

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q4FY15 Consolidated Revenues of ₹2.4 billion, up 97% YoY (₹7.8 billion in FY15); Adjusted PAT of ₹430 million, up 77% YoY (₹1.4 billion in FY15)

Mumbai, Apr 30, 2015: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Mar 31, 2015 post approval by the Board of Directors at a meeting held in Mumbai on April 30, 2015.

Performance Highlights

₹Million	Q4FY15	Comparison (Q3FY15)	Comparison (Q4FY14)	FY15	Comparison (FY14)
Total Revenues	2,433	↑31%	↑97%	7,754	↑66%
EBITDA	824	↑34%	↑104%	2,595	↑83%
Reported PAT	430	↑20%	↑241%	1,436	↑264%
Adjusted PAT	430	↑20%	↑77%	1,436	↑86%
Diluted EPS - ₹(FV of ₹1)	3.04			10.24	

Performance for the Quarter ended Mar 31, 2015

- Revenues in Q4FY15 were ₹2.4 billion (up 31% QoQ and up 97% YoY); ₹7.8 billion in FY15 (up 66% YoY)
- Reported PAT in Q4FY15 was ₹430 million (up 20% QoQ and up 241% YoY); ₹1.4 billion in FY15 (up 264% YoY)
- Adjusted PAT was ₹430 million (up 20% QoQ and up 77% YoY); ₹1.4 billion in FY15 (up 86% YoY)
- EBITDA and PAT margins were 34% (33% in Q3FY15 and Q4FY14 each) and 18% (19% in Q3FY15 and 20% in Q4FY14) respectively; For the year FY15, it was 33% (30% in FY14) and 19% (16% in FY14) respectively
- The NBFC lending business of loan against shares, which was done earlier from equity capital, is now being run as a spread business with a healthy mix of short term and long term borrowings. The total borrowings in MOFSL (ex Aspire) stood at ₹6.1 billion as of Mar 2015. This has resulted in incremental interest cost (ex Aspire) of approx ₹58.4 million as compared to previous quarter and ₹124.1 million as compared to same quarter of the previous year. For FY15, this resulted in an incremental interest cost of ₹222.9 million over FY14.
- To grow to 20% + sustainable Return on Equity, MOFSL has made strategic allocation of equity capital to Aspire Home Finance and sponsor commitments to existing mutual fund and private equity funds of MOFSL group. Return on Equity for FY15 was 11.7% on reported PAT of ₹1.4 billion. However, this does not include unrealised gains on investments in Motilal Oswal's mutual fund products (₹1.6 billion as of March 2015).

- Equity commitment of ₹2 billion made to Aspire; of which ₹1.5 billion has been infused as of Mar 2015
- Total dividend for FY15 (₹3 per share : Interim ₹2 per share + Final ₹1 per share) which translates to ~35% payout
- Balance sheet had net worth of ₹12.9 billion and borrowings of ₹7.9 billion as of Mar 2015

Speaking on the performance of the company, Mr. Motilal Oswal, CMD said.

"The traction in cash market volumes continued this quarter, although overall market volumes slipped due to a QoQ dip in options. Cash volumes, including delivery, have increased significantly this year as compared to recent years. The return of retail interest in the markets was the talking point this year, both through direct equities and through equity mutual funds. Equity mutual funds have registered net inflows for 4 successive quarters, following 9 successive quarters of net outflows. FIs net inflows also picked up this quarter, after seeing a brief lull in the last 2 quarters. While incremental demat accounts were higher this year on the back of some IPOs, overall primary market activity is yet to pick up in a big way. As more and more quality issues hit the markets, it should provide an ideal entry point for further new investors. Backed by renewed investor interest and positive market outlook, our businesses showed significant traction across asset mobilization, market share and revenue. We have invested into operations, manpower, technology and distribution channels during recent quarters, and these initiatives are showing healthy results currently. We gained our market share in the high-yield cash segment, which is proof that our efforts were in the right direction. Going forward, as the market activity gains further momentum, our machinery is in place to capture an incremental share from emerging opportunities"

Segment results for Q4FY15 and FY15:

- **Broking and related revenues** were ₹1.3 billion in Q4FY15, up 12% QoQ and 79% YoY. On a full year basis, broking revenues at ₹4.9 billion were up 69% YoY. During Q4FY15, cash market volumes grew 15% QoQ and 65% YoY. However, overall volume dipped QoQ due to a 11% QoQ decline in F&O volumes. Prop and institution led the QoQ growth in cash volumes, while retail led the YoY growth. During the year FY15, average daily cash volumes in the market grew 61% to ₹213.4 billion, which is only ~6% lower than its all-time high of FY10. This was led by a 73% YoY growth in retail and a 50% YoY growth in institution. While institution cash volumes were ~35% higher this year than its past peak of FY08, retail cash volume still remain ~17% lower than its previous peak of FY10. Delivery volumes were up 63% YoY during FY15, and it reached its all-time high since the last 8 years. Our market share was 1.6% in Q4FY15 vs 1.5% in Q4FY14, led by a sharp uptick in cash market share. For the year FY15, our market share was 1.5% vs 1.6% in FY14 due to the continued disproportionate rise of options within the mix. Nevertheless, we succeeded in capturing a larger chunk of the incremental volumes this year which helped increase our market share in the high-yield cash segment. Our blended yield commensurately increased during the year, from 3.6 bps in FY14 to 4.4 bps in FY15. For the quarter 4QFY15, it was 3.8 bps, as compared to 4.1 bps in Q3FY15 and 3.8 bps in Q4FY14.
- **Fund based income** was ₹409 million in Q4FY15, up 13% from Q3FY15 and up 72% from Q4FY14. For the year FY15, fund based income were ₹1.4 billion, up 46% YoY. NBFC loan book was ₹5.3 billion and Housing Finance loan book stood at ₹3.6 billion. Fund based income in Q3FY15 had also included ₹94 million of profit earned on partial exits



in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Following commencement of operations in May 2014, Aspire Home Finance has sanctioned 4,740 applications amounting to ~₹5.2 billion, and recorded cumulative disbursements of ~₹3.6 billion. The business reported a positive PAT in FY15. The NBFC lending business of loan against shares, which was earlier done from equity capital, is now being run as a spread business with a healthy mix of short term and long term borrowings. In line with this, during the previous quarter, MOFSL raised long-term NCDs of ₹1.5 billion at annualized cost of 10.05% (payable annually).

- **Asset Management fee** were ₹588 million in Q4FY15, up 105% QoQ and up 163% YoY. On a full year basis, asset management fees were ₹1.3 billion, up 68% YoY. Total AUM/AUA was ₹82.6 billion. Within this, the mutual fund AUM was ₹24.1 billion, PE AUA was ₹21.6 billion and PMS AUM was ₹36.8 billion. The AUM registered significant traction due to both higher net mobilization and market appreciation.
- **Investment banking fees** were ₹92 million in Q4FY15, up 481% QoQ and up 373% YoY. For the year FY15, investment banking fees were ₹193 million, up 186% YoY.
- **Other income** was ₹17 million in Q4FY15, and ₹71 million in FY15

Highlights for Q4FY15 and FY15:

- Total client base increased to 844,289, owing to traction in PMS, retail, institution and commodity clients
- Retail and distribution clients stood at 740,227; Strong run-rate in client base seen since last four successive quarters
- Distribution reach stood at 1,743 locations across 520 cities; Added to our footprint across branches and franchisees
- Wealth management business managed assets of about ₹41.0 billion
- Depository assets were ₹227.1 billion
- Aspire has been rated "CRISIL A / Stable" for ₹2.5 billion of bank loan facilities and "CRISIL A / Stable" for ₹1 billion of non-convertible debentures. It has also been rated "ICRA A1+" by ICRA for short term borrowings / commercial paper of ₹1.5 billion
- Our investments in Motilal Oswal's mutual fund products stood at ₹5.5 billion as of Mar 2015. The unrealized gain on these investments is ₹1.6 billion as of Mar 2015 (versus ₹968 million as of Dec 2014). The same is not reflected in the profit and loss account for the year
- Our investments in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.3 billion as of Mar 2015
- Motilal Oswal Asset Management (Mauritius) Pvt. Ltd. was incorporated in Mauritius to reach out to global institutional investors. It will manage the India Zen Fund, a long-only-bottom-up equity fund specializing in India securities
- Motilal Oswal Securities won research awards for 3 sectors at Zee India's "Best Market Analyst Awards" in Jan 2015



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About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. (NSE: MOTILALOFS, BSE: 532892, BLOOMBERG: MOFS IN) is a well-diversified, financial services company focused on wealth creation for all its customers, such as institutional, corporate, HNI and retail. Its services and product offerings include wealth management, retail broking and distribution, institutional broking, asset management, investment banking, private equity, commodity broking and principal strategies. The company distributes these products through 1,743 business locations spread across 520 cities and the online channel to over 844,289 registered customers. MOFSL has strong research capabilities, which enables them to identify market trends and stocks with high growth potential, facilitating clients to take well-informed and timely decisions. MOFSL has been ranked by various polls such as the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in Asia Money Brokerage Polls for India. MOSL won 4 awards in the ET-Now Starmine Analyst Awards 2010-11, placing it amongst the Top-3 award winning brokers, was ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category and won the 'Best Market Analyst' Award for 2 sectors at the India's Best Market Analyst Awards 2011. MOFSL won the 'Best Capital Markets and Related NBFC' award at the CNBC TV18 Best Banks and Financial Institutions Awards 2011. MOSL also won the 'Best Equity Broking House' award for FY11 at the Dun & Bradstreet Equity Broking Awards 2011. MOSL won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards 2012, for the 4th year in a row. MOSL won 'Best Equity Broker' award at Bloomberg UTV Financial Leadership Awards 2012, 'Retailer of the Year (Banking & Financial Services)' award at Retail Excellence Awards 2012, and was ranked 2nd in the "Best Overall Brokerage" category by Asia Money in 2011. Motilal Oswal Private Equity won 'Best Growth Capital Investor-2012' award at the Awards for Private Equity Excellence 2013. MOSL was adjudged amongst the Top 20 innovators in BFSI for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012, and won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013.

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