Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended Sep 2015

20 Oct 2015

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of Rs 2.7b for the quarter ended Sep 2015, up 27% QoQ and up 51% YoY. PAT at Rs 434m was up 53% QoQ and up 33% YoY. Broking-related revenues were Rs 1.3b, up 13% QoQ and up 11% YoY. Asset management fee at Rs 575m was up 43% QoQ and up 169% YoY. Fund-based income at Rs 261m was down 8% QoQ and down 23% YoY. Housing finance related income at Rs 457m was up 121% QoQ. Investment banking fees at Rs 73m increased 49% on a QoQ 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 Sep 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 Anil Sachidanand

CEO and Managing Director, Aspire Home Finance

Mr Sameer Kamath

Chief Financial Officer

Welcome to the Q2 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, Mr Anil Sachidanand, CEO & MD, Aspire Home Finance, 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)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	**2,691**	**2,116**	**27%**	**2,691**	**1,786**	**51%**	**4,808**	**3,462**	**39%**	**7,750**
EBITDA	1,042	697	49%	1,042	577	80%	1,738	1,155	51%	2,595
PBT	590	394	50%	590	477	24%	984	948	4%	1,979
PAT	**434**	**284**	**53%**	**434**	**327**	**33%**	**718**	**647**	**11%**	**1,436**
EPS - Basic	3.1	2.0		3.1	2.4		5.1	4.8		10.3
EPS - Diluted	3.0	2.0		3.0	2.4		5.0	4.7		10.1
Shares O/S (mn) - FV Rs 1/share	142	141		142	139		142	139		140

REVENUE COMPOSITION (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Brokerage & operating income	1,314	1,160	13%	1,314	1,184	11%	2,474	2,346	5%	4,843
Investment banking fees	73	49	49%	73	6	1093%	122	86	42%	193
Asset management fees	575	403	43%	575	214	169%	978	395	147%	1,266
Fund based income	261	285	-8%	261	338	-23%	546	566	-4%	1,147
Housing finance related	457	207	121%	457	24	1787%	664	27	2321%	239
Other income	11	13	-17%	11	19	-42%	25	41	-40%	62
Total Revenues	**2,691**	**2,116**	**27%**	**2,691**	**1,786**	**51%**	**4,808**	**3,462**	**39%**	**7,750**

Opening remarks

Good afternoon. It is my pleasure to welcome you to the Motilal Oswal Financial Services earnings call for the 2nd Quarter ended Sept 2015. In our previous concall, we had shared the transformation in our approach to business from 1QFY15 and the resulting changes in our capital allocation as well as value drivers for MOFS. During this concall, I will share updates on how we have progressed on each of those fronts, apart from an update on how the quarter panned out for us.

- Our consolidated revenues were Rs 2.7b in 2QFY16, up 51% YoY. Consolidated PAT was Rs 434m, up 33% YoY. PAT margins were 16% in 2QFY16 from 18% in 2QFY15
- As explained earlier, the following facts needs to be kept in mind in context of the reported numbers: (a) significant investments we made into critical manpower in broking and housing finance business, which led to an overall 62% YoY increase in the employee base and a 50% YoY increase in employee costs. (b) Running NBFC lending as a spread business increased our interest costs by ~5x YoY

(excluding the Housing Finance business), while the unrealized gains from investments in our mutual funds and private equity products are not recognized.

- Consolidated net worth was Rs 13.9b and gross borrowing was Rs 15.8b, as of Sep 2015. Borrowings in MOFSL ex Housing Finance stands at Rs 7.3b as of Sep 2015
- ROE for 2QFY6 was 12.7% 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 Sep 2015).

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 2QFY16, up 11% YoY
- Market cash equity volumes were up a marginal 2% YoY 2QFY16, led by Retail cash volumes contracting 4% YoY in 2QFY16 while Institutional cash volumes were up 13% YoY. Our overall equity market share was 1.8% in 2QFY16, up from 1.5% a year ago with growth seen in high yield cash equity segment. Our blended yield increased from 3.4 bps in Q1FY16 to 3.7 bps in Q2FY16.
- In retail broking and distribution, we have proactively invested into people since the last year across sales, advisory and support resulting in 49% YoY growth in manpower costs. The capacity is now in place to handle significantly higher volumes. We have invested into building our online channels, both for service delivery and client engagement. Our in-house developed, system-driven trading products as well as strict advisor certification processes, help add to our competitiveness. The last 6 quarters have seen strong monthly run rate in retail client addition. Our large investments in the broking business has been vindicated by doubling of monthly average demat account over last year and we expect operating leverage form these investments to bear fruits as this active clients and traded volumes of retail picks.
- We recently also started our real estate broking and advisory service under MOSL.
- The quality of our services was recognized when we were awarded the `Best Broking House - Cash Segment` at the Dun & Bradstreet Broking Awards 2015.
- In institutional broking, we increased the companies under coverage from 214 to 239 over the last year. Our headcount here is up 21% YoY. We have placed a strong focus on thematic research offerings, corporate access outreach and events, execution capabilities and strengthening our business in specific offshore geographies. We conducted the 11th Global Investor Conference this quarter, which was one of the largest format events in this segment. The event saw participation from over 120 companies and over 500 global investors, translating into 4,000+ corporate – investor meetings
- We also won the `Best Broking House - Institutional Segment` at Dun & Bradstreet Broking Awards 2015
- In wealth management, the total AUM at Rs 50.3b up 59% YoY. We now have 64 relationship managers, up 35% YoY. We are focusing on building a strong family office offering and a seamless execution platform for our clients.

- Investment banking fees were Rs 73m in 2QFY16, up 49% QoQ. We are seeing gradual traction in our ECM business. In 2QFY16, we were involved in the IPOs of Pennar Engineered Systems and Powermech Projects.
- Traditional capital markets contributed ~52% of total revenues this quarter, as compared to ~67% a year ago

2. Our asset management businesses which includes public markets and private equity businesses continues to see huge scale up on the back of sustained performance thru a focused investment philosophy

- Asset Management fee were Rs 575m in 2QFY16, up 169% YoY. Total AUM/AUA across mutual funds, PMS and PE businesses was Rs 113.5b, which is up 2X on a YoY basis.
- Our public markets asset management business reached an AUM of Rs 91.4b as of Sep 2015, up 165% YoY and 25% QoQ. Mutual fund AUM was Rs 43.1b vs Rs 12.8b last year and PMS AUM was Rs 48.3b vs Rs 21.6b last year. Our net inflows this quarter were up ~4.5X on a YoY basis, from Rs 5b in 2QFY15 to Rs 21b in 2QFY16. The number of equity mutual fund folios was up ~4X on a YoY basis, from ~24,000 back in Sep 2014 to ~89,000 in Sep 2015.
- This traction in net sales and client count has been driven by our investment performance, new distributor relationships across channels like banks, wealth platforms, IFAs and national distributors, 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 and #15 in Sep 2014.
- We have also invested into an experienced team for our new offshore fund, to take our time tested investment philosophy to global pools of capital looking to invest in India.
- This public markets asset management business contributed ~18% of total revenues this quarter, up from ~7% a year ago.
- The private equity business manages Rs 22b across 2 growth capital and 2 real estate funds. The 1st growth capital fund of Rs 5.5Bn is in exit mode and 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 growth capital fund of Rs 9.5b has made 7 investments aggregating Rs 4.2 Bn so far. The 1st real estate fund of Rs 1.65Bn has returned ~82% capital from full/partial exits from 6 projects so far. The 2nd real estate fund completed its final close in 1QFY16 at Rs 5Bn and has already made commitments of ~80% of the fund across established developers across 6 deals through a stringent due diligence process. The 3rd real estate fund should be launched sometime during 2HFY16 post regulatory approvals which are in advance stages.
- The asset management businesses (public market equities and private equity together) contributed ~21% of total revenues this quarter, as compared to ~12% a year ago. We expect the trend of rising share of asset management business in our

revenues and profits to continue, going forward, based on current scale up of the business.

3. Aspire Home Finance has seen significant traction since the last year

- Housing Finance related income was Rs 457m in 2QFY16, up 121% QoQ.
- As of Sep 2015, the HFC loan book stood at Rs 9.9Bn vs 3.6Bn in Mar-15 and 5.6Bn in June-15. The business has funded ~9,700 families, with an average ticket size of ~Rs 1m. Disbursements made during the quarter 2QFY16 were Rs 4.4b, as compared to Rs 2.0b in 1QFY16 and Rs 3.6b in FY15. Cumulative disbursements has crossed Rs 10b after 5 full quarters of commencing operations, while the distribution reach has expanded to 37 branches across 4 states. 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%
- Equity commitment by the sponsor, i.e. Motilal Oswal Group, is Rs 2b as of Sep 2015. Total borrowing is 8.73Bn, D/E is 4 times
- Borrowing lines include a mix of bank loans, NCDs and CPs. Relationships have been built with 14 banks. Sanction lines were Rs 14.1b.
- We won the "Most Admired and Valuable Housing Finance Company 2015" at the 6th India Leadership Conclave.
- We have invested significantly into operational efficiencies. Technology has been implemented across the loan processing activity, which brings in efficiencies in the turnaround-times at each stage of loan process. Tremendous focus has been placed on the quality of underwriting, risk management, concurrent audit of files, monitoring of cheque bounces and detection of frauds, in order to ensure asset quality.
- We remain optimistic on the business prospects for Aspire with clear opportunity to build scale and linear growth in profits aimed at reaching threshold ROE of 20+%

4. Capital allocation

- Fund based income was Rs 261m in 2QFY16, down 23% YoY. NBFC loan book was Rs 3.3b.
- The change in the capital allocation aimed at reaching reach a sustainable ROE of 20%+ as was explained in the earlier call is shaping up as per plan.
- The lending business of loan against shares is now being run as a spread business using borrowed funds.
- Our investment in our own mutual fund products is Rs 5.7b (at cost) and Rs 1.7b (at cost) in our own private equity products.
- The unrealized gain on MF investments was INR 1.7b, as of Sep 2015 which is backed by a time tested investment philosophy which has consistently delivered superior performance against leading benchmarks.
- The intrinsic ROE, including the unrealized gains on these investments, is ~20+% for the trailing four quarters ending Sep-15 vs the reported RoE.

Outlook

We have invested meaningful capacity into each of our businesses, even if the near term implications result in relatively muted reported earnings.

Our capital markets business is well poised to grab market share both in institutional and retail segments of the market, our asset management business is seeing unprecedented ‘pull’ from our B2B customers, our housing finance business has tremendous headroom for growth, and our capital allocation is now aligned towards earning a sustainable 20%+ RoE.

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 the our ability to capture the growth opportunities as they unfold.

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)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	1,406	1,309	7%	1,406	1,410	0%	2,715	2,658	2%	5,426
EBITDA	384	361	6%	384	524	-27%	744	944	-21%	1,815
PBT	225	252	-11%	225	455	-50%	477	808	-41%	1,493
PAT	155	198	-21%	155	321	-52%	353	567	-38%	1,081

Given today's increasingly digital world, what is the strategy behind the increase in the locations in the broking business, which is currently at an all-time high of 2,036? Which are the geographies where the location count is being ramped up?

In any digital world, there will always be a combination of physical and digital and one cannot look at one without the other. Given that the retail penetration still remains low, the franchisee channel will significantly help in expanding our presence into the hinterland. Secondly, having a physical presence always gives comfort on the ground. However, we have also made significant investments into our online value-chain, right from lead origination to client servicing. So both channels will work together. Physical reach remains important, while digitization helps to optimize that reach for increased throughput. In terms of geographies, the opportunity is Pan-India. But a lot depends whether we get good entrepreneurs on the ground since that drives the quality of the outreach. We have teams spread across all the regions and have strict quality filters to ensure that we have the right franchisee partners coming on board.

What is the contribution of internet/mobile to market volumes?

Technically speaking, there is no real separation between online and offline since every customer is registered as an online customer today, per se. Nevertheless, the market is seeing increasing participation from online. While exact numbers are not available; roughly, about 25% of volumes are coming through the online interface.

What would be the short-to-medium impact of the recent increase in derivative contract size on market volumes? Would it lead to more cash participation?

Any change will have some impact. A lot of retail investors participated in this segment. Hence, there may be some lower retail participation in F&O in the short-term, although this should stabilize in the long-term. However, cash participation is not just a factor of regulatory changes in the derivative segment. It has more to do with the underlying reasons for retail investors to come into the cash segment, be it traction in IPOs or the overall stability in the markets. So these are two independent factors. There could be some benefits due to the regulatory changes, but it is not that the entire chunk will move from one to the other.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	76	50	51%	76	7	929%	126	89	41%	201
EBITDA	32	(6)	nm	32	(47)	nm	26	0	nm	12
PBT	28	(9)	nm	28	(50)	nm	19	(6)	nm	(2)
PAT	19	(6)	nm	19	(34)	nm	14	(4)	nm	(1)

Private Wealth Management

KEY FINANCIALS: PRIVATE WEALTH MANAGEMENT (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	105	87	20%	105	57	84%	192	105	83%	299
EBITDA	37	22	67%	37	22	63%	58	33	76%	98
PBT	28	20	40%	28	22	31%	49	31	55%	94
PAT	18	13	41%	18	14	29%	32	21	50%	65

A. Asset Management Businesses

Asset Management – Public Market Equities

KEY FINANCIALS: ASSET MANAGEMENT (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	482	306	58%	482	132	265%	787	226	248%	881
EBITDA	87	53	66%	87	(8)	nm	140	(34)	nm	61
PBT	83	50	68%	83	(9)	nm	133	(37)	nm	52
PAT	70	50	41%	70	(9)	nm	120	(37)	nm	52

Asset Management - Private Equity

KEY FINANCIALS: PRIVATE EQUITY (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	70	66	6%	70	67	4%	136	122	11%	255
EBITDA	29	29	3%	29	36	-18%	58	62	-7%	119
PBT	27	26	3%	27	34	-22%	53	59	-10%	113
PAT	18	17	7%	18	27	-31%	35	42	-17%	74

The equity funds have seen record inflows, and this business is already 21% of overall topline. How do you see the AMC business panning out?

AMC's share in the mix would expand further if the current rate of inflows continue, coupled with the increase in the AUM due to appreciation. At this rate, we would have covered most of our fixed cost, and hence, even a 30-40% growth in assets can have a sedentary effect on the total profits as most of the incremental income would flow to PBT. We believe AMC and HFC would become far bigger pieces of the pie over the next few quarters, probably about one-third each.

How much of the AMC Fee in the PMS business would be linear in nature?

AMC Fees work on a fixed and a variable model. Fixed model would range between 2-2.5%, while Variable model would be in a 1:10 structure, i.e. 1% fixed and 10% performance. The fees would accrue linearly depending on the revenue model of 2% or 1%. The performance fee comes during the last quarter of every financial year, leading to lumpy revenues accrued at year-end. This basically means that three quarters would see largely linear revenue in line with the mobilization and markets, while the fourth quarter would be lumpier based on our own performance.

The AMC revenue in the quarter was ₹482m, with EBITDA and PBT at ₹87m and ₹83m. What are the chances the margins would improve from here?

Initially there is a huge fixed cost. Once that is overcome, it will become non-linear. This means that if the ₹482m topline goes to ₹1b, the profits will not go from ₹83m to ₹166m. Rather, it may likely go up to ₹400m or thereabouts. The only variable cost one needs to factor in as we are ramping up, is the distribution cost. In any annuity business, the more vintage assets are, the more profitably would come. So the profits will always look depressed in the first year of mobilization. But if those assets are sustained on a long term basis, the profitability will see some operating leverage.

B. Housing Finance Businesses

Aspire Home Finance

KEY FINANCIALS: ASPIRE HOME FINANCE (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Sanctioned For Period	5,712	2,735	109%	5,712	761	650%	8,446	914	824%	5,226
Disbursed For Period	4,399	2,035	116%	4,399	497	786%	6,434	507	1169%	3,586
Loan Book	9,884	5,559	78%	9,884	507	1851%	9,884	507	1851%	3,574
Total Revenues	457	207	121%	457	24	1787%	664	27	2321%	239
EBITDA	362	142	156%	362	(11)	nm	504	(19)	nm	84
PBT	134	48	177%	134	(12)	nm	182	(20)	nm	39
PAT	95	34	183%	95	(12)	nm	129	(20)	nm	22

What is the kind of AUM that the current balance sheet can support, in terms of the capital commitment made? Would you look at a listing at some point of time?

We have committed ₹2b already, which has been invested as of September. We have got Board approval to commit another ₹1b in 2HFY16. This takes our total commitment to ₹3b.One can assume a ~8X leverage of that to estimate the loan book size that this capital can support. We have not made up our mind whether, and at which stage, we might list this entity for external capital. We have explained earlier the broad business model of the Group, where the traditional Capital Markets businesses as well as the Asset Management businesses throw free cash flows, of which some are getting deployed here. So we do not have any guidance of when we need external capital or when we are seeing a listing of this company, if at all. As of now, the internally generated capital by Aspire and the capital infusion by the Group, coupled with no dividend payouts, allows Aspire to grow in the foreseeable future

What is the optimal level of leverage? When would it reach the target ROE?

We are in process of ramping up the Debt:Equity ratio in the housing finance book. We think once we reach ~8-9X leverage on a sustained basis, we will hit the target 20%+ ROE. That is the threshold that we have set for this business. Aspire has already turned profitable.

Are there any milestones on the growth plans in the housing finance book?

We expect the book to be close to ₹20b this year. This means an incremental ₹16b of loan book done during this year, with an average ticket size of ₹1m.

Who are the competitors to Aspire right now? In which segment is it operating?

Aspire is operating in Tier-2/3 markets. From a competition perspective, we believe everyone can coexist in this market since the size of the market is large and largely underpenetrated. We are in the specific segment of affordable housing segment, where need-based customers are operating. Our intent is not to get into any competitive benchmarking, but to create our own niche in the market.

What is the yield for this quarter? Is this all new mortgage?

The yield is about 13.5%. We only do retail housing finance. We do not do loan against property or any builders' loans.

What is the size of AUM that Aspire expects to reach, post which the growth will start moderating? You are operating in a yield where the AUMs are not very large and the largest players have AUMs of only ~₹40-50b.

We do not think we need to look into the expected AUM size right now, since the overall AUM of the industry is only about ~₹10t and it is still growing at ~20% CAGR. Even from the geography perspective, we do not have any AUM target in mind, post which we will slow down our growth. 90% of our book is from two states as of now, and we already have built our presence in two more states.

C. Fund-Based Business

NBFC Income

MOFSL STANDALONE FINANCIALS (Rs Mn)

	Q2 FY16	Q1 FY16	CHG. QOQ	Q2 FY16	Q2 FY15	CHG. YOY	6M FY16	6M FY15	CHG. YOY	FY15
Total Revenues	403	194	108%	403	593	-32%	597	785	-24%	1,292
EBITDA	322	150	115%	322	519	-38%	471	672	-30%	1,031
PBT	236	43	452%	236	440	-46%	278	507	-45%	653
PAT	236	16	1384%	236	431	-45%	252	477	-47%	605

Will the sponsor commitment to the AMC products go up over a period of time?

We deployed the surplus we had into our AMC products as a treasury operation. However, if the housing finance business needs that capital tomorrow, we may look to liquidate that since we will always invest in businesses first, rather than in treasury.

If the other businesses generate surplus, then what will be the first preference for committing that money – in the housing finance business or the AMC business?

Building the businesses will always be the top priority. So any incremental monies will be committed to Aspire, depending on how much it can take. If anything is left after that, then it will go into our equity products. That is the game-plan we have.

The sponsor commitment to Aspire is mentioned as ₹2b. What is the present investment? For any additional investment, will it wait till the leverage is at the optimum level or will it be based purely on the business requirement?

In FY15, we had put about ₹1.5b. In 1HFY16, we have put another ₹0.5b. So the balance sheet already has the committed amount of ₹2b. We have got Board approval to put in another ₹1b. So ₹3b is the total Board commitment as of now, of which ₹2b as already gone into Aspire's balance sheet. Optimizing the ROE is definitely a top priority. We have built in sufficient banking lines and it is a calibrated approach. We will use these lines judiciously to optimize ROE, while supporting the growth objectives. The current growth projections can absorb the ₹3b commitment, without diluting the ROE target that we have.

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

Rs Million	Q2FY16	Comparison (Q1FY16)	Comparison (Q2FY15)
Total Revenues	2,691	↑27%	↑51%
EBITDA	590	↑50%	↑24%
Reported PAT	434	↑53%	↑33%
Diluted EPS – Rs (FV of Rs 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 Q2FY6 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. 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 disbursals 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**
  - **o 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

- **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.

For further details contact:

Mr. Hari Krishnan Motilal Oswal Financial Services Ph - +91-22-39825500 Mob- +91-9820520392	Mr. Sameer Kamath Motilal Oswal Financial Services Ph - +91-22-39825500 Mob- +91-9820130810	Mr. Anirudh Rajan / Alpesh Nakrani Paradigm Shift Public Relations Mob- +91-9892343828/ +91-9869121167 Tel- +91-22 22813797 / 98

MOTILAL OSWAL FINANCIAL SERVICES LIMITED

Registered Office: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025

Tel: +91-22-39804200, Fax: +91-22-33124997 Email:shareholders@motilaloswal.com

CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2015.

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Half Year Ended (Unaudited)		Year Ended (Audited)
	30.09.2015	30.06.2015	30.09.2014	30.09.2015	30.09.2014	31.03.2015
1. Income from Operations						
(a) Income from Operations	23,125	18,977	16,330	42,102	31,740	71,143
(b) Other Operating Income	2,783	1,848	1,418	4,631	2,628	5,753
Total Income	**25,908**	**20,825**	**17,748**	**46,733**	**34,368**	**76,896**
2. Expenditure						
(a) Operating expense	6,560	4,743	4,645	11,303	9,354	19,454
(b) Employees benefit expense	5,736	5,825	3,837	11,561	7,581	18,970
(c) Depreciation and amortisation expenses	835	765	707	1,600	1,380	3,067
(d) Other expenditure	4,201	3,626	3,608	7,827	6,137	13,127
Total expenses	**17,332**	**14,959**	**12,797**	**32,291**	**24,452**	**54,618**
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	**8,576**	**5,866**	**4,951**	**14,442**	**9,916**	**22,278**
4. Other Income	708	77	113	785	250	376
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	**9,284**	**5,943**	**5,064**	**15,227**	**10,166**	**22,654**
6. Finance Cost	3,676	2,264	293	5,940	682	3,094
7. Profit from Ordinary Activities after Finance Cost but before Exceptional Items (5-6)	**5,608**	**3,679**	**4,771**	**9,287**	**9,484**	**19,560**
8. Exceptional Items - (Expense)/Income	-	-	-	-	-	-
9. Profit from Ordinary Activities before Tax (7-8)	**5,608**	**3,679**	**4,771**	**9,287**	**9,484**	**19,560**
10. Tax Expense	1,402	955	1,434	2,357	2,897	5,233
11. Net Profit from Ordinary Activities after Tax but before Share of Profit from Associate and Minority Interests (9-10)	**4,206**	**2,724**	**3,337**	**6,930**	**6,587**	**14,327**
12. Share of Profit of Associate	190	165	-	355	-	221
13. Share of Minority Interests in (profits)/ loss	(55)	(51)	(72)	(106)	(113)	(190)
14. Net Profit after Tax and Share of Profit from Associate and Minority Interests (11+12-13)	4,341	2,838	3,265	7,179	6,474	14,358
15. Paid-up equity share capital (Face Value of Re. 1/- Per Share)	1,417	1,414	1,387	1,417	1,387	1,402
16. Reserves excluding Revaluation Reserves	-	-	-	-	-	128,084
17. i. Earnings Per Share (EPS) (before Extraordinary items) (of Re. 1/- each)						
a) Basic EPS	3.06	2.01	2.41	5.07	4.76	10.34
b) Diluted EPS	3.01	1.98	2.38	4.99	4.71	10.10
Particulars of Shareholding						
18. Public shareholding						
- Number of shares	39,274,375	39,008,545	36,409,939	39,274,375	36,409,939	37,774,745
- Percentage of shareholding	27.72%	27.59%	26.24%	27.72%	26.24%	26.95%
19. Promoters' and promoter group Shareholding						
a) Pledged/Encumbered						
- Number of shares	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL	NIL	NIL
b) Non-encumbered						
- Number of shares	102,383,700	102,387,930	102,328,236	102,383,700	102,328,236	102,307,930
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
- Percentage of shares (as a % of the total share capital of the company)	72.28%	72.41%	73.76%	72.28%	73.76%	73.05%
20. Investors' Complaints						
Pending at the beginning of the period	NIL	Nil	Nil	NIL	Nil	Nil
Received during the period	1	Nil	3	1	5	13
Disposed off during the period	1	Nil	3	1	5	13
Remaining unresolved at the end of the period	NIL	Nil	Nil	NIL	Nil	Nil

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 Monday, 19th October, 2015. The results for the half year ended 30th September, 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 2,61,600 and 14,95,400 equity shares to the employees during the quarter and half year ended 30th September 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 (98.77%), 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) During the period, one of the subsidiary, Aspire Housing Finance Corporation Ltd has issued Non-Convertible Debentures aggregating to Rs. 56,500 lakhs 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. 20,000 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 50,000 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 group long term investments in Motilal Oswal's mutual fund products stands at Rs. 57,122 lakhs as of 30th September, 2015 versus (Rs. 55,145 lakhs as of 31st March, 2015). The unrealized gain on these investments is Rs. 17,061 lakhs as of 30th September, 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 half year ended 30th September 2015 and year ended on 31st March 2015.

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

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Half Year Ended (Unaudited)		Year Ended (Audited)
	30.09.2015	30.06.2015	30.09.2014	30.09.2015	30.09.2014	31.03.2015
Gross Revenue	4,034	1,939	5,933	5,973	7,849	12,920
Profit Before Tax	2,357	426	4,402	2,783	5,073	6,533
Profit After Tax	2,364	158	4,316	2,522	4,766	6,050

8) Consolidated unaudited segment results for the quarter and half year ended 30th September 2015

(Rs. in Lakhs)

Particulars	Quarter Ended (Unaudited)			Half Year Ended (Unaudited)		Year Ended (Audited)
	30.09.2015	30.06.2015	30.09.2014	30.09.2015	30.09.2014	31.03.2015
1. Segment Revenue						
(a) Broking & Other related activities	13,895	12,110	12,571	26,005	24,577	50,910
(b) Fund Based activities	9,243	5,455	3,841	14,698	6,619	15,928
(c) Asset Management & Advisory	7,029	5,226	3,160	12,255	5,705	17,122
(d) Investment Banking	757	501	74	1,258	890	2,006
(e) Unallocated	208	79	14	287	36	89
Total	**31,132**	**23,371**	**19,660**	**54,503**	**37,827**	**86,055**
Less: Inter Segment Revenue	4,214	2,208	1,800	6,422	3,209	8,561
Income From Operations, Other Operating income & Other Income	**26,918**	**21,163**	**17,860**	**48,081**	**34,618**	**77,494**
2. Segment Results Profit / (Loss) before tax and interest from Each segment						
(a) Broking & Other related activities	1,930	1,226	2,368	3,156	5,401	11,421
(b) Fund Based activities	4,128	2,406	2,166	6,534	3,192	7,349
(c) Asset Management & Advisory	1,450	972	624	2,422	579	2,783
(d) Investment Banking	303	(71)	(483)	232	(22)	77
(e) Unallocated	(1,283)	(96)	277	(1,379)	639	(912)
Total	**6,528**	**4,437**	**4,952**	**10,965**	**9,789**	**20,718**
Less: (i) Interest	618	497	181	1,115	305	936
Profit/(Loss) from Ordinary Activities before Tax	**5,910**	**3,940**	**4,771**	**9,850**	**9,484**	**19,782**
3. Capital Employed						
(Segment assets – Segment Liabilities)						
(a) Broking & Other related activities	6,208	10,104	4,336	6,208	4,336	15,794
(b) Fund Based activities	116,675	115,541	111,418	116,675	111,418	104,422
(c) Asset Management & Advisory	16,832	10,633	7,606	16,832	7,606	9,818
(d) Investment Banking	601	709	381	601	381	441
(e) Unallocated	(1,178)	(2,897)	740	(1,178)	740	(990)
Total	**139,138**	**134,090**	**124,481**	**139,138**	**124,481**	**129,485**

Notes:

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.

9) Statement Of Assets & Liabilities (Consolidated) (Rs in Lakhs)

Particulars	As on Unaudited 30.09.2015	As on Audited 31.03.2015
A. EQUITY AND LIABILITIES		
1. Shareholder's Fund		
a) Share Capital	1,417	1,402
b) Reserves & Surplus	137,721	128,083
Sub-total - Shareholders' funds	139,138	129,485
2. Minority Interest	997	629
3. Non-current liabilities		
a) Long Term Liabilities	97,012	30,055
b) Deferred tax liabilities (net)	813	1,204
c) Other long term liabilities	310	262
d) Long-term provisions	1,180	824
Sub-total - Non-current liabilities	99,315	32,345
4. Current liabilities		
a) Short term borrowings	60,525	48,507
b) Trade payables	66,065	62,090
c) Other current liabilities	24,843	13,538
d) Short-term provisions	5,833	7,886
Sub-total - Current liabilities	157,266	132,021
TOTAL - EQUITY AND LIABILITIES	**396,716**	**294,480**
B. ASSETS		
1. Non-current assets		
a) Fixed assets	29,767	30,013
b) Non-current investments	84,753	79,401
c) Long-term loans and advances	102,553	39,704
d) Other non-current assets	3,577	107
Sub-total - Non-current assets	220,650	149,225
2. Current assets		
a) Current investments	34,200	2,000
b) Inventories	-	-
c) Trade receivables	73,006	58,997
d) Cash and bank balances	31,120	27,195
e) Short-term loans and advances	37,009	56,348
f) Other current assets	731	715
Sub-total - Current assets	176,066	145,255
TOTAL - ASSETS	**396,716**	**294,480**

10. The previous financial quarter / half year / year figures have been regrouped/rearranged wherever necessary to make them comparable.

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

Mumbai, 19th October, 2015
shareholders@motilaloswal.com

Motilal Oswal
Chairman & Managing Director