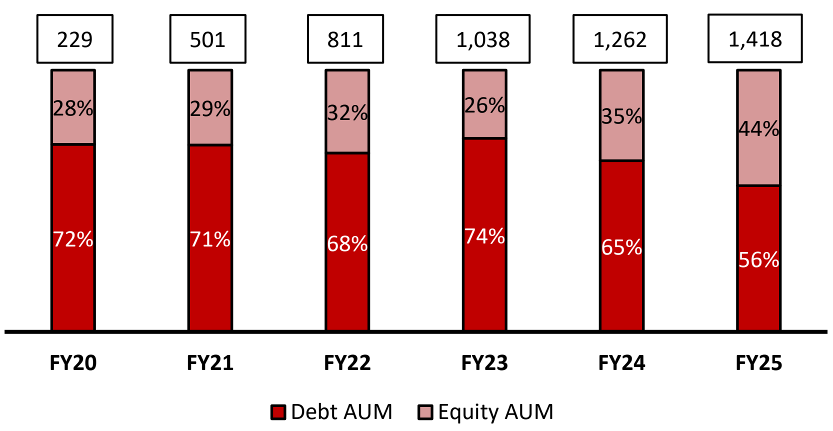
As part of this, EFSL is now:

- Targeting 20–25% growth in equity AUM
- Investing in third-party retail distribution
- Leveraging digital platforms to widen investor access

Source: Company, Keynote Capitals Ltd.

Reflecting this strategic shift, equity AUM has grown at a 57% CAGR over FY20–25, tilting the business mix in favor of higher-fee products.

Mutual fund AUM (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

The total AUM grew by 44% over FY20-25 as against industry AUM growing at 24%.

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR*
Revenue	1.2	1.7	1.7	2.6	2.5	*20%*
As a % of AUM	*0.24%*	*0.21%*	*0.16%*	*0.20%*	*0.17%*	
PAT	0.05	0.2	0.2	0.4	0.5	*80%*

Source: Company, Keynote Capitals Ltd.

Mutual funds are structurally lower-margin across the industry, PAT as a % of AUM in the alternatives business is typically ~3x higher than mutual funds

As the equity share rises and digital distribution scales, margin expansion in the MF business remains a medium-term lever. The management is targeting to achieve PAT level profitability of 10-15 bps of revenue (Currently 4 bps). The equity AUM contribution to total AUM has grown to certain extent in the past few years, and the Company has been able to increase its market share as well.

Equity AUM	FY20	FY25
Market share %	0.7%	1.3%
AUM	Rs. 65 Bn	Rs. 625 Bn

Source: Company, Keynote Capitals Ltd.

IPO Outlook

Management earlier indicated that an IPO for the mutual fund business would be explored once the platform achieved meaningful scale and sustained profitability. With AUM now exceeding Rs. 1,400 Bn, the business appears well-positioned for strategic actions. Management has stated that a stake sale is expected in FY26. Together, the EAAA and mutual fund stake sales are expected to raise Rs. 20 Bn for debt reduction.

Valuation [Metrics – FY25]

Rs. Bn	AUM	Mcap	Mcap as a % of AUM	Rev as a % of AUM	PAT as a % of AUM
HDFC AMC Ltd	7,740	1,210	16%	0.40%	0.23%
Nippon Life India AMC Ltd	5,572	519	9%	0.45%	0.34%
Aditya Birla Sun Life AMC Ltd	3,817	247	6%	0.44%	0.25%
UTI AMC Ltd	3,398	167	5%	0.43%	0.23%
EFSL	**1,418**	**31-41**	**2-3%**	**0.17%**	**0.04%**

MCap as on 6th August, 2025
Source: Company, Keynote Capitals estimates

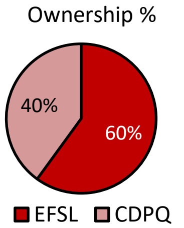
Given EFSL's relatively smaller AUM base, the current dominance of debt-oriented assets and lower profitability (PAT - 0.04% of AUM), we have valued the business at ~2-3% of its existing AUM. This estimate does not yet factor in the potential upside from the growing share of equity AUM.

Rs. Bn	AUM	Mcap as a % of AUM	Mcap
Equity	625	3-4%	19-25
Debt	793	1.5-2.0%	12-16
Total	**1,418**	**2-3%**	**31-41**

Source: Company, Keynote Capitals Ltd.

Asset Reconstruction

Edelweiss Asset Reconstruction Company (EARC) remains the largest ARC platform in India, commanding a market share of ~25%. The business primarily acquires NPAs (Non-Performing Assets) from banks and financial institutions and derives revenues through management fees and upside linked to recoveries. Notably, EARC operates as a joint platform, with EFSL holding a 60% stake and the remaining 40% owned by global pension fund CDPQ (Caisse de dépôt et placement du Québec), which entered the partnership in 2016 by acquiring a 20% stake and later increased it to 40% in 2020.

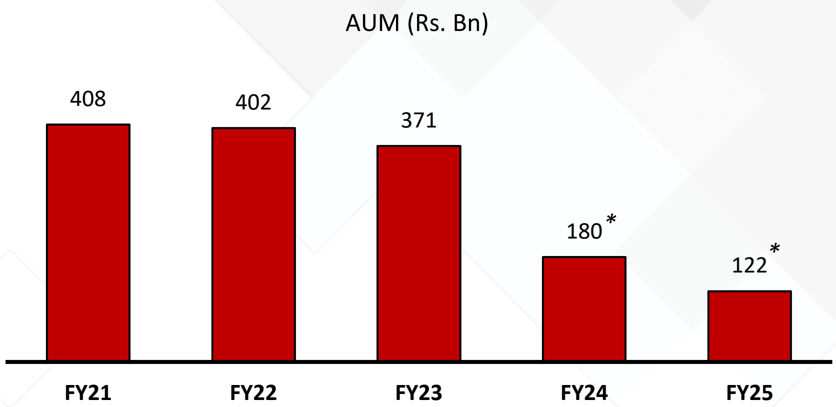


Source: Company, Keynote Capitals Ltd.

During FY25, EARC faced a temporary regulatory restriction from the RBI, which barred the acquisition of any assets between May and December 2024. The decline in AUM reflects the halt on new purchases combined with successful recoveries. The restriction was subsequently lifted following corrective actions undertaken by the Company. Despite regulatory headwinds, the ARC business continues to be a key profit engine for EFSL, contributing ~66% to PBT in FY25. Cumulative recoveries as of FY25 stood at Rs. 575 Bn, underscoring EFSL's resolution capability.

Strategic focus

In line with its strategic pivot, the ARC is increasingly focused on retail resolutions. Notably, 100% of the assets acquired in Q4FY25 were retail in nature, comprising portfolios such as home loans and SME loans originated by banks and NBFCs. This shift towards retail is expected to enhance asset churn, improve recovery visibility, and reduce concentration risk.



AUM decline in FY25 is due to RBI restriction on new asset purchases

** - For FY24 and FY25, the reporting metric has been changed from total AUM to fee paying AUM and hence numbers were restated*

Source: Company, Keynote Capitals Ltd.

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR %*
Revenue	8.7	9.0	10.0	10.7	8.8	*0%*
PAT	1.9	2.5	3.2	3.6	3.9	*20%*

Source: Company, Keynote Capitals Ltd.

Value Unlocking

Until Feb 2025, the regulatory framework governing the public listing of ARCs lacked clarity. The RBI's explicit confirmation authorising ARCs to access capital markets, removed this uncertainty and opened the door to a potential IPO of EARC.

Because ARC performance is inherently tied to the NPA cycle, the business is currently subdued: sector-wide NPAs are at cyclical lows, transaction volumes are limited, and earnings momentum remains modest. Accordingly, management is likely to defer any listing until the next upturn in stressed-asset supply, likely in 3-4 years, when deal flow should recover and market valuations are apt to be more compelling.

This is a deeply cyclical business, it delivers double-digit ROEs during high NPA phases but single-digit ROEs during low NPA cycle due to limited availability of stressed assets.

Valuation

Since there are no listed peers in the asset reconstruction space, we value Edelweiss ARC (EARC) using a P/E-based approach. A valuation multiple of 12–15x has been applied, factoring in the structurally high ROE potential during industry upcycles, while also accounting for the ongoing softness in India's stressed asset market. ARC earnings tend to be countercyclical and volatile, so this multiple reflects a reasonable discount to other asset-light financial businesses like AMCs, which typically trade at 20–35x P/E. Despite earnings variability, EARC's dominant ~25% market share, strong bank relationships, and execution strength justify this range. Applying the 12–15x multiple to FY25 PAT of Rs. 3.85 Bn results in an implied valuation of Rs. 46–58 Bn for EARC.

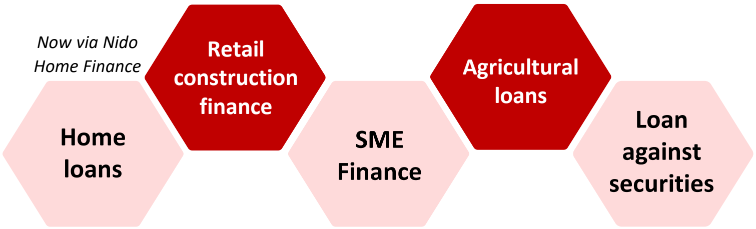
NBFC

EFSL launched its credit business in 2007, with an initial focus on corporate lending (structured, collateralised credit to mid-to-large corporates). Over the subsequent decade, the business scaled meaningfully, reaching a total credit book (Retail + Wholesale) of Rs. 357 Bn by FY18. At that time, wholesale credit formed the bulk of the portfolio, with a significant share of exposures to real estate developers and structured loans to corporate clients.

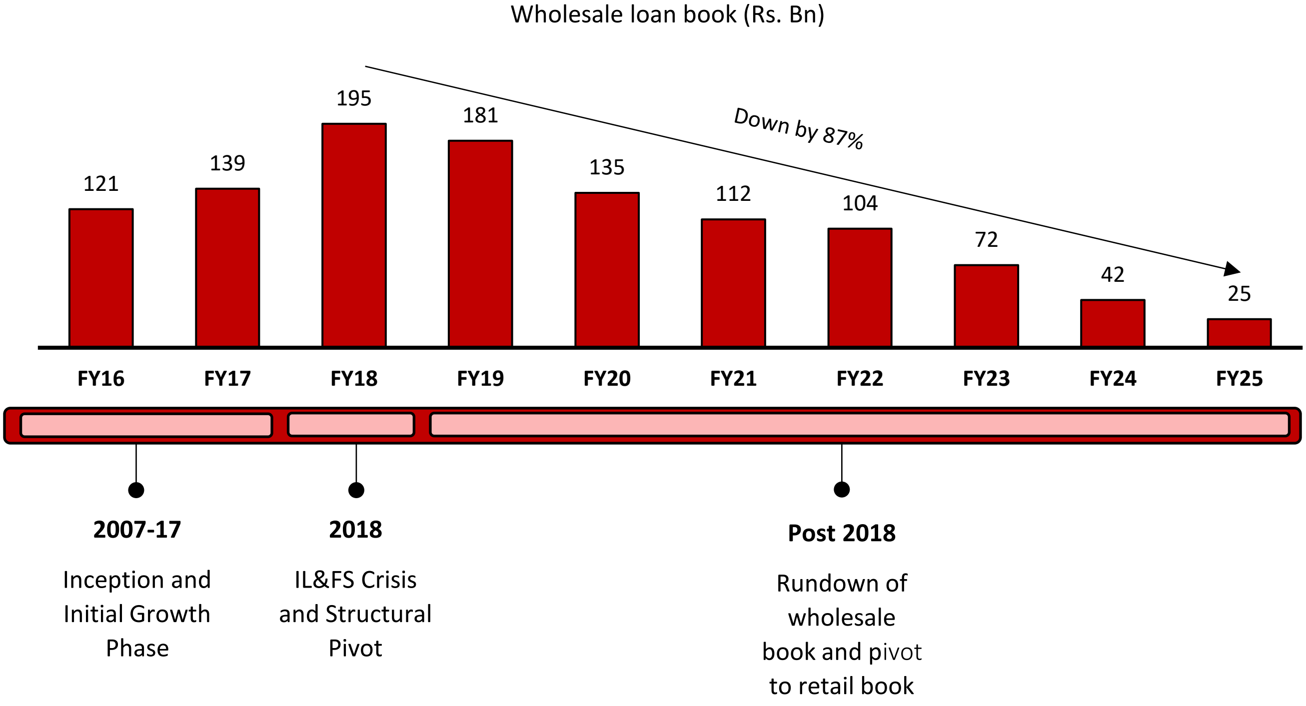
The strategy, however, underwent a structural shift following the IL&FS crisis in September 2018. The default by IL&FS triggered a systemic liquidity crunch across the NBFC space, sharply curtailing access to funding. EFSL, with its large wholesale exposures (particularly in real estate) was significantly impacted.

In the years that followed, EFSL pivoted its lending operations toward an asset-light retail lending model, underpinned by co-lending partnerships.

Retail credit includes products like:



Source: Company, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.

Rs. Bn	FY21	FY22	FY23	FY24	FY25
Net revenue	4.4	3.6	3.1	2.9	2.1
PAT	0.3	1.0	1.4	1.5	0.6

Source: Company, Keynote Capitals Ltd.

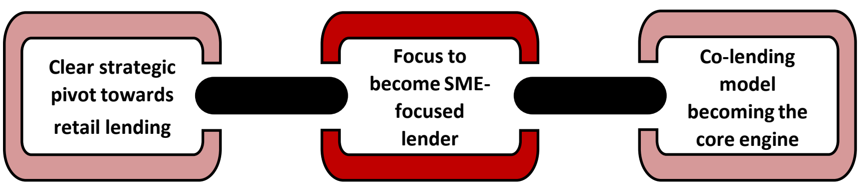
Key metrics (FY25)

Particulars	Rs. Bn	*Change % YoY*
AUM (exclusive of Home Finance)	36	*-48%*
Loan Book	13	*-37%*
GNPA	2.66%	*20 bps*
NNPA	1.54%	*10 bps*

Source: Company, Keynote Capitals Ltd.

The AUM (Rs. 36 Bn) continues to remain significantly higher than the on-book loan portfolio (Rs. 13 Bn), underscoring the increasing adoption of the Co-Lending Model (CLM). Asset quality metrics (GNPA – 2.7% and NNPA – 1.5%) have stayed within a stable and reasonable range, particularly after the COVID-related peak. The strategic shift towards retail lending is expected to further strengthen asset quality over time.

Future outlook



Source: Company, Keynote Capitals Ltd.

EFSL's NBFC business is amid a strategic transformation, from a balance-sheet heavy wholesale lender to an asset-light, retail and SME-focused franchise. Execution on co-lending partnerships and SME lending will be critical, with Mr. Ajay Khurana (ex-Bank of Baroda) onboarded to lead this pivot. The SME book is expected to exceed the wholesale book by the end of FY26, reflecting a decisive shift in the portfolio mix. If executed well, the business could see improved RoEs, lower credit risk (driven by granularity), and stronger capital efficiency over the next 2–3 years, potentially setting the stage for a value unlocking event. The management has guided for 30-35% growth in retail disbursements going forward.

Valuation [Metrics – FY25]

Rs. Bn	Mcap	Net Worth	P/B	AUM	GNPA %	NNPA %	NIM %
Poonawalla Fincorp Ltd	344	82	4.2	356	1.8%	0.9%	6.6%
SBFC Finance Ltd	112	32	3.5	87	2.7%	1.5%	10.2%
Five-Star Business Finance Ltd	173	63	2.8	119	1.8%	0.9%	16.8%
Ujjivan Small Finance Bank Ltd	84	61	1.4	321	2.2%	0.5%	8.3%
Equitas Small Finance Bank Ltd	65	61	1.1	380	2.9%	1.0%	7.5%
UGRO Capital Ltd	20	20	1.0	120	2.3%	1.6%	6.8%
EFSL	**21**	**21**	**1.0**	**36**	**2.7%**	**1.5%**	**3.1%***

MCap as on 6th August, 2025
** - Computed as Net revenue/ Closing AUM*
Source: Company, Keynote Capitals estimates

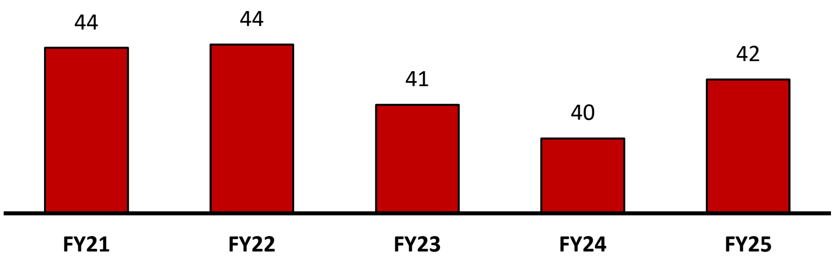
Listed NBFCs currently trade between 1.0x and 4.3x P/B, with higher multiples commanded by larger players with stronger franchises. EFSL's NBFC business, however, remains at a small scale currently due to the markdown of wholesale book and is undergoing a transition toward a co-lending model. While structurally positive, this model limits on-book growth. Given these factors, we assign a conservative 1.0x P/B multiple for EFSL.

Nido Home Finance

EFSL entered the home finance segment in October 2010, marking a strategic move to diversify its credit portfolio across asset classes. Initially focused on expanding its presence in secured lending, the Company deepened its retail foray in FY13 by launching small-ticket housing finance, targeting underserved customer segments. It primarily serves low-income, new-to-credit, and informal-income borrowers, with a strong focus on affordability (~90% of its customers in FY24 had loan ticket sizes under Rs. 3 Mn).

The platform was rebranded in Q4FY23 as Nido Home Finance. Having focused on cleaning up the wholesale book so far, the retail business is now expected to grow with a renewed focus.

AUM (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR %*
Net revenue	1.6	1.9	1.5	1.7	2.0	*5%*
PAT	0.0	0.1	0.2	0.2	0.2	*48%*

Source: Company, Keynote Capitals Ltd.

Asset light, RoE focused strategy

Nido will continue following an asset-light model by originating loans through co-lending partnerships with banks. This structure helps maintain capital efficiency by keeping loans off-balance sheet and reducing risk-weighted assets. In FY24, 29% of disbursements (Rs. 17 Bn) came via the co-lending route. The business is targeting double-digit RoE within the next 18 months, supported by increased fee income from these co-lending arrangements.

Key Metrics (FY25)

Particulars	Rs. Bn	*Change % YoY*
AUM	42	*7%*
Loan Book	32	*5%*
GNPA	2.2%	*70 bps*
NNPA	1.8%	*60 bps*

Source: Company, Keynote Capitals Ltd.

Value Unlocking

Looking ahead, EFSL has articulated plans to unlock value from the platform by onboarding a strategic investor and eventually pursuing a separate listing for Nido Home Finance. The management is optimistic about the growth prospects as well and is targeting 20-25% loan book growth in FY26.

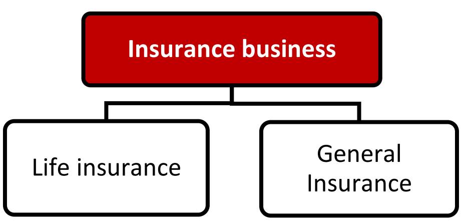
Valuation [Metrics – FY25]

Rs. Bn	Mcap	Net Worth	P/B	AUM	GNPA %	NNPA %	NIM %
Home First Finance Company India Ltd	127	25	5.1	127	1.7%	1.3%	5%
Aptus Value Housing Finance India Ltd	171	43	4.0	109	1.2%	0.9%	13%
AAVAS Financiers Ltd	134	44	3.1	204	1.1%	0.7%	8%
EFSL	**17**	**8**	**2.0**	**42**	**2.2%**	**1.8%**	**5%***

MCap as on 6th August, 2025
** - Computed as Net revenue/ Closing AUM*
Source: Company, Keynote Capitals estimates

Peer housing finance companies are trading at 3–6x P/B, supported by larger AUM bases and stronger asset quality. In contrast, EFSL's home finance business remains significantly smaller in scale, with an AUM of Rs. 42 Bn. Moreover, its asset quality metrics, GNPA at 2.2% and NNPA at 1.8%, are weaker than peers, reflecting higher risk. Given these factors, we assign a lower P/B multiple of 2.0x, which captures both the early-stage scale and relatively inferior asset quality of this segment.

Insurance business

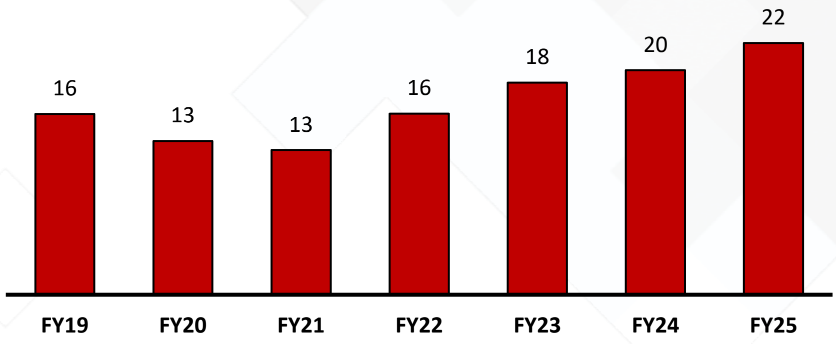


Source: Company, Keynote Capitals Ltd.

EFSL entered the life insurance space in 2011 through a JV with Tokio Marine Holdings, Inc., one of the world's oldest and largest insurance firms. The entity was initially branded as Edelweiss Tokio Life Insurance (ETLI) and was rebranded as Edelweiss Life Insurance Company Ltd in FY25. With an initial capital infusion of Rs 5.5 Bn, among the largest for any new entrant in the industry, EFSL demonstrated a clear strategic intent to build a long-term presence in this space.

Since inception, the Company has invested a total of Rs 27.5 Bn into the life insurance business. It achieved embedded value breakeven in FY23, and Q4 FY25 marked its first quarter of profitability at the PAT level. However, it is important to note that Q4 is typically the strongest quarter for life insurers due to seasonal tailwinds from tax-linked sales and reserve adjustments. As such, the business is expected to return to losses in upcoming quarters, and a sustained full-year PAT breakeven is expected only by FY27. These milestones are broadly in line with industry precedents, where most private life insurers have taken 9–12 years to achieve profitability on a consistent basis.

Embedded Value (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

While operational progress has been encouraging, the business remains in its early stages of scale, with a market share of less than 1% in the overall life insurance industry.

Key metrics (FY25)

Particulars	Rs. Bn	*Change % YoY*
GWP (Gross Written Premium)	20.9	*8%*
AUM	93.7	*17%*
Solvency ratio	181%	-
APE (Annualised Premium Equivalent)	5.8	*12%*
13M - Persistency	75%	*(300 bps)*
Claim settlement ratio	99.3%	-

Source: Company, Keynote Capitals Ltd.

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR %*
Total Income*	18.7	19.0	20.0	29.5	28.1	*11%*
PAT	-2.0	-2.0	-2.0	-1.6	-1.3	-

** - Including investment income*
Source: Company, Keynote Capitals Ltd.

Zuno General Insurance

EFSL entered the general insurance business in 2018 and has been able to scale the business. The business primarily focuses on the motor and health insurance segments.

Gross Written Premium (GWP) growing from Rs 1.6 Bn in FY20 to Rs 10.1 Bn in FY25 (a 6.4x increase). The market share (excluding crop segment) increased from 0.09% in FY20 to 0.32% in FY24.

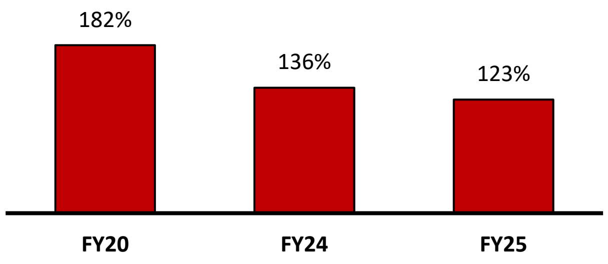
Profitability

Rs. Bn	FY21	FY22	FY23	FY24	FY25	*CAGR %*
Total Income*	2.1	2.9	3.9	6.0	8.2	*42%*
PAT	-0.9	-1.1	-1.3	-1.2	-0.5	-

** - Including investment income*
Source: Company, Keynote Capitals Ltd.

Financially, the Company is making losses at the PAT level and is on a path to profitability. The Company is growing at a rapid scale because of its small size currently and losses declined by 61% during FY25, with the combined ratio improving to 120–123% from 136% in FY24. Management is targeting further improvement in Combined Ratio (COR) to 114–115% in FY26 and eventually to 105% at breakeven. The breakeven milestone is expected to be achieved by FY27.

Combined ratio (%)



Source: Company, Keynote Capitals Ltd.

Particulars (FY25)	Rs. Bn	*Change YoY*
GWP (Gross Written Premium)	10.1	*19%*
Net Premium Income	5.8	*44%*
Investment & other income	2.4	*21%*
AUM	13.8	-
Solvency Ratio	158%	-

Source: Company, Keynote Capitals Ltd.

Looking ahead, Zuno aims to maintain a growth rate 2x that of the industry while enhancing scale benefits. The Company is actively expanding its distribution partnerships, particularly with auto OEMs, while also strengthening its presence in Tier 2 and Tier 3 markets through asset-light models. A core strategic priority remains enhancing customer experience. Zuno continues to invest in innovation and digital capabilities to deliver a seamless customer experience that drives customer acquisition and retention.

Value unlocking

The insurance business of EFSL remains in the early stages of its evolution, with limited scale and profitability yet to be established. The Company is currently focused on expanding its market share across both life and general insurance segments. It is targeting breakeven by FY27, which would mark a critical inflection point and pave the way for potential listing opportunities in the medium term.

Valuation

Life Insurance [Metrics – FY25]

Rs. Bn	Mcap	Embedded Value	P/ EV	AUM	13M Persistency
HDFC Life Insurance Company Ltd	1,605	554	2.9	3,363	87%
SBI Life Insurance Company Ltd	1,864	703	2.7	4,480	87%
Max Financial Services Ltd	510	252	2.0	1,751	88%
ICICI Prudential Life Insurance Company Ltd	891	480	1.9	3,094	89%
Life Insurance Corporation of India	5,693	7,769	0.7	54,523	75%
EFSL	**22**	**22**	**1.0**	**94**	**75%**

MCap as on 6th August, 2025
Source: Company, Keynote Capitals estimates

While the industry average Price to Embedded Value (P/EV) multiple for leading life insurers is around 2x, we apply a more conservative 1x P/EV multiple to EFSL's life insurance business. This reflects its relatively small scale, lack of sustained profitability, and weaker persistency metrics versus peers. Importantly, with breakeven still 2 years away, the path to profitability remains a key execution risk, justifying a discounted valuation approach.

General Insurance [Metrics – FY25]

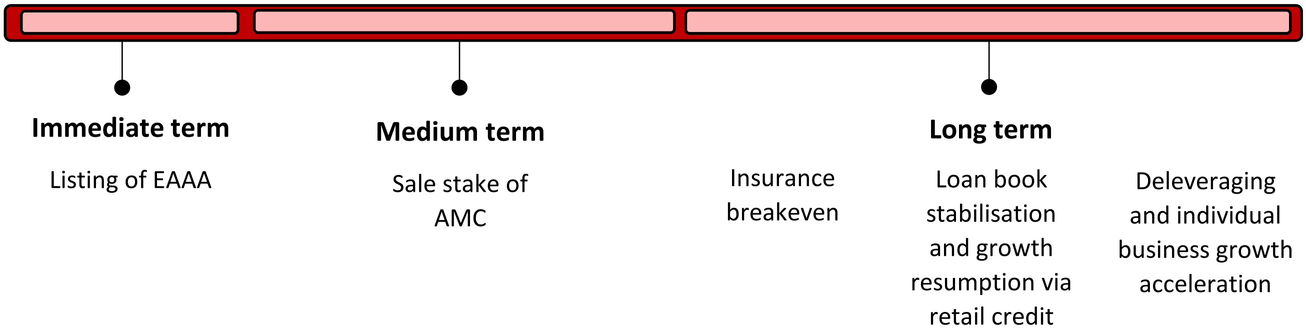
Rs. Bn	Mcap	Equity	P/B	GWP	Growth %	Combined ratio
ICICI Lombard General Insurance Ltd	930	145	6.4	283	10%	103%
Star Health & Allied Insurance Ltd	254	71	3.6	176	15%	101%
Go Digit General Insurance Ltd	329	46	7.1	103	14%	109%
EFSL	**3**	**3**	**1**	**10**	**19%**	**123%**

MCap as on 6th August, 2025
Source: Company, Keynote Capitals estimates

Although a PE-based valuation would ordinarily be more suitable, the current loss-making position of the business necessitates the use of a P/B approach. While peer multiples range from 3x to 7x P/B, a conservative 1x multiple has been applied, considering the Company's early stage, small scale, and lack of profitability. The higher growth trajectory compared to peers suggests the business is on track to scale meaningfully.

Catalyst timeline

Each of the businesses is on a strong growth trajectory, and this momentum is expected to reduce the gap between their intrinsic value and the current market capitalization. With key triggers and a well-defined catalyst pipeline in place, EFSL appears to be value unlocking opportunity currently.



Source: Company, Keynote Capitals Ltd.

Sum Of The Parts (SOTP) valuation

Given EFSL's diverse portfolio spanning ARC, NBFC, life insurance, mutual funds, and alternatives, each with distinct business models, growth drivers, and return profiles, SOTP valuation is the most appropriate approach to capture the intrinsic value of each segment individually.

Business segment	FY25 metric	Valuation approach	Multiple	Valuation Rs. Bn	Ownership %	Value to EFSL Rs. Bn
Alternatives	PAT – 2.3 Bn	P/E	25-30x	58-69	100	58-69
Mutual Funds	Equity – 625 Bn Debt – 793 Bn AUM – 1,418 Bn	% of AUM	Equity - 3-4% Debt - 1.5-2.0%	Equity - 19-25 Debt - 12-16 Total - 31-41	100	31-41
Asset Reconstruction	PAT – 3.85 Bn	P/E	12-15x	46-58	60	28-35
NBFC	Equity – 21.15 Bn	P/B	1.0-1.5x	21-32	100	21-32
Nido home finance	Equity – 8.28 Bn	P/B	2x	17	100	17
Life Insurance	Embedded Value (EV) – 21.86 Bn	P/EV	1x	22	80	17
Zuno General Insurance	Equity – 3.24 Bn	P/B	1x	3	100	3
Total						**174-214**
Current MCap						**88**

Source: Company, Keynote Capitals Ltd. estimates

EFSL represents a classic case of a diversified financial group trading at a meaningful discount to the intrinsic value of its underlying businesses. This valuation gap has already begun to narrow, as evidenced by the successful demerger and listing of Nuvama, which unlocked direct value for shareholders. The recent DRHP filing for the alternatives business (EAAA) further underscores management's intent to systematically unlock value across key verticals. While separation plans for the other businesses have yet to be detailed, we anticipate that whichever route is pursued will be value-accretive for shareholders as the intention to not just be a holding company has also been articulated. Overall, the full unlocking cycle, culminating in separate listings, could unfold over the next 4–5 years.

At the current market capitalization of ~Rs. 88 Bn, EFSL appears to be priced well below the standalone value of its core businesses. These estimates are based on FY25 metrics and do not yet factor in any potential upside from future growth or re-rating ahead of listings. Notably, EAAA alone is expected to list at a valuation of ~Rs. 58-69 Bn, indicating that the market has yet to fully reflect the value in the remaining platforms. This creates a compelling risk-reward setup, where downside protection is provided by the current asset value, and the clear path to value unlocking offers significant upside over the medium to long term.

AASHKA TRIVEDI

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KEYNOTE

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24	FY25
Net Sales	**93,574**	**68,194**	**84,810**	**94,996**	**90,812**
Growth %		-27%	24%	12%	-4%
Interest Paid	38,340	29,841	25,746	27,865	25,370
Employee Expenses	16,159	10,643	10,652	12,101	13,182
Other Expenses	49,928	30,121	46,060	50,496	47,147
Depreciation	2,599	1,511	1,382	1,261	1,471
Other Income & exceptional	14,915	5,229	1,558	1,101	4,376
Profit before share in profit from associates and tax	**1,463**	**1,307**	**2,529**	**4,374**	**8,016**
Profit from associates	-6	967	1,318	0	0
PBT	**1,456**	**2,274**	**3,847**	**4,374**	**8,016**
Tax	-1,083	153	-208	-906	2,658
PAT	**2,539**	**2,121**	**4,056**	**5,280**	**5,358**
Minority interest	-114	233	614	1,073	1,370
Net profit	**2,653**	**1,888**	**3,442**	**4,207**	**3,988**
Growth %		-29%	82%	22%	-5%
Shares (Mn)	935.8	943.1	943.3	943.8	945.8
EPS	**2.98**	**2.10**	**3.83**	**4.68**	**5.89**

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24	FY25
Cash, Cash equivalents & Bank	47,602	30,389	36,991	33,308	52,407
Investments	1,13,073	1,26,275	1,71,622	1,84,915	1,75,741
Debtors	5,060	4,692	4,133	3,575	3,937
Securities held for trading	15,747	15,118	0	0	0
Loans & advances	2,24,545	2,00,976	1,73,536	1,48,040	1,22,213
Net Block & CWIP	14,420	12,940	11,857	11,383	11,447
Other assets	33,467	31,762	30,388	32,510	32,685
Total Assets	**4,53,915**	**4,22,152**	**4,28,527**	**4,13,731**	**3,98,430**
Creditors	4,895	12,901	14,122	16,740	12,597
Policyholder's liabilities	43,549	55,288	66,135	83,043	96,518
Borrowings	2,84,360	2,27,110	2,17,360	2,02,484	1,78,745
Other Current Liabilities	51,768	59,409	62,735	64,385	65,783
Deferred Tax Liabilities	-7,427	-8,479	-10,288	-13,414	-14,395
Paid-up Capital	891	898	898	899	921
Reserves & Surplus	64,881	64,476	66,543	46,725	43,326
Shareholders' Equity	65,772	65,374	67,441	47,624	44,247
Non Controlling Interest	10,998	10,549	11,021	12,869	14,934
Total Equity & Liabilities	**4,53,915**	**4,22,152**	**4,28,527**	**4,13,731**	**3,98,430**

Segmental information

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24*	FY25*
Revenue	**10,848**	**7,401**	**8,764**	**9,602**	**9,519**
Agency/ Alternative business*	1,337	556	972	584	787
Capital based*	4,805	2,799	3,300	3,999	3,748
Insurance business	2,071	2,194	2,388	3,552	3,638
Asset reconstruction business*	1,706	1,023	1,463	1,069	883
Treasury/ Mutual Fund business*	881	784	576	255	248
Unallocated/ Other business*	49	45	66	143	217
Profit/ (loss) before tax	**146**	**227**	**385**	**437**	**802**
Agency/ Alternative business*	172	86	341	213	284
Capital based*	-349	-201	-229	-20	71
Insurance business	-298	-311	-325	-279	-175
Asset reconstruction business*	225	366	490	478	528
Treasury/ Mutual Fund business*	416	296	137	38	64
Unallocated/ Other business*	-20	-8	-30	8	29
Assets	**46,350**	**43,188**	**44,064**	**42,919**	**41,623**
Agency/ Alternative business*	733	720	1,451	1,759	2,084
Capital based*	29,383	23,927	22,325	24,062	20,190
Insurance business	5,649	7,085	8,506	10,863	12,846
Asset reconstruction business*	6,067	6,096	6,688	5,358	4,974
Treasury/ Mutual Fund business*	2,724	3,269	2,832	329	293
Unallocated/ Other business*	1,795	2,091	2,262	548	1,235

Ratios

	FY21	FY22	FY23	FY24	FY25
Per Share Data					
EPS	3	2	4	5	6
Growth %		-29%	82%	22%	22%
Book Value Per Share	70	69	83	64	63
Valuation					
PE (x)	82.6	90.6	53.4	14.1	15.3
Earnings Yield (%)	1%	1%	2%	7%	7%
Price to Sales (x)	0.2	0.3	0.2	0.2	0.2
Price to Book (x)	0.3	0.3	0.3	0.5	0.4
EV/EBITDA (x)	9.4	7.8	7.1	5.9	7.1
EV/Sales (x)	2.8	3.1	2.3	2.0	2.4

***** - Except for insurance business, the segmental classification has been changed from FY24**

Source: Company, Keynote Capitals Ltd. Estimates

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Ganesha Ecosphere Ltd.

Prince Pipes & Fittings Ltd.

Elecon Engineering Company Ltd.

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Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

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