

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q2FY16 Consolidated Revenues of ₹2.7 billion, up 51%YoY; PAT of ₹434 million, up 33%YoY

Mumbai, Oct 19, 2015: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Sep 30, 2015 post approval by the Board of Directors at a meeting held in Mumbai on Oct 19, 2015.

Performance Highlights

₹Million	Q2FY16	Comparison (Q1FY16)	Comparison (Q2FY15)
Revenues	2,691	↑27%	↑51%
PBT	590	↑50%	↑24%
PAT	434	↑53%	↑33%
Diluted EPS - ₹(FV of ₹1)	3.0		

Performance for the Quarter ended Sep 30, 2015

- Consolidated revenues were ₹2.7 billion in Q2FY16 (up 27% QoQ and up 51% YoY)
- Consolidated PAT was ₹434 million (up 53% QoQ and up 33% YoY)
- PBT and PAT margins were 22% (19% in Q1FY16 and 27% in Q2FY15) and 16% (13% in Q1FY16 and 18% in Q2FY15) respectively
- Consolidated revenues (ex Aspire Housing Finance) were ₹2.2 billion in Q2FY16 (up 17% QoQ and up 27% YoY)
- Consolidated PAT (ex Aspire Housing Finance) was ₹340 million (up 35% QoQ and flat YoY)
- Balance sheet had net worth of ₹13.9 billion and gross borrowings of ₹15.8 billion, as of Sep 2015. Borrowings in MOFSL (ex Aspire Housing Finance) stands at ₹7.3 billion as of Sep 2015
- ROE for Q2FY16 was 12.7% on reported PAT. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (₹1.7 billion as of Sep 2015)

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

"Building on our strengths, we have strategically realigned our business model over the last few quarters. The annuity-based asset management and private equity businesses, scale up of our housing finance business and strategic allocation of capital to high RoE opportunities is complementing the traditional capital markets businesses very well and is poised to offer significant profit potential for us, going forward. We are seeing growth in market share especially in the cash segment.

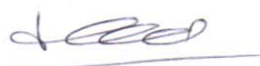


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Our equity funds have delivered on investment performance and are evincing significant interest from the distributor fraternity. Aspire housing finance is seeing good traction in disbursements and reach. We have made investments into critical resources which would help add scale, efficiencies & competitiveness to drive our next phase of growth. The rapid scale up in the asset management business and building the foundation for the housing finance business have been two of the biggest achievements of MOFS in the last 12 months. During the previous cycle, our growth was driven by only one engine, i.e. the traditional capital market business which helped us deliver 10x growth in profits through the cycle. With the above four engines of growth in place we remain extremely optimistic in our ability to capture the growth opportunities as they unfold."

We are categorizing our business portfolio as per the following categories, to facilitate better understanding:

- **Traditional capital markets businesses comprise of retail and institutional broking, wealth management and investment banking**
 - **Broking and related revenues** (which includes broking and wealth management) were ₹1.3 billion in Q2FY16, up 13% QoQ and up 11% YoY. In Q2FY16, overall cash market volumes were flat QoQ and up a marginal 2% YoY. Within this, retail cash volumes were down 4% YoY. After seeing an uptrend last year, retail cash volumes have tapered slightly this year. Institution cash volumes were up 13% YoY. During H1FY16, FIIs were net sellers in 4 months, while DIIs were net buyers every month. We have invested significantly into our advisory and sales teams, distribution network and technology offerings. We started our real estate broking and advisory service under MOSL. Our in-house developed, system-driven trading products as well as strict advisor certification processes, help add to our competitiveness. Our equity market share was 1.8% in Q2FY16 (1.8% in Q1FY16 and 1.5% in Q2FY15). We have improved our market share in the cash segment on both QoQ and YoY basis, including in the high-yield delivery segment. Given the improvement in our cash business, our blended yield increased from 3.4 bps in Q1FY16 to 3.7 bps in Q2FY16. Our branch count is up 23% YoY and DP assets are up 27% YoY. The monthly runrate in retail client addition in H1FY16 was ~2X of the FY14 average, and ~1.2X of the FY15 average. We are revamping our digital initiatives across delivery and engagement touch-points, to reduce the cost of servicing clients. We conducted the 11th Annual Global Investor Conference this quarter. With 120+ companies, 500+ global investors and 4,000+ meetings, it was one of the largest format events in this segment. We were also awarded the Best Broking House at the Dun & Bradstreet Equity Broking Awards 2015 in both the Institutional Segment and the Cash Segment, which is testimonial of the quality of our services
 - **Wealth management business** managed assets of ₹50.3 billion, a growth of 59% over previous year. The team had 64 sales people as of Sep, up 35% YoY. We are building a strong Family Office offering to cater to further HNI clientele through this model, and are investing into building a seamless execution platform for our clients



- **Investment banking fees** were ₹73 million in Q2FY16, up 49% QoQ. We had invested into building our Equity Capital Markets team alongside our existing M&A Advisory team, and were involved in the IPOs of Pennar Engineered Systems and Powermech Projects during this quarter, as well as in the upcoming IPO of Parag Foods. We are in advanced stages of closure in a couple of mandates in the M&A and private equity raising side
- Traditional capital markets contributed ~52% of total revenues this quarter, as compared to ~67% a year ago
- **Our asset management businesses, both public markets and private equity, have gathered steam**
 - **Asset Management fee** were ₹575 million in Q2FY16, up 43% QoQ and up 169% YoY. Total AUM/AUA across mutual funds, PMS and PE businesses was ₹113.5 billion, which is up 2X on a YoY basis. Mutual fund AUM was ₹43.1 billion, up 236% YoY, PMS AUM was ₹48.3 billion, up 123% YoY and PE AUA was ₹22.0 billion, up 10% YoY
 - Our net inflows this quarter were up ~4.5X on a YoY basis, from ₹5 billion in Q2FY15 to ₹21 billion in Q2FY16. This traction in net sales has been driven by our investment performance, new distributor relationships across channels, as well as scaling up of the existing distributor relationships
 - We ranked #14 in the industry in terms of PMS and mutual fund AUM as of Sep 2015, up from #18 in Mar 2014
 - In the private equity business, the 1st growth capital fund saw 2 partial exits this quarter. The fund is likely to exit by FY17. We are hoping to earn meaningful carry as well profits on Sponsor commitments in FY17. The last reference valuation of IBEF 1 as of Mar-15 is 2.6 times the unsold investments (at cost). The 2nd real estate fund, which saw its final close last quarter, has already committed ~80% across certain well established developers. The regulatory approval for the 3rd real estate fund is expected very soon.
 - Asset management segment (public market equities and private equity together) contributed ~21% of total revenues this quarter, as compared to ~12% a year ago
- **Housing finance, the recent-most business in our portfolio, is showing traction in disbursements and reach**
 - **Housing Finance related income** was ₹457 million in Q2FY16, up 121% QoQ. During the quarter, ₹5.7 billion were sanctioned and ₹4.4 billion were disbursed. The disbursements during Q2FY16 were 2X of each of the previous two quarters. The HFC loan book stood at ₹9.9 billion across ~9,700 accounts, as of Sep 2015. These are pure retail housing loans, with an average ticket size of ₹1.0 million. Distribution reach expanded to 37 branches across 4 states. Cumulative disbursements have crossed ₹10 billion after 5 full quarters of commencing operations. As of now, Maharashtra and Gujarat are 89% besides small presence in MP and Telangana. NIM is ~300 bps, GNPL is 0.04%, Cost to income ratio is 39%, RoA is 3.8% and RoE ~14%
 - Aspire has sanctioned lines of credit of ₹14.1 billion, through a mix of long-term bank loans, non-convertible debentures and commercial papers. Equity commitment is ₹2 billion, as of Sep 2015
 - It was awarded the "Most Admired and Valuable Housing Finance Company 2015" at the 6th India Leadership Conclave 2015. Aspire has been rated "Crisil A+/Stable" by Crisil, "ICRA A+(Positive)" by ICRA for long term borrowings and "ICRA A1+" by ICRA for short term borrowings
- **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



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- **Fund based income** was ₹261 million in Q2FY16, down 8% QoQ and down 23% YoY.
- NBFC loan book was ₹3.3 billion. The NBFC lending business 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 ₹7.3 billion as of Sep 2015 resulting in incremental interest cost (ex Aspire) of approx ₹6.0 million as compared to previous quarter and ₹111.7 million as compared to same quarter of the previous year
- Our investment in our own mutual fund products is ₹5.7 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 Sep 2015. The same is not reflected in the profit and loss account for the year
- **Other income** was ₹11 million in Q2FY16

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 2,036 business locations spread across 637 cities and the online channel to over 873,176 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. Motilal Oswal Securities (MOSL) 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. MOSL won the 'Best Research as Research Showcase Partner' at Research Bytes IC Awards 2014. 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 won the "Most Admired and Valuable Housing Finance Company 2015" at the 6th India Leadership Conclave 2015. MOSL won the Best Broking House - Institutional Segment and Cash Segment at the Dun & Bradstreet Equity Broking Awards 2015.

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