

Motilal Oswal Financial Services Limited
Regd. Office : Motilal Oswal Tower, Rahimtullah Sayani Road,
Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025.
Board: +91 22 3980 4200 Fax: +91 22 3312 4997
CIN: L67190MH2005PLC153397

3rd February, 2016

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai-400 001

The National Stock Exchange of India Limited
Bandra Kurla Complex
Bandra East
Mumbai - 400 051

Dear Sir,

Ref: Stock Code: 532892/MOTILALOF5

Sub: Press Release

Please find attached the duly signed Press Release of the Company issued after the Board Meeting of the Company held on 3rd February, 2016.

Thanking You

Yours Faithfully
For Motilal Oswal Financial Services Limited



Murli Krishnan Iyer
Company Secretary and Compliance Officer
(PAN: AAHPI7831G)

Encl: as above

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q3FY16 Consolidated Revenues of ₹3.0 billion, up 59%YoY; PAT of ₹501 million, up 40%YoY

Mumbai, Feb 3, 2016: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Dec 31, 2015 post approval by the Board of Directors at a meeting held in Mumbai on Feb 3, 2016.

Performance Highlights

₹Million	Q3FY16	Comparison (Q2FY16)	Comparison (Q3FY15)
Revenues	2,960	↑10%	↑59%
PBT	715	↑21%	↑53%
PAT	501	↑15%	↑40%
Diluted EPS - ₹(FV of ₹1)	3.5		

Performance for the Quarter ended Dec 31, 2015

- Consolidated revenues were ₹3.0 billion in Q3FY16 (up 10% QoQ and up 59% YoY)
- Consolidated PAT was ₹501 million (up 15% QoQ and up 40% YoY)
- PBT and PAT margins were 24% (22% in Q2FY16 and 25% in Q3FY15) and 17% (16% in Q2FY16 and 19% in Q3FY15) respectively
- Consolidated revenues (ex Aspire Housing Finance) were ₹2.3 billion in Q3FY16 (up 4% QoQ and up 29% YoY)
- Consolidated PAT (ex Aspire Housing Finance) was ₹408 million (up 20% QoQ and up 18% YoY)
- Balance sheet had net worth of ₹14.5 billion and gross borrowings of ₹22.1 billion, as of Dec 2015. Borrowings in MOFSL (ex Aspire Housing Finance) stands at ₹8.9 billion, as of Dec 2015
- ROE for Q3FY6 was 14.1% on reported PAT. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (₹1.7 billion, as of Dec 2015)
- Declared interim dividend of ₹2 per equity share (Face value of ₹1 per equity share)

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

"Several macro, environment & political challenges persisted during the quarter, which impacted market sentiment and performance. However, our investments into competencies and skills during the recent quarters are leading to tangible business outcomes. Our equity market share has increased in both the cash and F&O segments, despite market



challenges. Our digital business is gaining traction, which is reflective of our efforts into building these capabilities. On the back of our investment performance, our asset management business continues to improve its ranking in equity AUM and is finding growing acceptance from an increasing number of distributors. The private equity business is adding scale with a new fund launch. Aspire Home Finance is seeing good traction in disbursements, along with operational excellence. It has already won accolades at few industry award forums. Building critical mass and a meaningful presence in the annuity-based asset management business and the stable housing finance business have been two of our biggest achievements over the past year. Both these businesses are sharply focused in terms of segmentation and customer value proposition, and offer the potential to scale up meaningfully if executed well. With our investments into specific capabilities now leading to business results, we remain optimistic in our ability to capture the growth opportunities as they unfold further."

Performance of Business Segments for the Quarter ended Dec 31, 2015

- **Traditional capital markets businesses (retail and institutional broking, wealth management and investment banking) are delivering business results following investments into people, technology and processes**
 - **Broking and related revenues** (which includes broking and wealth management) were ₹1.3 billion in Q3FY16, up 1% QoQ and up 13% YoY. In Q3FY16, overall cash market ADTO at ₹188 billion were down 10% QoQ and 4% YoY. Retail cash volumes were down 5% QoQ and 4% YoY. Institution cash volumes were down 14% QoQ and 7% YoY. FIIs net sold equities in 6 months of 9MFY16, while DIIs have net bought equities. Proactive investments and focus on this business has driven a meaningful traction in our equity market share to 2.3% in Q3FY16, from 1.8% in Q2FY16 and 1.3% in Q3FY15. This increase encompasses both cash and F&O segments, on both QoQ and YoY basis. The blended yield has remained stable on a QoQ basis. In retail broking, with digital transformation at its inflection, we invested into several technology initiatives. We launched India's First 15-Minutes Trading & Demat Account using Paperless-eKYC "Aadhar-Integrated" process, which will enable clients to start trading instantly. We revamped our Mobile Trading App with new features like superfast trading, multi-asset watchlist and one-time login. We launched our all-new broking portal with Single sign-on to trade, Quick order-execution window and Instant portfolio restructuring. Our digital business is gaining traction. We continued to invest in quality advisors, across dedicated advisory desks. We improved our retail market share and sustained our retail client-activation ratio in 3QFY16, despite market challenges. The monthly runrate in retail client addition in 9MFY16 was ~2X of the FY14 average and ~1.2X of the FY15 average. In institutional broking, our focus on research, sales and trading are paying dividends. We were ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services and Best Roadshows/Company Visits and amongst the Top-3 in Best Local Brokerage, Best Execution and Sales Trading Visits at the AsiaMoney Awards 2015. We won 3 research awards at Zee India Best Market Analyst Awards, the highest tally so far. Large-sized blocks are picking up within sales trading. We completed the 20th Motilal Oswal Wealth Creation Study on "Mid-to-Mega: The Power of Industry Leadership in Wealth Creation", in line with the Group's long-standing motto of "Knowledge First".



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- **Wealth management** assets were up 68% YoY to ₹61.1 billion. It had a 68-member sales and advisory team as of Dec 2015, up from 64 in Sep 2015 and 43 in Dec 2014. We continued to ramp up our advisory and sales capabilities, and diversifying our HNI client base in terms of AUM concentration with Top-100 clients. Few large clients were added during Q3FY16. This business contributed significantly to the fund raise of IREF III, our latest real estate PE fund. Our yield is better than peers due to the higher proportion of equity assets within the AUM mix.
- **Investment banking fees** were ₹36 million in Q3FY16, up 130% YoY. Our participation in IPOs is gathering steam. Following up on the Pennar and Powermech IPOs in previous quarters, our current IPO pipeline includes Parag Milk Foods, SP Apparels and Nihilent Technologies. DRHPs for the latter two issues were filed last quarter. We are in advanced stages of closure in few deals in M&A and Structured Finance.
- Despite headwinds, the traditional capital markets businesses grew 14% YoY and contributed ~46% of the consolidated revenues this quarter, as compared to ~64% a year ago.
- **Our asset management businesses, both public markets and private equity, are seeing continued traction**
 - **Asset Management fee** were ₹604 million in Q3FY16, up 5% QoQ and up 110% YoY. Total AUM/AUA across mutual funds, PMS and PE businesses was ₹124.8 billion, up 86% YoY. Mutual fund AUM was ₹48.4 billion, up 178% YoY, PMS AUM was ₹52.7 billion, up 86% YoY and PE AUA was ₹23.6 billion, up 11% YoY.
 - In the public market equity business, our rank in equity AUM improved to 13, as of Dec 2015. Weak market sentiments impacted AUM growth, despite clocking amongst the highest net sales (equity MF + PMS) across industry players. Our net inflows were up 82% YoY, from ₹6.0 billion in Q3FY15 to ₹11.0 billion in Q3FY16. This was driven by new distributor relationships and scaling up of the existing distributor relationships. Our PMS as an alternate product is gaining flavour with an increasing number of distributors. We are working on rationalizing pricing to improve margins. Our maiden marketing campaign "*Sirf Ek Sawaal: Why not Motilal Oswal*" was launched across media, signifying our meaningful brand investments to reach out to a large, untapped base of investors.
 - In the private equity business, IBEF I has returned ~114% capital from 3 full-exits and 4 partial-exits so far. It is in advanced stages for 2 exits in the next few months, which may allow the fund to return an additional ~60-70% capital. This would imply that it would have returned ~175%-185% (INR terms) of the capital amount to the investors. The fund expects to divest the balance companies in FY17. We hope to earn a meaningful carry as well as profit on Sponsor commitment in FY17. IREF II has committed ~88% of AUM across established developers. IREF III was launched in this quarter with an AUM target of ₹10 billion. It has evinced good investor interest and is in advanced stages of completing its first close. We hosted the inaugural "Motilal Oswal Real Estate Conclave", on the back of the launch of IREF III.
 - Asset management business (public market equities and private equity together) contributed ~20% of consolidated revenues this quarter, as compared to ~15% a year ago.
- **Housing finance, the recent-most business in our portfolio, is showing traction in disbursements and reach**
 - **Housing Finance related income** was ₹627 million in Q3FY16, up 37% QoQ. Profit for the quarter was ₹94 million vs. ₹95 million in Q2FY16, as total operating costs rose 53% QoQ owing to a 20% QoQ increase in manpower



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count and a 14% QoQ increase in the distribution network

- HFC loan book stood at ₹14.1 billion across ~14,000 families as of Dec 2015, as compared to ₹3.6 billion across ~3,500 families as of Mar 2015. ₹4.4 billion were disbursed in Q3FY16, at par with the level achieved in Q2FY16. Cumulative disbursements have crossed ₹14.4 billion, after 6 full quarters of commencing operations. Distribution reach expanded to 42 branches, from 14 in Mar 2015. Maharashtra and Gujarat form ~89% of the loan book.
- Number of banks who have extended sanctioned lines of credit increased from 7 in Mar 2015 to 19 in Dec 2015.
- For 9MFY16, NIM is ~413 bps, RoA is 3.4% and RoE is 13.7%. As of Dec 2015, GNPL is 0.17%, and D/E is 4.8X.
- Capital infusion of ₹0.5 billion was made by the Sponsor in Q3FY16, in addition to the equity commitment of ₹2 billion made till the last quarter.
- Aspire has been notified under SARFAESI Act, which facilitates in smooth recovery of dues.
- It is now a Primary Lending Institution (PLI) under Pradhan Mantri Awaas Yojana (part of Govt. of India's mission of "Housing for All by 2022" for urban poor).
- Focus on operational excellence helped Aspire get ratings of 'CRISIL A+/Stable' & 'ICRA A+ (Positive)'.
- It was awarded "India's Most Admired and Valuable Housing Finance Company" at India Leadership Conclave 2015, "Financial Services Institution of the Year" by ASSOCHAM at ICT 4 Development Awards 2015 and "Agency Innovation of the Year (BFSI Sector)" at the Brand Excellence Awards 2015.
- Housing Finance contributed ~21% of consolidated revenues this quarter, as compared to ~3% a year ago.
- **Fund based activities** include strategic allocation of capital to long term RoE enhancing opportunities like Aspire Home Finance, sponsor commitments to mutual fund and private equity funds of MOFSL, apart from the NBFC loan book.
 - **Fund based income** was ₹345 million in Q3FY16, up 36% QoQ and up 10% YoY.
 - NBFC loan book was ₹3.9 billion. The NBFC lending business is now being run as a spread business.
 - The total borrowings in MOFSL (ex Aspire) were ₹8.9 billion as of Dec 2015. This resulted in interest cost (ex Aspire) of approx ₹170 million in Q3FY16, as compared to ₹70 million in Q3FY15.
 - Our investment in our own mutual fund products is ₹5.8 billion (at cost) and ₹1.7 billion (at cost) in our own private equity products. The unrealized gain on MF investments was ₹1.7 billion, as of Dec 2015. The same is not reflected in the profit and loss account for the year.
- **Other income** was ₹13 million in Q3FY16.



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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 offerings include traditional capital markets businesses (retail and institutional broking, wealth management and investment banking), asset management (public market equities and private equity), housing finance and fund based business. 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. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards 2014 for the 4th year in a row. It was ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services and Best Roadshows/Company Visits and amongst the Top-3 in Best Local Brokerage, Best Execution and Sales Trading Visits at the AsiaMoney Awards 2015. It has also won three research awards at Zee India Best Market Analyst Awards, 'Best Research as Research Showcase Partner' award at Research Bytes IC Awards 2014, and 'Best Broking House - Institutional Segment and Cash Segment' at the Dun & Bradstreet Equity Broking Awards 2015. Motilal Oswal Private Equity Private Equity won the 'Best Growth Capital Investor-2012' award at the Awards for PE Excellence 2013. Motilal Oswal Private Wealth Management won at the UTI-MF CNBC Financial Advisor Award in HNI Wealth Management category for 2015. Aspire Housing Finance was awarded 'India's Most Admired and Valuable Housing Finance Company' at India Leadership Conclave 2015, 'Financial Services Institution of the Year' by ASSOCHAM at ICT 4 Development Awards 2015, and 'Agency Innovation of the Year (BFSI Sector)' at the Brand Excellence Awards 2015.

For further details contact:

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Mr. Motilal Oswal
Chairman & Managing Director
Motilal Oswal Financial Services Limited