

## **INVESTOR UPDATE**

### **Motilal Oswal Financial Services reports Q1FY16 Consolidated Revenues of ₹2.1 billion, up 26% YoY; PAT of ₹284 million, down 12% YoY**

**Mumbai, Aug 8, 2015:** Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Jun 30, 2015 post approval by the Board of Directors at a meeting held in Mumbai on Aug 8, 2015.

#### **Performance Highlights**

| ₹Million                         | Q1FY16 | Comparison<br>(Q4FY15) | Comparison<br>(Q1FY15) |
|----------------------------------|--------|------------------------|------------------------|
| <b>Total Revenues</b>            | 2,116  | ↓13%                   | ↑26%                   |
| <b>EBITDA</b>                    | 697    | ↓15%                   | ↑21%                   |
| <b>Reported PAT</b>              | 284    | ↓34%                   | ↓12%                   |
| <b>Diluted EPS - ₹(FV of ₹1)</b> | 2.0    |                        |                        |

#### **Performance for the Quarter ended Jun 30, 2015**

- Consolidated revenues were ₹2.1 billion in Q1FY16 (down 13% QoQ and up 26% YoY)
- Consolidated PAT was ₹284 million (down 34% QoQ and down 12% YoY)
- EBITDA and PAT margins were 33% (34% in Q4FY15 and Q1FY15 each) and 13% (18% in Q4FY15 and 19% in Q1FY15) respectively
- Consolidated revenues (ex Aspire Housing Finance) were ₹1.9 billion in Q1FY16 (down 16% QoQ and up 14% YoY)
- Consolidated PAT (ex Aspire Housing Finance) was ₹251 million (down 38% QoQ and down 24% YoY)
- Balance sheet had net worth of ₹13.4 billion and gross borrowings of ₹8.7 billion as of Jun 2015. Borrowings in MOFSL (ex Aspire Housing Finance) stands at ₹3.7 billion as of Jun 2015
- Return on Equity for Q1FY16 was 9% on reported PAT. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (₹1.8 billion as of June 2015); ROE (ex Aspire) for Q1FY16 was 8%



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

*"Short-term sentiments in the markets were impacted by the slow speed in reforms, although India still looks relatively better than its emerging market peers in the long-term. Retail cash volumes in the market tapered this quarter sequentially after seeing an uptrend since the last year. Institution cash volumes are at 8-year highs. While FIIs turned net sellers in May and Jun, DIIs have been strong net buyers in all 3 months of the quarter led by sustained mobilization into equity mutual funds. Retail and FII volumes in the F&O segment dipped this quarter. We have held our market share in the cash segment on both QoQ and YoY basis. Equity capital raising in the primary markets is yet to pick up. Once that happens, inflow of retail interest should pick up further. Our own fund products have delivered on investment performance, and are evincing significant interest from distributors. The new housing finance venture is well on-course to establish its right to participate, seeing good traction in disbursals and reach. We have placed as much importance on risk management and audit, as on scalability and productivity. We have made investments into leadership, processes, products and technologies so that our capacity is in place to capture the ensuing opportunities as the economy gathers further steam. Some of these investments are already showing positive results"*

**To facilitate better understanding of our business areas, we are presenting our activities as per the four categories below:**

- **Traditional capital markets businesses comprise of our well established businesses - i.e. retail and institutional broking, and the relatively newer businesses – i.e. wealth management and investment banking**
  - **Broking and related revenues** (which includes broking activities and wealth management) were ₹1.2 billion in Q1FY16, down 13% QoQ and up 2% YoY. After seeing an uptrend in the previous year, retail cash volumes in the market tapered this quarter. Retail F&O volumes also dipped. Institution cash volumes in the market are at 8-year highs in both FII and DII segments. While FIIs turned net sellers in May and Jun, DIIs were strong net buyers in all 3 months of the quarter. Institution F&O volumes declined this quarter as FII segment dipped. We have invested significantly into expanding our distribution network, sales and advisory teams and technology offerings. Our overall equity market share was 1.8% in Q1FY16 (1.6% in Q4FY15 and 1.8% in Q1FY15). We held our market share in the cash segment on both QoQ and YoY basis. Our F&O market share picked up following investments into our derivatives and quant team. Given this traction of F&O in our volume mix, our blended yield decreased from 3.8 bps in Q4FY15 to 3.4 bps in Q1FY16. Retail and distribution clients stood at 751,075; and distribution reach stood at 1,953 locations across 528 cities. Depository assets were ₹232.5 billion
  - Wealth management business managed assets of ₹46.7 billion, a growth of 56% over previous year. The team has been strengthened with new Relationship Managers having strong client relations. We also strengthened our Advisory offering with competencies in real estate broking and Family-Offices, and have deepened our presence in Chennai and Delhi to capitalize on the emerging opportunities there. We won at the UTI-MF CNBC Financial Advisor Award in HNI Wealth Management category for 2015



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- **Investment banking fees** were ₹49 million in Q1FY16, down 47% QoQ and down 39% YoY. We invested into an experienced team for ECM, and some IPOs are expected to be launched in upcoming quarters
- Traditional capital markets segment contributed ~57% of total revenues this quarter, as compared to ~72% a year ago
- **Our asset management businesses, both public markets and private equity, have gathered steam**
  - **Asset Management fee** were ₹404 million in Q1FY16, down 31% QoQ and up 122% YoY. Our total AUM/AUA reached ₹95.2 billion. Within this, the mutual fund AUM was ₹31.9 billion, PE AUA was ₹22.0 billion and PMS AUM was ₹41.3 billion. Our new offshore fund structure is also in talks with institutions and intermediaries globally for the India Zen Fund
  - Investment performance of the PMS and mutual funds was robust as a result of our focused stock-picking philosophy. We also built strong relationships with distributors across channels, and this showed results
  - In the private equity business, the 2nd real estate fund successfully completed its final close in Q1FY16 at ₹5 billion. We have already committed close to 80% of this fund across certain well established developers through a stringent due diligence process
  - Asset management segment (public market equities and private equity together) contributed ~19% of total revenues this quarter, as compared to ~11% a year ago
- **Housing finance, the recent-most business in our portfolio, is showing traction in disbursements and reach**
  - **Housing Finance related income** was ₹204 million in Q1FY16, up 32% QoQ. During Q1FY16, ₹2.7 billion were sanctioned and ₹2.0 billion were disbursed. HFC loan book stood at ₹5.6 billion across 5,566 accounts, as of Jun 2015. The average ticket size was ₹1.0 million. Borrowings stood at ₹5.0 billion, as of Jun 2015, and Aspire has sanctioned lines of credit of ₹12.1 billion, through a mix of long-term bank loans, non-convertible debentures and commercial papers
  - Equity commitment is ₹2 billion, as of Jun 2015
  - Aspire Home Finance launched "Mahila Awaas Loan from Aspire", run on the "By Women - For Women" branch concept
- **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 ₹285 million in Q1FY16, up 12% QoQ and up 10% YoY.
  - NBFC loan book was ₹2.9 billion. The NBFC lending business is now being run as a spread business with a healthy mix of short term and long term borrowings. In line with this, MOFSL has raised long-term NCDs of ₹1.5 billion at annualized cost of 10.05% (payable annually). The total borrowings in MOFSL (ex Aspire) stood at ₹3.7 billion as of Jun 2015. This has resulted in incremental interest cost (ex Aspire) of approx ₹6.5 million as compared to previous quarter and ₹95.6 million as compared to same quarter of the previous year
  - Our investments in Motilal Oswal's mutual fund products stood at ₹5.6 billion as of Jun 2015. As of Jun 2015, the



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unrealized gain on these investments is ₹1.8 billion as of Jun 2015 (versus ₹1.6 billion 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 ₹1.7 billion as of Jun 2015
- Other income was ₹15 million in Q1FY16

#### 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 1,953 business locations spread across 528 cities and the online channel to over 857,234 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 4<sup>th</sup> 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

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