Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended Dec 2015

4 Feb 2016

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of Rs 3.0b for the quarter ended Dec 2015, up 10% QoQ and up 59% YoY. PAT at Rs 501m was up 15% QoQ and up 40% YoY. Broking-related revenues were Rs 1.3b, up 1% QoQ and up 13% YoY. Asset management fee at Rs 604m was up 5% QoQ and up 110% YoY. Fund-based income at Rs 345m was up 36% QoQ and up 10% YoY. Housing finance related income at Rs 627m was up 37% QoQ. Investment banking fees at Rs 36m increased 130% on a YoY basis.

For a deeper insight into the company's performance and the management's expectations, we present extracts from the post-results conference call. We have edited and rearranged the transcript for greater lucidity. We have also included exhibits from the company's presentation on its performance for the quarter ended Dec 2015. This presentation is available at www.motilaloswal.com

Corporate Participants

Mr Motilal Oswal

Chairman

Mr Raamdeo Agrawal

Co-Founder and Joint Managing Director

Mr Navin Agarwal

Managing Director

Mr Sameer Kamath

Chief Financial Officer

This document includes forward looking statements, including discussions about the management's plans and objectives and about expected changes in revenues and financial conditions. Forward-looking statements about the financial condition, results of operations, plans and business are subject to various risks and uncertainties that could cause actual results to differ materially from those set forth in this document. You should not construe any of these statements as assurances of financial performance or as promises of particular courses of action.

Welcome to the Q3 FY16 earnings conference call of Motilal Oswal Financial Services Limited. We have with us Mr. Motilal Oswal, Chairman, Mr. Raamdeo Agrawal, Co-Founder and Joint Managing Director, Mr Navin Agarwal, Managing Director, and Mr. Sameer Kamath, Chief Financial Officer. For the duration of this presentation, all participants' lines will be in the listen-only mode. I will be standing by for the Q&A session. I would now like to invite Mr. Navin Agarwal to make his opening remarks. Thank you and over to you sir….

MOFSL CONSOLIDATED FINANCIALS (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	**2,960**	**2,691**	**10%**	**2,960**	**1,859**	**59%**	**7,767**	**5,321**	**46%**	**7,750**
EBITDA	1,300	1,042	25%	1,300	617	111%	3,039	1,772	72%	2,595
PBT	715	590	21%	715	466	53%	1,700	1,415	20%	1,979
PAT	**501**	**434**	**15%**	**501**	**359**	**40%**	**1,219**	**1,007**	**21%**	**1,436**
EPS - Basic	3.5	3.1		3.5	2.6		8.6	7.4		10.3
EPS - Diluted	3.5	3.0		3.5	2.6		8.4	7.2		10.1
Shares O/S (mn) - FV Rs 1/share	142	142		142	139		142	139		140

REVENUE COMPOSITION (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Brokerage & operating income	1,334	1,320	1%	1,334	1,182	13%	3,814	3,524	8%	4,873
Investment banking fees	36	73	-50%	36	16	130%	158	101	56%	193
Asset management fees	604	575	5%	604	287	110%	1,582	683	132%	1,266
Fund based income	345	255	36%	345	315	10%	884	885	0%	1,117
Housing finance related	627	457	37%	627	49	1174%	1,291	74	1637%	239
Other income	13	11	17%	13	11	22%	37	53	-29%	62
Total Revenues	**2,960**	**2,691**	**10%**	**2,960**	**1,859**	**59%**	**7,767**	**5,321**	**46%**	**7,750**

Opening remarks

Good afternoon everybody. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services earnings call for the 3rd Quarter ended Dec 2015. Our Q3FY16 Press release and Earnings presentation, released last night, includes a number of business updates for the quarter. In our previous concalls this year, we shared the strategic realignment of our businesses, and the resulting changes in our capital allocation and value drivers for MOFS. During this call, I will share how we have progressed on those fronts.

- Our consolidated revenues were Rs 3.0b in 3QFY16, up 59% YoY. Consolidated PAT was Rs 501m, up 40% YoY. PAT margins were 17% in 3QFY16 from 19% in 3QFY15
- The following need to be noted in context of the reported numbers: (a) manpower investments made into the broking and housing finance business led to a 53% YoY increase in the total employee base and a 25% YoY increase in employee cost. (b) Running NBFC lending as a spread business increased interest costs by ~2.4x YoY (excluding Housing Finance business), while unrealized gains from investments in our mutual funds and private equity products are not recognized

- Consolidated net worth was Rs 14.5b and gross borrowing was Rs 22.1b, as of Dec 2015. Borrowings in MOFSL ex Housing Finance stands at Rs 8.9b, as of Dec 2015
- ROE for 3QFY6 was 14.1% on reported PAT. However, this does not include MTM unrealized gains on investments in Motilal Oswal's mutual fund products (Rs 1.7b, as of Dec 2015).
- Declared an interim dividend of Rs 2 per equity share (Face value of Rs 1 per equity share)

1. **Starting with the traditional capital markets businesses comprising of retail and institutional broking, wealth management and investment banking.**

- Broking and related revenues (which includes broking activities and wealth management) were Rs 1.3b in 3QFY16, up 13% YoY
- Market cash equity ADTO at Rs 188b were down 4% YoY. Retail cash volumes were down 4% YoY. Institution cash volumes were down 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 BROKING & DISTRIBUTION, we have been systematically investing into building capacity - across manpower, outlets and technology. Our employee base in this business this quarter is up 21% from Mar-2015, and up 87% from Mar-2014. Increase in our Pan-India Distribution network, from 1534 outlets in Mar-2014, to 1743 in Mar-2015, and 2217 in Dec-2015, has led to an uptick in Overheads. Overhead cost to Revenue ratio moved from 17% in Mar-2014, to 14% in Mar-2015, and to 20% in Dec-2015. Our network is now being leveraged for distribution of financial products. This will bring stability to our revenues, and the ability to leverage the cost and network better. We are at an early stage of this effort, and the next few years should see meaningful scale-up in the distribution of financial products through our distribution network. With digital transformation at its inflection, we also invested into several technology initiatives. We launched India's First 15-Minutes Trading & Demat Account, revamped our Mobile Trading App, and launched our all-new broking portal with single sign-on. The capacity is now in place to handle a manifold increase in revenue and volumes, without a commensurate increase in costs. We expect the operating leverage from these investments to bear fruit as volumes pick up.
- In INSTITUTIONAL BROKING, we have invested into specific competencies. Our employee base in this business this quarter is up 8% from Mar-2015, and up 39% from Mar-2014. We increased the companies under coverage from 218 to 244 YoY. Our focus on research, sales and trading are paying dividends. The excellence in our service quality was recognized at the AsiaMoney Awards 2015, where we were ranked in the Top 2 or 3 in every aspect – including research, sales, trading, roadshows and overall best brokerage. Our "Knowledge-First" positioning was enhanced with the completion of the 20th Motilal Oswal Wealth Creation Study on "Mid-to-Mega: The Power of Industry Leadership in Wealth Creation"

- INVESTMENT BANKING fees were Rs 36m in 3QFY16, up 130% YoY. This business is solidly positioned in the M&A space with the partnership with IMAP network, which is a global provider of M&A services, and in the ECM space, with an uptick in recent IPO transactions, and leveraging on Group synergies.
- WEALTH MANAGEMENT is the fastest growing piece within our Traditional Capital Markets businesses. The AUM at Rs 61b, is up 44% from Mar-2015 and 153% from Mar-2014. We have ramped up our advisory and sales capabilities, and few large clients were added this quarter. Our yield is better than peers due to the higher proportion of equity assets within the AUM mix. We are uniquely positioned to leverage the excellence in our manufacturing of public and private equities and real estate, along with an open-architecture structure
- 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

2. **Our asset management businesses of public markets and private equity, is nearing critical mass and is building a meaningful presence in the industry. Asset Management fee were Rs 604m in 3QFY16, up 110% YoY. Total AUM/AUA across mutual funds, PMS and PE businesses was Rs 124.8b, up 86% YoY**

- Our PUBLIC MARKETS ASSET MANAGEMENT BUSINESS has built its unique positioning as equity specialists with its time-tested QGLP investing philosophy. The business also has the firm backing of Sponsor commitments, which stresses our own “skin in the game”. Both these factors have helped us garner interest from an increasing number of distributors, and we have clocked amongst the highest net sales (equity MF + PMS) across industry players during the year. Our rank in equity AUM improved to 13 as of Dec 2015. Our net inflows were driven by new distributor relationships and scaling up of the existing distributor relationships. The total number of equity MF folios was up ~4X YoY, and the number of new equity MF folios was up ~5X YoY. We are working on rationalizing pricing to improve margins. Our marketing campaign “Sirf Ek Sawaal: Why not Motilal Oswal” was launched, signifying our meaningful brand investments to reach out to a large, untapped base of investors.
- The PRIVATE EQUITY BUSINESS manages Rs 23.6b across 2 growth capital and 3 real estate funds. The 1st growth capital fund 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. The 2nd growth capital fund has made 7 investments so far. The 1st real estate fund has returned ~84% capital from 6 full/partial exits so far. The 2nd real estate fund has committed ~88% of AUM across established developers across 7 deals. The 3rd real estate fund was launched in 3QFY16 with an AUM target of Rs 10b. The fund evinced good investor interest and is in advanced stages of completing its first close.

- Asset management business (public market equities and private equity together) contributed ~20% of consolidated revenues this quarter, as compared to ~15% a year ago. We expect the share of asset management business in our revenues and profits to move in line with the current scale up of the business.

3. **Aspire Home Finance is focused on the niche affordable housing space, which is a large untapped segment within the Indian mortgages space. With a strong management team and strong focus on operational excellence we have been able to build significant traction since the last year**

- HOUSING FINANCE related income was Rs 627m in 3QFY16, up 37% QoQ. Profit for the quarter was Rs 94m vs. Rs 95m in Q2FY16, as total operating costs rose 53% QoQ owing to a 20% QoQ increase in manpower count and a 14% QoQ increase in the distribution network
- HFC loan book stood at Rs 14.1b as of Dec 2015 vs Rs 3.6b in Mar. The business has funded ~14,000 families vs ~3,500 families as of Mar.
- Rs 4.4b were disbursed during the quarter, at par with the level achieved in 2QFY16. Cumulative disbursements have crossed Rs 14.4b, after 6 full quarters of commencing operations.
- 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 Rs 0.5b was made by the Sponsor in Q3FY16, in addition to the equity commitment of Rs 2b made till the last quarter.
- Aspire has been notified under SARFAESI Act, which facilitates in smooth recovery of dues. It is now also a Primary Lending Institution (PLI) under Pradhan Mantri Awaas Yojana (which is part of Govt. of India's mission of "Housing for All by 2022" for urban poor).
- Focus on operational excellence has 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.
- While we remain optimistic on the prospects for Aspire to build scale and stable growth in profits, the lack of alternate lending opportunities by banks, coupled with the entry of a number of new players in the mortgage space, may result in heightened competition for talent and pricing of loans.

4. **Capital allocation**

- FUND BASED INCOME was Rs 345m in 3QFY16, up 10% YoY. NBFC loan book was Rs 3.9b. The NBFC lending business of LAS is now being run as a spread business using borrowed funds.

- Our investment in our own mutual fund products is Rs 5.8b (at cost) and Rs 1.7b (at cost) in our own private equity products. The unrealized gain on MF investments was Rs 1.7b as of Dec 2015, which is backed by a time tested QGLP investment philosophy which has consistently delivered superior performance against leading benchmarks.
- The intrinsic ROE, including the unrealized gains on these investments, is ~16+% for the trailing four quarters ending Dec 15 vs. the reported RoE.

Outlook

Persistence of several macro, environment & political challenges during the quarter impacted market sentiments and performance. However, our investments into building competencies during the recent quarters are leading to tangible business outcomes. Our capital markets businesses of retail and institutional broking are improving their market share, our asset management business is finding growing acceptance from an increasing number of distributors, our housing finance business is seeing good traction and is on-route to achieve critical mass, and our capital allocation is aligned towards earning a sustainable 20%+ RoE. 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.

We can now open the floor for Q&A.

A. Traditional Capital Markets Based Businesses

Broking & Distribution and Institutional Broking

KEY FINANCIALS: BROKING & DISTRIBUTION & INSTITUTIONAL BROKING (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	1,392	1,406	-1%	1,392	1,328	5%	4,107	3,986	3%	5,426
EBITDA	376	384	-2%	376	458	-18%	1,120	1,402	-20%	1,815
PBT	170	225	-25%	170	381	-55%	647	1,188	-46%	1,493
PAT	122	155	-22%	122	310	-61%	474	877	-46%	1,081

What is the outlook for the broking business?

We have made significant investments into manpower, distribution network and technology. All these investments were done with a view that this business can grow further. We are well geared to handle significantly higher volumes, given these investments into infrastructure, technology and manpower which we have made.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	38	76	-50%	38	17	119%	164	106	54%	201
EBITDA	(16)	32	nm	(16)	(31)	nm	9	(31)	nm	12
PBT	(20)	28	nm	(20)	(35)	nm	(1)	(41)	nm	(2)
PAT	(14)	19	nm	(14)	(24)	nm	(1)	(28)	nm	(1)

Private Wealth Management

KEY FINANCIALS: PRIVATE WEALTH MANAGEMENT (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	109	105	4%	109	84	30%	300	188	60%	299
EBITDA	33	37	-9%	33	27	24%	92	60	53%	98
PBT	22	28	-22%	22	26	-15%	71	57	24%	94
PAT	14	18	-24%	14	17	-18%	46	38	20%	65

B. Asset Management Businesses

Asset Management – Public Market Equities

KEY FINANCIALS: ASSET MANAGEMENT (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	511	482	6%	511	160	219%	1,298	386	236%	881
EBITDA	116	87	33%	116	(10)	nm	255	(44)	nm	61
PBT	113	83	36%	113	(12)	nm	246	(49)	nm	52
PAT	75	70	7%	75	(12)	nm	194	(49)	nm	52

Asset Management - Private Equity

KEY FINANCIALS: PRIVATE EQUITY (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	57	70	-19%	57	70	-19%	193	193	0%	255
EBITDA	26	29	-12%	26	32	-20%	84	94	-11%	119
PBT	25	27	-7%	25	31	-19%	78	90	-13%	113
PAT	17	18	-7%	17	16	6%	52	58	-11%	74

C. Housing Finance Businesses

Aspire Home Finance

KEY FINANCIALS: ASPIRE HOME FINANCE (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Sanctioned For Period	5,861	5,712	3%	5,861	1,156	407%	14,308	2,071	591%	5,226
Disbursed For Period	4,424	4,399	1%	4,424	848	422%	10,859	1,355	701%	3,586
Loan Book	14,055	9,884	42%	14,055	1,356	937%	14,055	1,356	937%	3,574
Total Revenues	630	457	38%	630	52	1119%	1,294	79	1536%	239
EBITDA	485	362	34%	485	20	2300%	989	1	nm	84
PBT	163	134	22%	163	14	1068%	345	(6)	nm	39
PAT	94	95	-1%	94	14	575%	223	(6)	nm	22

What is the net worth of Aspire?

Aspire’s net worth was Rs. 2.81 billion as of Dec 2015, as compared to Rs. 2.17 billion as of Sep 2015. As of Dec 2015, we have invested about Rs 2.50 billion, and the rest is the accrual into Aspire’s profits for these nine months and last year.

How does the company expect growth to pan out over the next few quarters?

The growth will remain high for the initial 3-4 years due to the small base of the AUM and the impact of operating leverage. A lot of establishment cost gets covered in the initial years, hence the impact of operating leverage will also be seen. Given the combination of AUM growth and operating leverage, we should see accelerated growth in the financial performance for, at least, the next 3 years.

Are there any plans to spread to other states, given that almost 90% of the business comes from only 2 states?

There is no restriction in terms of regional focus. We are going State-by-State, with essentially states which lie in continuity to each other. We started with Maharashtra, then went to Gujarat, then Madhya Pradesh, then Telangana and Chhattisgarh. For the sales and admin people, it is more practical logistically when the states lie continuous to each other. In this way, we will take up new states one-by-one.

What would be the capital commitment over the next 18 months?

We have not made a definite decision regarding commitments for next year. The Board would meet during the March-quarter results, and would take a call on that.

Investments in the consolidated balance sheet is Rs 13.2 billion, whereas it is Rs 14.2 billion in the consolidated ex-Aspire balance sheet. Does this difference of Rs 1 billion represent investments into Aspire?

Not exactly, since there are also liquid fund investments which are taken out.

Why is the fee income more than the NII?

The fee income includes the loan processing fee and insurance distribution business on which we have built a focus right from the inception. The purpose to concentrate on these two segments was to build a credible holistic model for higher ROE. Moreover, the loan book is currently very small. We opened the year with a loan book of about Rs 3.6 billion and have reached Rs 14 billion now. So, if one is disbursing Rs 10 billion in nine months on a base of Rs 3.6 billion to earn NII, the processing fees and insurance cross-selling are on that entire amount. Given the size of the new book vs the opening book, the processing fee is on the higher side since its on the new book. Five years down the line when we would have a legacy book, the incremental disbursements in a quarter would then be very small on the entire loan book. Hence, this skewness will only show initially, and will average out over a period of time.

What is the average ticket size?

These are pure retail housing loans, with an average ticket size of about Rs 1-1.05 million.

Are these all housing finance loans, or do these also include builder loans?

These are 100% retail housing finance loans only.

There is a stark difference between PBT and PAT in the case of Aspire?

There were some deferred tax calculations this quarter which caused the difference. However, on an annualized basis, it is largely in line with the tax rate.

Can Aspire's balance sheet be included separately too?

We do have a separate slide on Aspire in our presentation which covers data on NIM, NPA, ROE and ROA. However, we will show Aspire's balance sheet separately from the next quarter, which would also be the full year. Aspire also files its results just like MOFSL. Since Aspire's debt is listed, it is technically deemed as a listed company. Hence, Aspire's financials are available on its website on a half-yearly basis.

D. Fund-Based Business

NBFC Income

MOFSL STANDALONE FINANCIALS (Rs Mn)

	Q3 FY16	Q2 FY16	CHG. QOQ	Q3 FY16	Q3 FY15	CHG. YOY	9M FY16	9M FY15	CHG. YOY	FY15
Total Revenues	344	403	-15%	344	290	19%	941	1,075	-12%	1,292
EBITDA	307	322	-5%	307	232	32%	778	904	-14%	1,031
PBT	226	236	-4%	226	133	70%	504	640	-21%	653
PAT	188	236	-21%	188	103	82%	440	580	-24%	605

Under which segment is the LAS business accounted for?

It is accounted under the Fund-based line-item within our revenue breakdown table. This item includes Interest income on LAS as well as any profits on Sponsor commitments we have in our mutual funds or private equity funds.

What is the philosophy behind making the LAS business into a spread business, since the company was never leveraging its balance sheet historically?

The LAS business is an integral part of our broking operations. Till about a year and a half ago, we were using equity capital to give out the margin funding loans. However, this was highly inefficient since one makes only ~8-9% ROE on this equity, which was hurting our shareholders. A year ago, we decided to deploy equity capital into equity earning opportunities and debt for fixed income opportunities. Hence, we made LAS a spread business. The business is the same, except that its funding has become more efficient now.

What is the ROE earned on the LAS business after using borrowed funds, given that the company was earning 8-9% while using equity capital?

Gross earning on the LAS book was around 13-14%, which translated into 8-9% returns net of tax and intermediation costs. Now that it is run purely on a spread basis, about 2-3% is coming straightway to the bottom line on almost negligible equity capital. In the short term, there would be a spike in the interest costs since it was all equity-funded earlier. However, it would result in higher ROE over a period of time.

How are the funding managed, since these loans are short term?

We have raised long term lines of an average 2.5-3 years through NCDs, and rest through short-term funding sources. We have maintained a healthy mix of the two in order to strike a balance. We will relook at these numbers as the book progresses.

Others

Is it possible to disclose the net worth across businesses?

We do not disclose those details. Most of our businesses are agency businesses unless there is a statutory guideline put in capital (like Rs 500 million in the case of AMC). About Rs 7 billion would roughly be in MOSL, Rs 2.8 billion in Aspire, and most of the remaining would be in MOFSL, with the other businesses comprising only smaller capitalizations.

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

Rs Million	Q3FY16	Comparison (Q2FY16)	Comparison (Q3FY15)
Total Revenues	2,960	↑10%	↑59%
EBITDA	715	↑21%	↑53%
Reported PAT	501	↑15%	↑40%
Diluted EPS – Rs (FV of Rs 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 disbursals, 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"
  - **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.

- **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 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.

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.

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CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTH ENDED 31ST DECEMBER 2015.

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Nine Month Ended (Unaudited)		Year Ended (Audited)
	31.12.2015	30.09.2015	31.12.2014	31.12.2015	31.12.2014	31.03.2015
1. Income from Operations						
(a) Income from Operations	25,133	23,126	17,148	67,235	49,211	71,143
(b) Other Operating Income	3,336	2,782	1,412	7,967	3,757	5,753
Total Income from Opertaions (Net)	**28,469**	**25,908**	**18,560**	**75,202**	**52,968**	**76,896**
2. Expenditure						
(a) Operating expense	6,022	6,560	4,171	17,325	13,415	19,454
(b) Employees' benefit expense	6,391	5,736	5,102	17,952	12,700	19,016
(c) Depreciation and amortisation expenses	955	835	748	2,555	2,129	3,067
(d) Other expenditure	4,181	4,203	3,150	12,009	9,380	13,081
Total expenses	**17,549**	**17,334**	**13,171**	**49,841**	**37,624**	**54,618**
3. Profit from Operations before Other Income, finance cost & Exceptional	**10,920**	**8,574**	**5,389**	**25,361**	**15,344**	**22,278**
4. Other Income	836	708	30	1,621	240	376
5. Profit from Ordinary Activities before finance cost & Exceptional Items (3+4)	**11,756**	**9,282**	**5,419**	**26,982**	**15,584**	**22,654**
6. Finance Cost	4,895	3,676	759	10,835	1,441	3,094
7. Profit from ordinary activities after finance cost but before Exceptional	**6,861**	**5,606**	**4,660**	**16,147**	**14,143**	**19,560**
8. Exceptional Items - (Expense)/Income	-	-	-	-	-	-
9. Profit from Ordinary Activities before tax (7-8)	**6,861**	**5,606**	**4,660**	**16,147**	**14,143**	**19,560**
10. Tax expense	1,957	1,401	1,022	4,313	3,919	5,233
11. Net Profit from Ordinary Activities after tax but before Share of Profit	**4,904**	**4,205**	**3,638**	**11,834**	**10,224**	**14,327**
12. Extraordinary items (net of tax expenses)	**-**	**-**	**-**	**-**	**-**	**-**
13. Net Profit after tax	**4,904**	**4,205**	**3,638**	**11,834**	**10,224**	**14,327**
14. Share of Profit of Associate	186	189	-	541	-	221
15. Share of minority interests in (profits)/ loss	(78)	(55)	(48)	(185)	(162)	(190)
16. Net Profit after tax and Share of Profit from Associate and Minority	**5,012**	**4,339**	**3,590**	**12,190**	**10,062**	**14,358**
17. Paid-up equity share capital	1,421	1,414	1,394	1,421	1,394	1,402
(Face Value of Re. 1/- Per Share)						
18. Reserves excluding Revaluation Reserves	-	-	-	-	-	128,084
19. i. Earnings Per Share (EPS) (before Extraordinary items) (of Re. 1/- each)						
a) Basic EPS	3.54	3.06	2.62	8.62	7.38	10.34
b) Diluted EPS	3.45	3.01	2.57	8.43	7.23	10.10
19. ii. Earnings Per Share (EPS) (after Extraordinary items) (of Re. 1/- each)						
c) Basic EPS	3.54	3.06	2.62	8.62	7.38	10.34
d) Diluted EPS	3.45	3.01	2.57	8.43	7.23	10.10

Notes:

1) The above results were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its Meeting held on Wednesday, 3rd February, 2016. The results for the nine months ended 31st December, 2015 have been reviewed by the Statutory auditors of the Company.

2) Pursuant to the exercise of Employee Stock Option Scheme, the company has allotted 4,53,000 and 19,48,400 equity shares to the employees during the quarter and nine month ended 31st December, 2015.

3) "The consolidated results of the Company include the results of the subsidiaries – Motilal Oswal Securities Limited (100%), Motilal Oswal Investment Advisors Private Limited (100%), MOPE Investment Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (100%), Motilal Oswal Capital Markets Private Limited (100%), Motilal Oswal Wealth Management Limited (100%), Motilal Oswal Insurance Brokers Private Limited (100%), Motilal Oswal Asset Management Company Limited (100%), Motilal Oswal Trustee Company Limited (100%), Motilal Oswal Securities International Private Limited (100%), Motilal Oswal Capital Markets (Singapore) Pte. Ltd (100%), Motilal Oswal Capital Markets (Hong Kong) Private Limited (100%), Motilal Oswal Real Estate Investment Advisors Private Limited (76.50%), Motilal Oswal Real Estate Investment Advisors II Private Limited (68.85%), Aspire Home Finance Corporation Limited (97.27%), India Business Excellence Management Co (85.00%), Motilal Oswal Asset Management (Mauritius) Pvt. Ltd (100%) and an Associate India Realty Excellance Fund II - (i.e. IREF II)".

4) The subsidiary of the Company, Aspire Housing Finance Corporation Ltd. has issued Non-Convertible Debentures aggregating to Rs. 73,000 lakhs during the nine month period and Rs. 16,500 lakhs during the quarter by way of a private placement. These debentures are listed on BSE Limited.

5) During the quarter, CRISIL has re-affirmed the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programme of the company for Rs. 25,000 lakhs. CIRISL has also re-affirmed the rating of 'CRISIL A1+' (pronounced 'CRISIL A one Plus') to the Short Term Debt Programme of the subsidiary, Motilal Oswal Securities Ltd for Rs 70,000 lakhs. ICRA has re-affirmed the rating of ICRA AA rating with stable outlook (pronounced ICRA double A rating with Stable Outlook') to the Long Term Debt Programme of the company for Rs. 15,000 lakhs.

6) The Company had issued and allotted 137,250 equity shares on 21st December, 2015 under Employee Stock Option Schemes. However, the corporate action for such shares was initiated in January, 2016 and said shares got credited on 6th January, 2016.

7) The Board of Directors at its meeting held on 03rd February 2016, has declared an interim dividend of Rs. 2 per equity share (on face value of Re. 1/- per equity share) for the Financial year 2015-16.

8) The Group's long term investments in Motilal Oswal's mutual fund products stand at Rs. 58,434 lakhs as of 31st December, 2015 (versus Rs. 55,145 lakhs as of 31st March, 2015). The unrealized gain on these investments is Rs. 16,592 lakhs as of 31st December, 2015 (versus Rs. 16,151 lakhs as of 31st March 2015). The long term investments are valued at cost and hence it is not reflected in the profit and loss account for the quarter and nine months ended 31st December 2015 and year ended on 31st March 2015.

9) Standalone financial results are summarised below and also available on the Company's website: www.motilaloswal.com

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Nine Month Ended (Unaudited)		Year Ended (Audited)
	31.12.2015	30.09.2015	31.12.2014	31.12.2015	31.12.2014	31.03.2015
Gross Revenue	3,441	4,034	2,896	9,414	10,746	12,920
Profit Before Tax	2,263	2,357	1,328	5,046	6,402	6,533
Profit After Tax	1,878	2,364	1,031	4,399	5,798	6,050

10) Consolidated unaudited segment results for the quarter and nine month ended 31st December 2015

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Nine Month Ended (Unaudited)		Year Ended (Audited)
	31.12.2015	30.09.2015	31.12.2014	31.12.2015	31.12.2014	31.03.2015
1. Segment Revenue						
(a) Broking & Other related activities	14,649	14,827	12,873	42,494	37,761	54,047
(b) Fund Based activities	10,415	9,243	4,967	25,010	12,259	15,629
(c) Asset Management & Advisory	6,275	6,110	3,330	16,790	8,050	14,283
(d) Investment Banking	377	757	172	1,635	1,062	2,006
(e) Unallocated	242	194	14	529	50	89
Total	**31,958**	**31,131**	**21,356**	**86,458**	**59,182**	**86,054**
Less: Inter Segment Revenue	2,362	4,214	2,766	8,786	5,975	8,561
Income From Operations, Other Operating income & Other Income	**29,596**	**26,917**	**18,590**	**77,672**	**53,207**	**77,493**
2. Segment Results Profit / (Loss) before tax and interest from Each segment						
(a) Broking & Other related activities	2,765	3,136	2,689	7,873	7,934	13,406
(b) Fund Based activities	4,225	3,938	3,118	10,254	6,984	7,057
(c) Asset Management & Advisory	1,508	1,207	348	3,511	673	1,990
(d) Investment Banking	(182)	303	(320)	50	(343)	78
(e) Unallocated	(107)	(2,057)	(927)	(2,519)	(551)	(1,813)
Total	**8,209**	**6,527**	**4,908**	**19,169**	**14,697**	**20,718**
Less: (i) Interest	1,058	618	246	2,172	552	936
(ii) Other Un-allocable Expenditure net off						
(iii) Un-allocable income	-					
Profit/(Loss) from Ordinary Activities before Tax	**7,151**	**5,909**	**4,662**	**16,997**	**14,145**	**19,782**
3. Capital Employed						
(Segment assets – Segment Liabilities)						
(a) Broking & Other related activities	71,456	67,889	35,772	71,456	35,772	33,828
(b) Fund Based activities	124,009	107,618	97,655	124,009	97,655	104,422
(c) Asset Management & Advisory	11,066	11,754	8,462	11,066	8,462	8,790
(d) Investment Banking	547	601	480	547	480	441
(e) Unallocated	(62,285)	(48,724)	(13,261)	(62,285)	(13,261)	(17,996)
Total	**144,793**	**139,138**	**129,108**	**144,793**	**129,108**	**129,485**

The above Segment information is presented on the basis of the reviewed consolidated financial statements. The company's operations predominantly relate to Broking and other related activities, Fund Based activities, Asset Management & Advisory and Investment banking. In accordance with Accounting Standard - 17 on Segment reporting, Broking and other related activities, Fund Based activities, Asset Management & Advisory and Investment banking are classified as reportable segments. The balance is shown as unallocated items.

11) The previous financial quarter/nine month/ year ended figures have been regrouped/rearranged wherever necessary to make them comparable.

On behalf of the Board of Directors
Motilal Oswal Financial Services Limited

Mumbai, 3rd February, 2016
shareholders@motilaloswal.com

Motilal Oswal
Chairman & Managing Director
(DIN 00024503)