

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

26th October, 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 26th October, 2016.

Thanking You

Yours Faithfully

For Motilal Oswal Financial Services Limited



✶ Murli Krishnan Iyer
Company Secretary and Compliance Officer
Encl: as above



INVESTOR UPDATE

Motilal Oswal Financial Services reports Q2FY17 Consolidated Revenues of Rs 4.6 billion, up 71% YoY; and PAT of Rs 1.0 billion, up 134% YoY

Mumbai, Oct 26, 2016: Motilal Oswal Financial Services Ltd., a leading financial services company, announced its results for the quarter ended Sep 30, 2016 post approval by the Board of Directors at a meeting held in Mumbai on Oct 26, 2016.

Performance Highlights

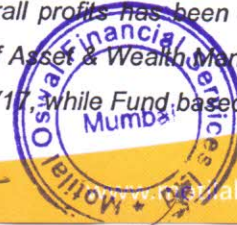
Rs Million	Q2FY17	Q2FY16	YoY Change	Q1FY17	QoQ Change
Revenues	4,608	2,692	↑71%	3,650	↑26%
PBT	1,486	590	↑152%	1,063	↑40%
PAT	1,016	434	↑134%	792	↑28%
Diluted EPS - Rs (FV-Rs 1)	7.0	3.0		5.5	

Performance for the Quarter ended Sep 30, 2016

- Consolidated revenues were Rs 4.6 billion in Q2FY17, up 71% YoY. It was Rs 8.3 billion in H1FY17, up 72% YoY
- Every business has fired in terms of revenue growth during the quarter. Housing finance was up 222% YoY, Asset management fee was up 48% YoY & Capital market businesses (broking & investment banking) were up 46% YoY
- Full exit of the 1st growth capital PE fund, IBEF I, would also be a meaningful contributor in FY17/18
- Consolidated PAT was Rs 1.0 billion in Q2FY17, up 134% YoY. It was Rs 1.8 billion in H1FY17, up 152% YoY
- Q2FY17 included exceptional items, which comprised of share in profit on sale of investments (carry share) made in the 1st PE growth fund, as well as the impact of write-off on account of doubtful NPA. PAT impact of carry share was Rs 627 million in H1FY17; of this Rs 372 million was earned in Q2FY17
- Impact of operating leverage is becoming visible, as PAT Margin improved to 22% in Q2FY17 from 16% in Q2FY16
- Balance sheet had net worth of Rs 16 billion & gross borrowings of Rs 47 billion (including Aspire), as of Sep 2016
- ROE for Q2FY17 was 26% on reported PAT vs 13% in Q2FY16. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (Rs 2.7 billion, as of Sep 2016)

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

"Each one of our businesses delivered robust revenue growth this quarter as compared to the previous year, as our investments into critical resources are now bearing fruit. Our business volumes, asset mobilization, market share and client addition have seen visible improvement. Our profits this quarter were the highest-ever quarterly profits for the Group, and our ROE for the quarter is double as compared to the same quarter last year. With diversification of business lines, contribution of Capital Markets businesses (Broking and Investment Banking) to overall profits has been coming down since the last couple of years. It was ~26% in H1FY17 vs ~62% in FY15. Contribution of Asset & Wealth Management was up from ~14% in FY15 to ~47% in H1FY17. Housing Finance contributed ~19% in H1FY17, while Fund based business




comprised another ~8%. We have built strong a competitive positioning in each of our businesses and we are very excited about the scalability of our Asset Management and Housing Finance businesses and the potential returns from the Capital Market business and Fund based business"

Performance of Business Segments for the Quarter ended Sep 30, 2016

- **Capital markets Businesses (broking & investment banking) are showing results following investments**
 - **Broking & related revenues** were Rs 1.9 billion in Q2FY17, up 39% YoY. During Q2FY17, MOSL's revenue was up 34% YoY & 25% QoQ. PAT was up 51% YoY & flattish on QoQ basis. Q1FY17 included profit on sale of mutual funds of Rs 77 million. Excluding this, the operating PAT in Q2FY17 was up 43% QoQ. Proactive investments into manpower, brand & technology have driven a meaningful traction in our business, & our overall equity market share has risen 1.8% in Q2FY16 to 2.2% in Q2FY17
 - In **retail broking & distribution**, our investments into sales, advisory & technology are bearing fruit now. During the quarter, our monthly addition of retail clients was up 69% YoY, our retail market share improved in cash & F&O on YoY basis, & DP AUM was up by 52% YoY. Our tech-platforms evinced increased interest, & online business was ~41% of our retail volumes in Q2FY17, up from ~27% in Q2FY16. Mobile app comprised ~8% of business in Q2FY17 & it has been steadily rising. Our vast network of 2,200+ outlets is being leveraged to deepen product-penetration. Financial products AUM was up 64% YoY, & this will help build a sustainable annuity revenue stream
 - In **institutional broking**, the 12th Annual Global Investor Conference was one of the biggest format events in this industry. It saw participation from 120+ companies & 750+ global investors, resulting in 4,000+ corporate investor meetings. The share of Blocks has steadily increased within our institutional volumes
 - **Investment banking** fees were Rs 202 million in Q2FY17, up 177% YoY. Our ECM business has gained definite momentum in recent quarters with deal closures & revenue growth. We successfully closed a QIP, IPO, OFS & Buy back in Q2FY17. Key transactions include Rs 7.5 billion QIP of Bharat Financial Inclusion, Rs 2.4 billion IPO of SP Apparels & OFS of Igarashi Motors Ltd. Lower growth in PAT as compared to the topline is attributable to higher personnel cost provisions during Q2FY17. We are optimistic on the growth prospects for this business
 - Capital markets businesses contributed ~45% of revenues in Q2FY17, as compared to ~52% in Q2FY16
- **Asset and Wealth Management Businesses have seen strong business traction**
 - Total AUM/AUA across asset management & private equity businesses was Rs 181 billion, up 59% YoY. Wealth management AUM was Rs 86 billion, up 70% YoY
 - In **asset management**, our AUM across mutual funds, PMS & AIF was Rs 150 billion. In Q2FY17, revenue was up 28% QoQ but EBITDA was up only 6% QoQ. This was due to an incremental Rs 42 million spent in advertising. We are methodically building our positioning as "equity specialists" with our QGLP philosophy, which has consistently delivered on performance. Our rank in Equity AUM improved to 11 as of Q2FY17 vs 18 in FY14. Our market share in Equity MF Average AUM was ~1.3% in H1FY17. Importantly, our market share in Equity MF Net Sales was significantly higher at ~4%. Our overall net inflows remained strong at ~Rs 11 billion in Q2FY17 vs ~Rs 8.7 billion in Q1FY17, as we deepened existing distributor relationships & added few large distributors. Our new AIF platform



Motilal Oswal Financial Services Limited

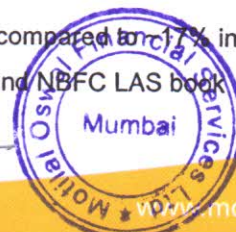
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- mobilized a commitment of Rs 6 billion, with a drawdown of Rs 1.96 billion as of 30 Sep 2016. Our new Dynamic Equity Fund raised Rs 3.3 billion in its offer period. We are tapping global pools of capital with our offshore business initiatives, which is underway with the launch of Motilal Oswal India Fund
- In **private equity**, we manage an AUM of Rs 30 billion across 2 growth capital PE funds & 3 real estate funds. The PE business has demonstrated high profitability & the RE business has shown significant scalability. We expect these attributes to continue, going ahead. The 1st growth fund, IBEF I, has seen 6 full-exits & 2 partial exits in 2 companies, translating into ~201% capital returned (INR). It is in advanced stages for 1 exit in the coming months, which may allow it to return an additional ~14% capital. It is likely to deliver a gross multiple of ~3.5X. The 2nd growth fund, IBEF II, has committed ~89.5%, after raising commitments from marquee institutions. The 1st real estate fund, IREF I, has seen full/partial exits from 6 projects, translating into ~86% capital returned. The 2nd real estate fund, IREF II, has committed ~96% across developers. The 3rd real estate fund, IREF III, is in fundraise stage with an AUM target of Rs 12.5 billion. It announced its 2nd close & raised commitments of ~Rs 8.5 billion. It has committed ~27% from the fund
- Asset Management fee (asset management & private equity together) were Rs 854 million in Q2FY17, up 48% YoY. This contributed ~19% of consolidated revenues this quarter, as compared to ~21% in Q2FY16
- In **Wealth management**, the traction in RMs from 64 to 82 YoY, led to a 70% YoY growth in AUM & a 21% YoY rise in client families. We have seen good traction in deepening of client wallet-share & product penetration. We enjoy a high yield, due to the higher share of equity & real estate products in our AUM. This business offers enormous scope for scalability as it builds synergies with the Group's other businesses to deepen its reach
- **Housing finance has shown traction in assets & liabilities, while maintaining risk & operational parameters**
 - **Housing finance related income** was Rs 1.5 billion in Q2FY17, up 222% YoY
 - On the assets side, the loan book was Rs 30.7 billion, up 210% YoY. It has funded ~32,000 families so far
 - Disbursements for Q2FY17 were Rs 6.7 billion vs Rs 4.4 billion in Q2FY16, up 51% YoY. Disbursements in H1FY17 stood at Rs 11.5 billion vs Rs 6.4 billion in H1FY16, up 78% YoY
 - The traction in the book is in line with the strategy of deepening our network in existing geographies. The branch count was 74 as of Sep 2016, up 100% YoY
 - On the liabilities side, it had credit lines from 25 banks & 1 NBFC vs 11 a year ago. Approx 61% of borrowings are from the capital markets. The ratings of Crisil A+/Stable & ICRA AA- (Stable) augur well for future fund-raise
 - Cumulative capital infusion by sponsors till-date is Rs 5 billion. The total infusion in H1FY17 was Rs 2 billion. The strong liquidity in the Group's balance sheet (~Rs 8.8 billion) allows us to fund investments in Aspire Home Finance
 - As of Q2FY17 on an annualized basis, our ROA was 3.6%, ROE was 17%, GNPL was 0.3%, NIM was ~418 bp & D/E ratio was 6.0x
 - PAT for Q2FY17 was Rs 227 million vs Rs 95 million in Q2FY16, up 138% YoY. PAT for H1FY17 was Rs 361 million, as compared to Rs 400 million in fiscal year FY16
 - Housing Finance contributed ~32% of consolidated revenues this quarter, as compared to ~17% in Q2FY16
- **Fund Based Business** includes sponsor commitments to our AMC & PE funds, and NBFC LAS book

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- **Fund based income** was Rs 194 million in Q2FY17, down 21% YoY
- Our investments in Motilal Oswal's mutual funds (at cost) stood at Rs 6.1 billion. The unrealized gain on these was Rs 2.7 billion. The same is not reflected in the P/L. The XIRR of these investments (since inception) is ~25% & is significantly higher than the 7-9% post tax returns earned prior to the shift in capital allocation two years back. This validates the demonstrated long term performance track record of our QGLP investment philosophy
- Our investments in Motilal Oswal's alternative investment products stood at Rs 2.3 billion. The 1st Growth fund, which is in exit mode, has returned close to 2 times till date. The portfolio gains booked in H1FY17 were Rs 286 million; of which Rs 62 million was booked in Q2FY17
- Both these commitments have not only helped "seed" these new businesses by investing in highly scalable opportunities, but they also represent highly liquid "resources" available to use for future investments, if required.
- NBFC LAS lending book was Rs 2.6 billion, as of Sep 2016, which is run as a spread business
- **Other income** was Rs 18 million in Q2FY17
- In line with its goal to achieve 20%+ ROE, **consolidated ROE** for the Group for H1FY17 was 24% annualized (without unrealized gains on mutual funds of Rs 2.7 billion. Within this, Housing Finance was 15% annualized, Asset and Wealth Management business was 272% annualized, Capital Markets was 36% annualized and Fund based business was 4% annualized (without unrealized gains on mutual funds).

About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. is a financial services company. Its offerings include capital markets businesses (retail broking, institutional broking & investment banking), asset & wealth management (asset management, private equity & wealth management), housing finance & equity based treasury investments. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards for the 5th time. It was ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services & Best Roadshows/Company Visits & amongst the Top-3 in Best Local Brokerage, Best Execution & Sales Trading Visits at the AsiaMoney Awards 2015. Motilal Oswal 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 & Valuable Housing Finance Company' at India Leadership Conclave 2015.

For further details contact:

Mr. Ramnik Chhabra Motilal Oswal Financial Services Ph- +91-22-39825500, Mob- +91-9820301984	Mr. Sameer Kamath Motilal Oswal Financial Services Ph- +91-22-39825500 Mob- +91-9820130810	Mr. Anirudh Rajan / Alpesh Nakrani Paradigm Shift Public Relations Ph- +91-22 22813797 Mob- +91-9892343828 / +91-9869121167
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Mr. Motilal Oswal
Chairman & Managing Director
Motilal Oswal Financial Services Limited