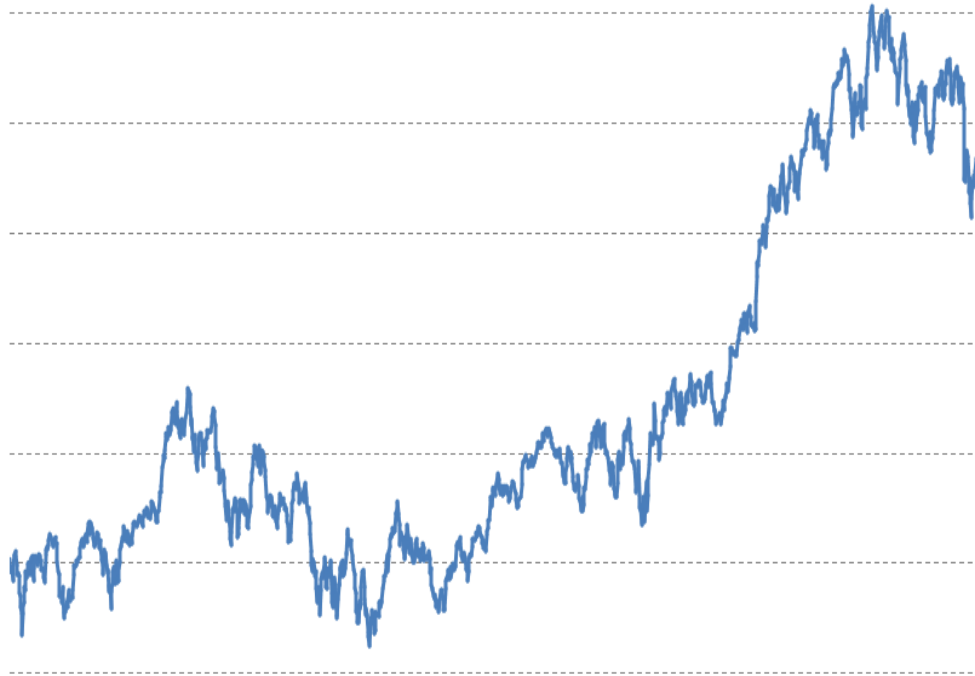


# Motilal Oswal Financial Services Ltd

Earnings Update | Q2 FY16 | Oct 19, 2015





## Trends

- Broad trends in the overall markets this quarter
- Broad progress against strategic priorities
- Specific KPIs achieved this quarter
- What we have concentrated on

# Broad trends in the overall markets this quarter



- Recent rate cuts gave markets a reason to cheer, though its transmission by the banks still needs to be seen; Industrial performance also saw some recovery in August
- Equity MFs registered significant, and sustained, net inflows since the last five successive quarters
- Demat accounts created in H2FY16 (~0.15 million per month) are double of the average seen between FY12-FY14
- IPO market picking up since last 2-3 quarters, although this includes a number of small-sized companies
- Monthly disbursement of home loans picked up to ~₹300 billion per month vs. ~₹250 billion per month last quarter



- Reforms yet to pick up; Short-term sentiments reflecting this as markets remained a dampener this quarter, with Nifty down 6%, CNX Midcap flat & INR down 2% QoQ
- Market ADTO was flat QoQ in both Cash and F&O segments this quarter, due to dips in FII cash and Options, resp.
- Retail cash ADTO in FY16 is marginally down vs. the averages seen during FY15
- FIIs net sellers in Q2FY16, after outflows in Aug and Sep; FII net inflows declined appreciably in FY16 vs. previous years
- While QIP issues saw an uptick since last year, it is not growing QoQ sustainably; High-profile IPOs yet to take off

## ● Traditional Capital Markets

- **Broking and Distribution:** Building scale by leveraging on advisory, network expansion and technology
- **Institutional Equities:** Pitch research as a USP; Use corporate access and sales to build strong relationships
- **Wealth Management:** Customized advisory for holistic asset allocation; Leverage strong relationships with HNIs
- **Investment Banking:** Leverage on emerging capital raising opportunities by partnering as a 'strategic CFO'

*Improvement in retail cash market share*

*Expanded coverage into new corporates/geographies*

*Traction in HNI client families and asset flows*

*Active participation in few IPOs*

## ● Asset Management

- **Public Equities AMC:** Pitch as equity specialists with time-tested investing philosophy; Expanding the distribution base
- **Private Equity:** Capture fundamentally-strong, high-quality and high-growth deal opportunities

*Superior investment performance; Uptick in market share of net sales and creation of new folios*

*2 partial exits from IBEF 1; Final close of IREF II*

## ● Housing Finance

- **Aspire Home Finance:** Focus on affordable housing segment

*Traction in Aspire's book, clients & geographies*

## ● Fund based

- **ROE Enhancing Opportunities** through commitment to own asset management products; NBFC book run with borrowings

*Sponsor backing of proven track-record of investing philosophy*

# Specific KPIs achieved this quarter

## Financial performance

**Revenues**  
₹2.7 bn in  
↑ Q2FY16 51% YoY

**PAT**  
₹434 mn in  
↑ Q2FY16 33% YoY

**PAT Margin**  
16% vs. 18% YoY

**Net Worth ₹13.9 bn**  
**Gross Debt ₹15.8 bn**

**ROE (for quarter)**  
**12.7%\***

**Unrealized gains in MFs\***  
**₹1.7 bn as of Sep**

## Operational performance

**Eq. Market Share**  
**1.8% in Q2FY16**  
**vs. 1.5% in Q2FY15**

**AUM (MF, PMS, PE)**  
**₹113 bn, ↑ 109% YoY**

**MOSL Branches**  
**2,036, ↑ 23% YoY**

**Retail Clients**  
**763K, ↑ 6% YoY**

**Aspire Loan book**  
**₹9.9 bn, ↑ 78% QoQ**

**Overall Manpower**  
**2,493, ↑ 62% YoY**

## BUSINESS STRATEGY

### Investments aligned to capital market client segments

- Digital models for 'next-generation' retail clients
- Dedicated advisory desks for large clients
- Offline reach into high-potential geographies
- Institutional base where India is relatively attractive
- Expanding in family offices to cater to more HNIs

### Operational excellence in housing finance

- Focus on operations, technology, underwriting, risk management, as much as scale & productivity

### Track-record and B2B network in AMC products

- Products based on time-tested investment philosophy delivered superior outperformance
- Building relationships with key distributors

## GROUP STRATEGY

### Strategically realigned our business model

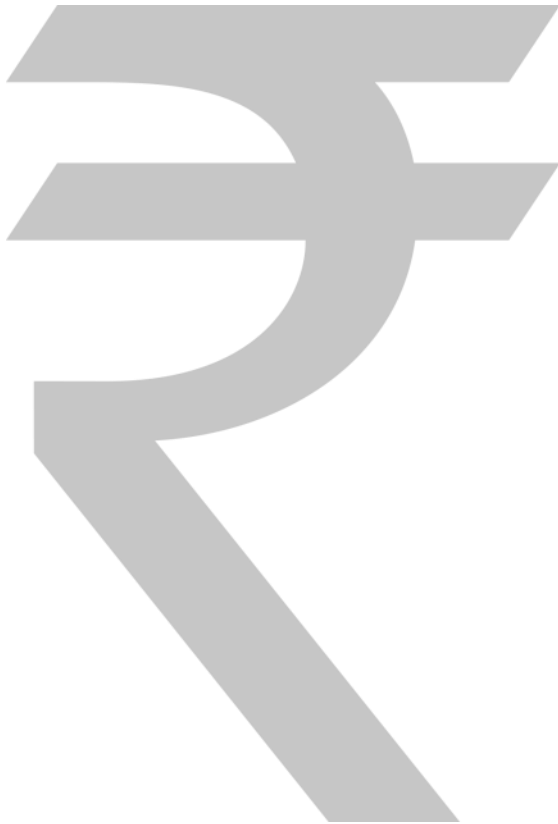
- Annuity-based AMC and PE businesses, linear housing finance business and capital allocation are complementing the capital markets businesses
- Will offer significant profit potential, going forward

### Building Scale, Efficiencies, Competitiveness

- Focus on operational processes for efficiencies
- Competitive positioning to stay ahead of the curve
- Adding scale via manpower, technology and reach

### Using capital judiciously with focus on productivity

- Aimed to maximize throughput on investments
- Will help drive the next phase of growth



## Financial performance

- Consolidated financials this quarter
- Segment-wise revenues
- Segment attribution analysis
- Consolidated financials (ex Aspire)
- Balance sheet highlights

# Consolidated financials

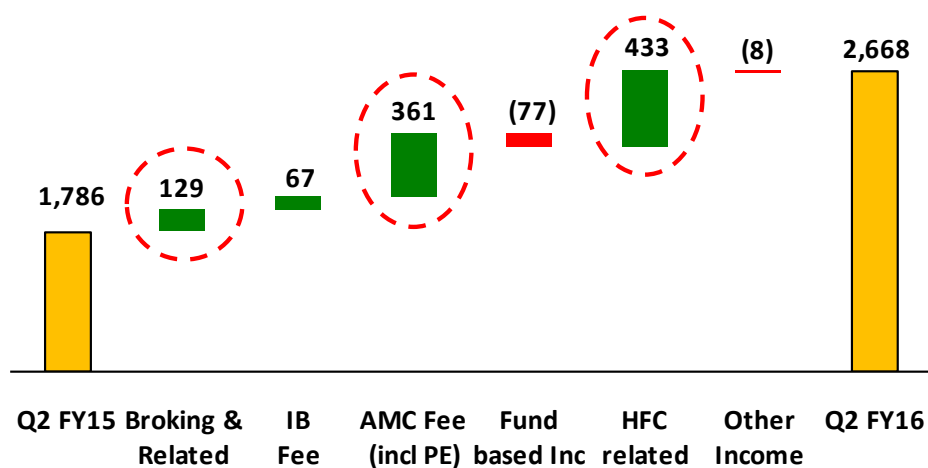
Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
<b>Total Revenues</b>	<b>2,691</b>	<b>2,116</b>	<b>27%</b>	<b>2,691</b>	<b>1,786</b>	<b>51%</b>	<b>4,808</b>	<b>3,462</b>	<b>39%</b>	<b>7,750</b>
Operating expenses	656	474	38%	656	462	42%	1,130	924	22%	1,945
Personnel costs	574	582	-2%	574	384	50%	1,156	758	52%	1,897
Other costs	420	363	16%	420	363	16%	783	625	25%	1,313
Total costs	1,650	1,419	16%	1,650	1,209	36%	3,069	2,307	33%	5,155
EBITDA	1,042	697	49%	1,042	577	80%	1,738	1,155	51%	2,595
Depreciation	83	76	9%	83	71	18%	160	138	16%	307
Interest	368	226	62%	368	29	1154%	594	68	771%	309
<b>PBT</b>	<b>590</b>	<b>394</b>	<b>50%</b>	<b>590</b>	<b>477</b>	<b>24%</b>	<b>984</b>	<b>948</b>	<b>4%</b>	<b>1,979</b>
Tax	150	104	44%	150	143	5%	255	290	-12%	523
Minority Interest	6	6	8%	6	7	-15%	12	11	4%	20
<b>Reported PAT</b>	<b>434</b>	<b>284</b>	<b>53%</b>	<b>434</b>	<b>327</b>	<b>33%</b>	<b>718</b>	<b>647</b>	<b>11%</b>	<b>1,436</b>
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
No.of shares outstanding (million) - FV Rs 1/share	142	141		142	139		142	139		140

- Employee costs up 50% YoY mainly owing to hiring in retail broking and housing finance – Overall employee count up 62% YoY
- Improved profitability YoY, mainly due to operating leverage in asset management, investment banking and housing finance
- PAT impacted by higher interest costs owing to usage of borrowing for the LAS business – Interest cost (ex Aspire) up 5X YoY

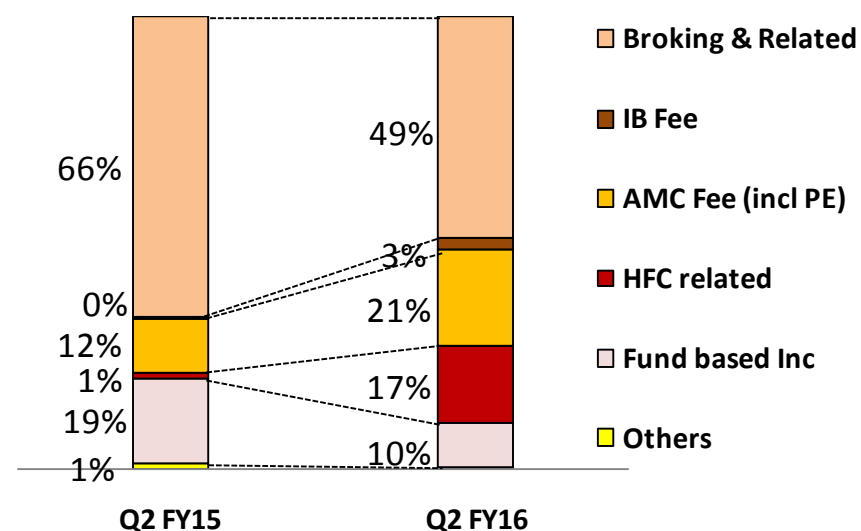
# Segment-wise revenues

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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
<b>Total Revenues</b>	<b>2,691</b>	<b>2,116</b>	<b>27%</b>	<b>2,691</b>	<b>1,786</b>	<b>51%</b>	<b>4,808</b>	<b>3,462</b>	<b>39%</b>	<b>7,750</b>

## Segment-wise attribution of incremental revenues on YoY basis



## Change in the revenue mix towards annuity and linear businesses



# Consolidated financials – ex Aspire Housing Finance

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
<b>Total Revenues</b>	<b>2,238</b>	<b>1,913</b>	<b>17%</b>	<b>2,238</b>	<b>1,768</b>	<b>27%</b>	<b>4,151</b>	<b>3,442</b>	<b>21%</b>	<b>7,527</b>
Operating expenses	651	472	38%	651	463	41%	1,123	925	21%	1,943
Personnel costs	529	548	-4%	529	368	44%	1,077	735	47%	1,816
Other costs	379	338	12%	379	349	9%	718	609	18%	1,256
Total costs	1,559	1,358	15%	1,559	1,179	32%	2,917	2,268	29%	5,016
EBITDA	679	555	22%	679	589	15%	1,235	1,174	5%	2,511
Depreciation	82	75	9%	82	70	17%	157	137	14%	304
Interest	141	135	4%	141	29	388%	275	68	307%	266
<b>PBT</b>	<b>457</b>	<b>346</b>	<b>32%</b>	<b>457</b>	<b>490</b>	<b>-7%</b>	<b>802</b>	<b>968</b>	<b>-17%</b>	<b>1,941</b>
Tax	112	90	24%	112	143	-22%	202	290	-30%	506
Minority Interest	5	5	5%	5	7	-28%	10	11	-11%	20
<b>Reported PAT</b>	<b>340</b>	<b>251</b>	<b>35%</b>	<b>340</b>	<b>339</b>	<b>0%</b>	<b>591</b>	<b>667</b>	<b>-11%</b>	<b>1,414</b>
EPS - Basic	2.4	1.8		2.4	2.5		4.2	4.8		10.2
EPS - Diluted	2.4	1.8		2.4	2.4		4.1	4.8		10.0
No. of shares outstanding (million) - FV Rs 1/share	142	141		142	139		142	139		140

## Consolidated Balance Sheet

₹million	As on Sep 30, 2015	As on Mar 31, 2015
<b>Sources of Funds</b>		
Networth	13,914	12,949
Loan funds	15,754	7,856
Minority interest	100	63
Deferred tax liability	81	120
<b>Total</b>	<b>29,849</b>	<b>20,988</b>

<b>Application of Funds</b>		
Fixed assets (net block)	2,977	3,001
Investments	11,895	8,140
Deferred tax asset	-	-
<b>Current Assets (A)</b>	<b>24,800</b>	<b>18,307</b>
- Sundry debtors	7,301	5,900
- Stock-in-trade	0	0
- Cash & Bank Balances	3,112	2,719
- Loans & Advances	13,956	9,605
- Other Assets	431	82
<b>Current liabilities (B)</b>	<b>9,823</b>	<b>8,460</b>
<b>Net current assets (A-B)</b>	<b>14,976</b>	<b>9,847</b>
<b>Total</b>	<b>29,849</b>	<b>20,988</b>

## Consolidated Ex Aspire Balance Sheet

₹million	As on Sep 30, 2015	As on Mar 31, 2015
<b>Sources of Funds</b>		
Networth	13,768	12,930
Loan funds	7,273	6,131
Minority interest	73	63
Deferred tax liability	95	123
<b>Total</b>	<b>21,208</b>	<b>19,246</b>

<b>Application of Funds</b>		
Fixed assets (net block)	2,958	2,992
Investments	11,995	9,440
Deferred tax asset	-	-
<b>Current Assets (A)</b>	<b>14,098</b>	<b>14,518</b>
- Sundry debtors	7,241	5,883
- Stock-in-trade	0	0
- Cash & Bank Balances	2,449	2,553
- Loans & Advances	3,982	5,997
- Other Assets	426	85
<b>Current liabilities (B)</b>	<b>7,843</b>	<b>7,704</b>
<b>Net current assets (A-B)</b>	<b>6,255</b>	<b>6,815</b>
<b>Total</b>	<b>21,208</b>	<b>19,246</b>



## Business performance

### Traditional capital markets

- Broking and distribution
- Institutional equities
- Private wealth management
- Investment banking

### Asset management

- Public equities AMC
- Private equity

### Housing finance

### Fund based

## Retail Broking & Distribution and Institutional Equities (MOSL)

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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

*Investing into critical manpower to drive the next level of growth*

**Manpower**  
↑ **67% YoY**

**Emp. Cost**  
↑ **49% YoY**

**Emp. CIR %**  
**16% to 24% YoY**

## Market Volumes:

- Overall cash equity ADTO at ₹208 billion in Q2FY16 was up only a marginal 2% YoY. It remained flat on a QoQ basis
- Retail cash volumes were down 4% YoY in Q2FY16. After improving last year, this has been tapered off this year
- Institution cash volumes were up 13% YoY. FIIs were net sellers in 4 months in H1FY16, while DIIs were net buyers every month

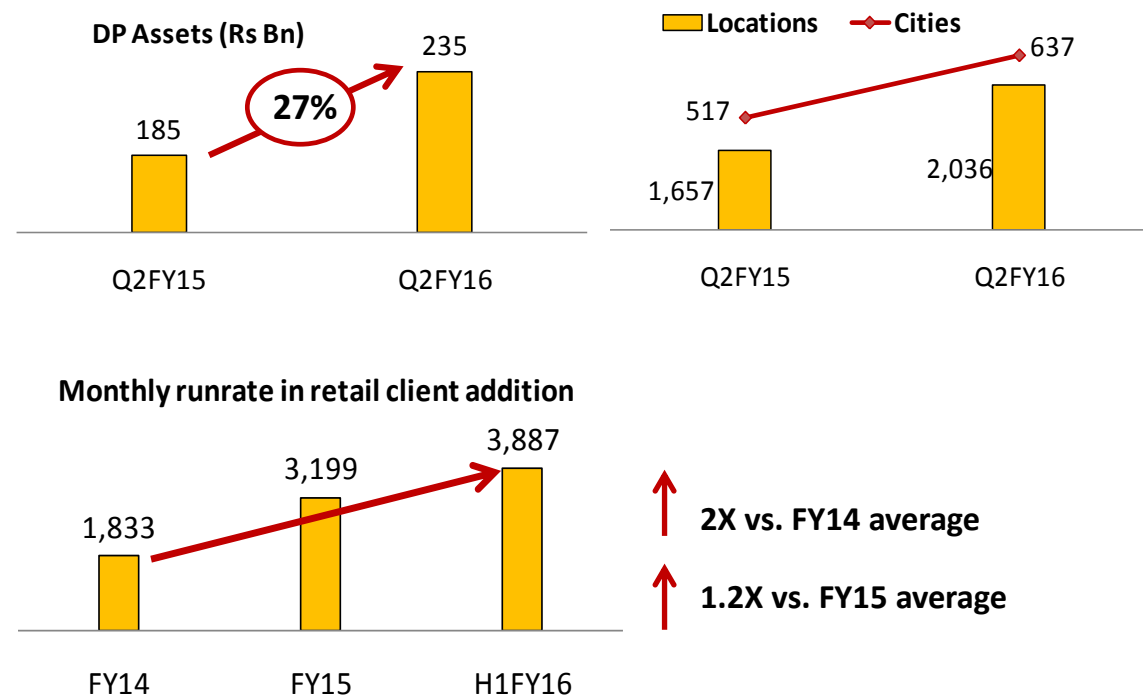
## Our Volumes:

- MOSL ADTO was ₹55.8 billion in Q2FY16 (₹55.9 billion in Q1FY16 & ₹51.6 billion in Q2FY15)
- Overall equity market share was 1.8% in Q2FY16 (1.8% in Q1FY16 and 1.5% in Q2FY15)
- Our market share in the cash segment has increased 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

## *Investments into people and technology.....is leading to strong business results*

- Creating scale by:-
  - Adding Advisors and Sales-people, who take a consultative approach to deepen relationships
  - Advisors across dedicated desks, up 86% YoY
  - Expanding into high-throughput geographies
- Creating competitiveness by:-
  - Dedicated advisory-desks for mass-retail, affluent and super-affluent clientele
  - Improving advisor quality through certification processes and productivity monitoring
  - Developing system-driven trading products, to offer clients strategies across market cycles
- Creating efficiencies by:-
  - Revamping our Digital initiatives across both delivery and engagement touch-points, to reduce the cost of servicing and enable clients to engage at their convenience

- Improvement in retail cash market share YoY
- Improvement in client-activation ratio YoY
- Traction in the online channel, both in usage and business
- Increase in monthly retail client addition and assets managed
- `Best Broking House - Cash Segment` at D&B Equity Broking Awards



# Institutional equities – Building critical competencies

**Focus on thematic, corporate outreach, execution and deepening into geographies**

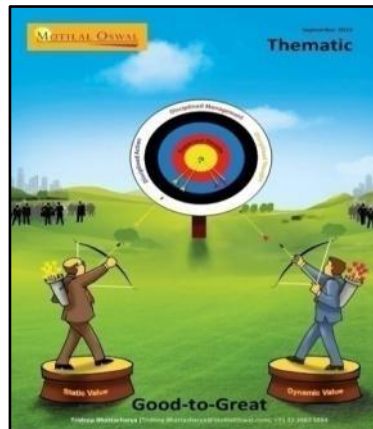
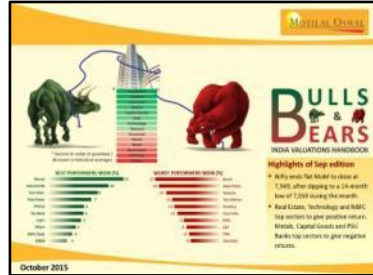
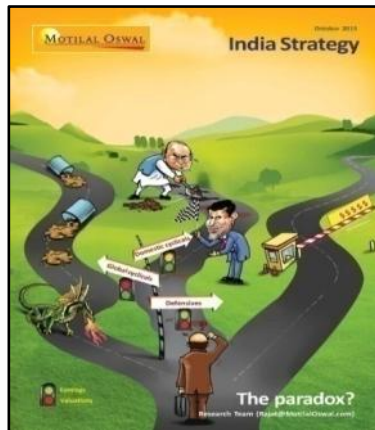
**Manpower**  
↑ **21% YoY**

**Coverage**  
**214 to 239 YoY**

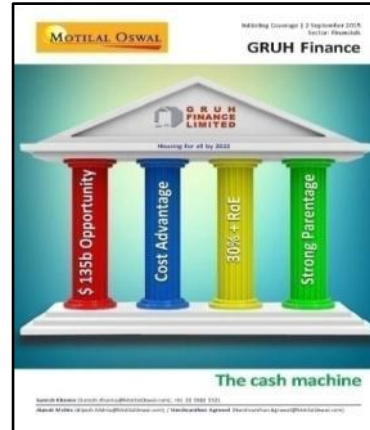
**FII/DII Clients**  
**565 to 586 YoY**

- 'Best Broking House - Institutional Segment' at D&B Equity Broking Awards 2015, which is testimonial of the quality of our services

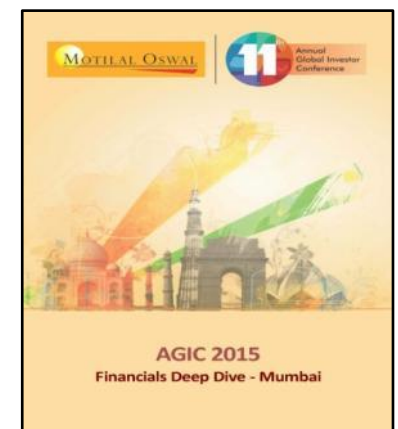
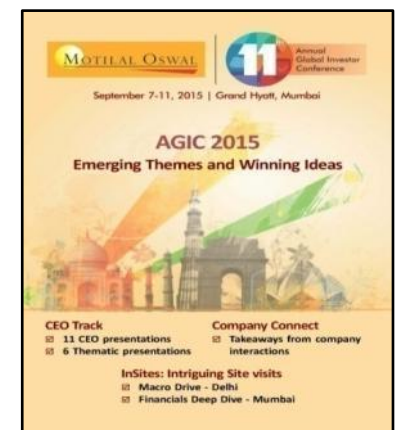
## Thematic research



## Company/Sector Coverage

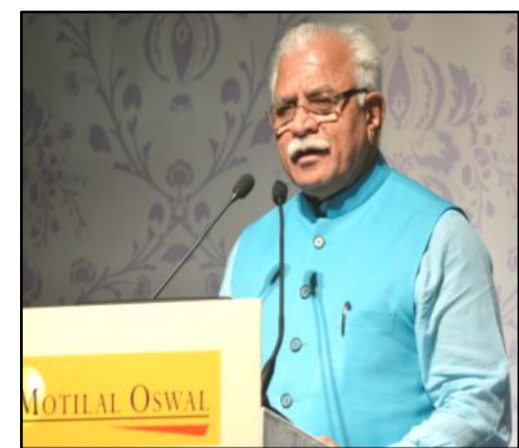
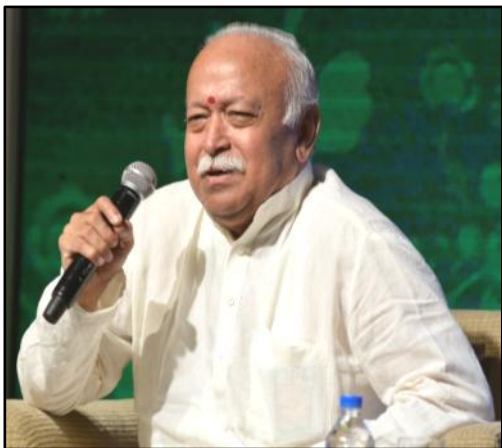


## Corporate Access



# Institutional equities – Global Investor Conference

- Conducted the 11th Annual Global Investor Conference, one of the largest format events in this segment
- The event saw participation from 120+ companies and 500+ global investors, resulting in 4,000+ corporate – investor meetings



Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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

*Investing into people with solid client relationships & operational capabilities*

**Wealth AUM**  
₹50.3 bn, ↑ 59% YoY

**Client Families**  
↑ 46% YoY

- Expanding Coverage:-

- 64 Sales people as of Sep, up 35% YoY
- Presence expanded to 8 metro cities to capitalize on the ensuing growth prospects there
- Open-architecture platform provides the products which are best suited for our clients' interests

- Client-centric Focus-

- Building a strong Family Office offering, to cater to further HNI clientele through this model
- Investing into providing a seamless execution platform for our clients
- Deepening relationships by supporting clients through life events, especially younger-age clientele

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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)

*Invested into an experienced ECM team in previous quarters, to capitalize on the emerging opportunities in equity raisings*

Emp. Count  
↑ 9% YoY

Emp. Cost  
↑ 3% YoY

- We had invested into building our Equity Capital Markets team alongside our existing M&A Advisory team. In line with this, the headcount had been up 37% YoY during Q1FY16, though this has moderated to 9% YoY this quarter
- Some traction has already been seen in the IPO segment, wherein we participated in the IPOs of Pennar Engineered Systems and Powermech Projects during this quarter, as well as the upcoming IPO of Parag Foods
- In advanced stages of closure in a couple of mandates in the M&A and private equity raising side

# Asset Management – Sustained flows backed by performance

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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

**Distributors**  
↑ **55% YoY**

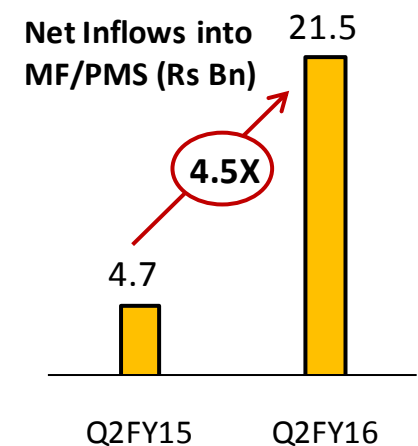
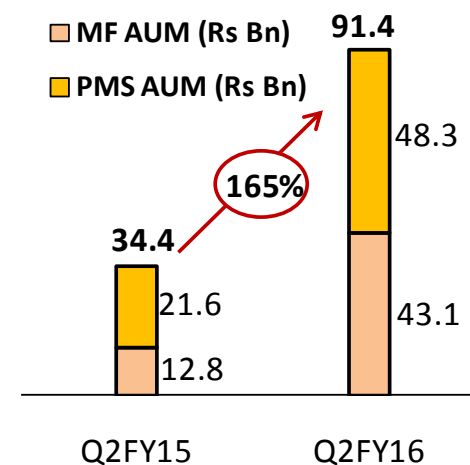
**Equity MF Folios**  
↑ **~4X YoY**

**AUM (MF/PMS)**  
↑ **165% YoY**

**Concentration of AUM with Top-10 distributors reducing**

**~12,000 new folios added per month since last 4 months**

- Aligning distributor footprint to create scale:-
  - New distributor relationships across channels
  - Deepening relationships with existing distributors
  - Building relationships with offshore institutions/intermediaries
- Superior investment performance has been our core competence, which is now getting regular mentions in media publications
- Investing into processes to drive operational efficiencies
  - Feature-rich online platform to add convenience further



Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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

## Funds in Exit mode

**IBEF 1:** \$125 million invested in 13 cos. 2 investments are fully exited and 4 are partially exited, translating to ~78% capital returned (INR terms). It is in advanced stages for exits, which may translate to an additional ~32% capital returned, taking total capital returned to ~110%. It is likely to exit by FY17 and we are hoping to earn meaningful carry as well as profits on Sponsor commitments in FY17. The last reference valuation of IBEF 1 as of Mar-15 is 2.6X the unsold investments (at cost)

**IREF 1:** ₹2 billion AUA in 7 deals, of which full/partial exits have been done from 6 projects so far, translating into ~82% capital returned to investors

## Funds in Investing mode

**IBEF 2:** ₹9.5 billion raised, including commitments from marquee institutions like IFC Washington, Squadron Capital and Axiom. It has made 7 investments so far - Magicrete, Intec Capital, Shubham HFC, Glass Wall Systems, Arinna Lifesciences, IKF Finance and Kurlon

**IREF 2:** ₹5 billion commitments raised post final close. Commitments of ~80% have been made across established developers across 6 deals, following stringent due diligence process

## Fund in Approval mode

**IREF 3:** IREF 3 to be launched during FY16, for which the regulatory approval is expected very soon

Particulars	Q2 FY16	Q1 FY16	Change	Q2 FY16	Q2 FY15	Change	6M FY16	6M FY15	Change	FY15
₹million	Sep 30, 2015	Jun 30, 2015	(%) Q-o-Q	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Sep 30, 2015	Sep 30, 2014	(%) Y-o-Y	Mar 31, 2015
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

- Scaled up within a short span of time:-
  - Loan book stands at ₹9.9 billion, across ~9,700 families
  - Q2FY16 disbursement was 2X of Q1FY16 and Q4FY15, each
  - Distribution reach expanded to 37 branches across 4 states
  - Cumulative disbursement reached ₹10.0 billion in 5 quarters
  - 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%
- As of Sep 2015, equity commitment by sponsor, i.e. Motilal Oswal Group, is ₹2 billion, total borrowing is ₹8.73 billion and D/E is 4X
- Investing significantly into operational efficiencies:-
  - Focus on underwriting, risk management, file audit & cheque monitoring, to maintain asset quality
  - Technology implemented to reduce TATs at each stage of the loan approval process
- ***Our relentless focus into operational excellence helped us get ratings of 'CRISIL A+/Stable' & 'ICRA A+(Positive), despite our relative lack of vintage***
- ***Awarded 'Most Admired and Valuable Housing Finance Company 2015' at 6th India Leadership Conclave 2015***

In line with the long term strategy to grow RoE sustainably to 20%+, MOFSL has made strategic allocation of capital to long term RoE enhancing opportunities like Aspire Home Finance, sponsor commitments to existing mutual fund and private equity funds of MOFSL group and utilizing borrowings to run the NBFC loan book (as spread business):

## **Sponsor Commitments:**

- As of Sep 2015, our investments in Motilal Oswal's mutual fund products stood at ₹5.7 billion and the unrealized gain on these investments was ₹1.7 billion (vs. ₹1.8 billion as of Jun 2015). The same is not reflected in the profit and loss account for the year. By changing the allocation we have ensured that erstwhile deployment from low RoE cash future arbitrage opportunities into opportunities to earn 20%+ RoE
- Our investments in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.7 billion as of Jun 2015

## **NBFC Business:**

- NBFC loan book was ₹3.3 billion
- The NBFC lending business of LAS, earlier done from equity capital, is now being run as a spread business. In line with this, MOFSL has raised long-term NCDs of ₹1.5 billion at annualized cost of 10.05% (payable annually)
- Total borrowings in MOFSL (ex Aspire) was ₹7.3 billion as of Sep 2015. This resulted 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 last year



## Fin Sight Thematic Series

**How Big Data methods are revolutionizing the way BFSI firms utilize their customer data**

- What is Big Data?
- What makes its adoption so imperative?
- Methodology typically used by most firms
- Focus areas where firms are trying to get an advantage using Big Data
- Challenges to counter
- Conclusion

## “How Big Data methods are revolutionizing the way BFSI firms utilize their customer data”

### What is Big Data?

- Big data methods can collect and analyze large volumes of structured/unstructured data on demographics, psychographics, transactions, interactions, markets; across online/offline sources; and in varied formats
- Its aim is to get a unified view of the client to identify patterns in client behavior; build predictive models to grow market share, client activity, client connect and client acquisition, while reducing opex and TATs
- Initial focus was on cost reduction, and has moved onto identifying ways for revenue maximization

**Traditional data methods focus on “look-back” analysis using historical data trends. Big Data allows predictive analysis which can help firms respond to changes, receive real-time analytics on real-time data to deliver real-time insights during the time of interaction**

### What makes adoption so imperative?

- “Omni-channel” is the norm - engagement and fulfilment across multiple channels. This means data across multiple channels must be collected
- If all these data sources are not taken into account, any analysis will be on incomplete data, and hence, susceptible to wrong inferences
- Digitally-comfortable clients are increasing. But they may still want personal assistance since money is a personal subject. So initiation is digital, but follow-up may be offline. Online has to focus on product features and payment options; while Offline has to focus on advisory and queries
- When the market is not expanding due to tough economic climate, the focus moves towards market share. Big data help identify opportunities
- Given recent economic challenges, firms are working on tight budgets. Digital channels help rationalize costs, and Big Data can help in this
- Availability and affordability of Big Data technologies has reduced the barriers to adoption. Many companies are exploring these options now

### Methodology typically used by most firms

*Integrate data from multiple sources*

*Roadmap based on capabilities, gaps & goals*

*Progress of the type of data being used*

*Change in the organizational culture*

*Managing investments and resources*

*Start with pilots which can be scaled up*

- **Integrate data from multiple sources:** provides a holistic view of the client and helps identify patterns, based on which behavior-based client micro-segments can be derived. Data sources includes Online, Offline, Transactional/Interactive, Sentiment, etc
- **Draw a roadmap based on capabilities, gaps and goals:** Assess the gap between capabilities and long-term strategic goals, so that they can analyze data requirement, the pain-points, and develop data frameworks. SBUs have to work together, since data often resides in silos with SBUs
- **Progress of type of data:** Firms start with internal data, extend it to macro/market public data, then to web-click data, and then to social network data. Since data is in different formats and has gaps/noise, it has to be cleaned and standardized. Relationships between data cannot always be established before-hand between unstructured data. Hence, it may be cost-effective to clean it during usage, and not while loading
- **Start with pilots, then scale up:** Start with pilots using small clusters of data. Pilots look at pain-points, bottlenecks, customer connect, efficiencies, new sales opportunities, etc. These are implemented in pilot-branches and their performance vs. other branches is measured
- **Managing resources:** Priority is for flexible systems that scale exponentially while maintaining a linear increase in costs, like cloud technology, mobile techniques, etc. Firms prefer to consolidate the dispersed data manpower, and make them report to both central data team and SBUs
- **Change in organizational culture:** Push has to come from the top, to get the support from SBUs, overcome legacy systems and address resistance

### Focus areas where firms are trying to get an advantage using Big Data

- **Client micro-segmentation based on behavior/affinity/interests**

- Bottom-up behavior/affinity/interests segmentation is more relevant, as compared to top-down demographic/lifestyle segmentation.
- It is an individual-based analysis which takes into account the entire client base, not just a sample set which is fitted on the entire base

- **Pitching relevant products and personalized products**

- Pitching products based on behavior, affinities, motivation, spending and wealth-building objectives, has a better chance of converting
- Making real-time investment contextual recommendations as per the client's profile and his need-analysis, helps in winning market share
- Real-time analysis of speech or text, which helps in "Up-Selling" and "Cross-Selling" by indicating when to pitch and when not to pitch
- Re-creating the preferred experience of customers using customer behavior/past transaction data at the moment of truth itself
- Avoiding 'client-fatigue', as the pitches are now fewer and more relevant, while avoiding unnecessary, irrelevant pitches
- Offering the favoured payment channels and convenient options during that payment process, can help speed up the transaction closure
- Developing virtual products for clients who may be comfortable with it, may speed up the fulfillment process (ex: virtual cards, wallets)
- Social media analytics helps in product recommendations, and assess pre-launch sentiments to adjust marketing campaigns
- It can be extended to enable clients engage in product co-creation as per his needs (by individually pricing the unbundled components)
- Predictive analysis using transactional, market and responses to previous pitches, helps pitch relevant/re-designed products
- Creating personalized customer experiences based on client life-cycle and past behavior makes the client feel valued, ensuring stickiness

- **Better client engagement**

- Developing personalized communication and one-to-one marketing campaigns helps in better connect, as it speaks to that client alone
- Loyalty programme based on relevant offers that interest the target client, helps in retaining client interest and ensuring repeat business
- Using sentiment analysis helps in more intuitive (and thus, better) customer servicing, which helps in positive branding in client's mind
- Data-driven insights to refine website, app content and store's visual design helps in generating better client interest
- Helps to time and space out the pitches better, and avoid excessive and irrelevant pitches. This helps reduce instances of client irritation
- Real-time transformation of client feedback into client delight, by offering rectification pitches even before the client can post any complaints
- Sentiment analysis and data-backed branding strategies helps in enhancing the overall client experience, and can lead to repeat sales
- Understanding which channel is preferred by the client for which need, helps in building more relevant channel structures
- Customer surveys using structured and unstructured sources helps make it more holistic
- Using follow-up mechanisms with those channels which are more convenient for the client, has a better chance of closing the sales/query

- **Personalized promotions in real-time**

- Helps develop "Personalized Offers", "Next-Best Offers" and "Situational-marketing Offers", which have better chance of being utilized
- Using account statement data helps to push repeat sales or promotional messages
- Developing cash-back offers to credit card clients based on previous purchases, rather than just give a universal offer
- Propensity to save models that predicts the probability of the customer to invest in savings products, helps in increased cross selling
- Firms can experiment with specific targets and then use the findings for a nation-wide promotion, helps in better promotional planning

- **Improved lead generation and conversion**

- Focused marketing campaigns using various data sources, helps in more relevant lead generation and in maximizing lead conversions
- Sentiment analysis enabled lead management also helps in maximizing lead conversion

- **Intuitive retention tactics**

- Generating indications of dissatisfaction so that prior action can be taken to prevent possible attrition/outflows, helps in client retention
- Tracking data of clients calling competitors or visiting peer websites for potential attrition, and then pitch communication to retain them
- Using logistic regression and decision tree analysis for early identification of churn risks and probability of churn, helps control outflow

- **Enabling business decisions**

- Allows more accurate decisions by the firm, reduces the latency in its decision making, and helps gain market share and client satisfaction
- Insights on client behavior and patterns, reasons for client shifting to competitors, client responses to offers, sentiment during the call, etc
- Move towards a more demand-driven buying process based on who's buying, and predict the approximate demand per region/product
- Digitization of the delivery channel can help reduce the need for intermediaries for manufacturers (save on long-term intermediary costs)
- Structure back-tested trading strategies, real-time redesigning of strategies, best trade analysis and trading sentiment analysis
- Build predictive models to monitor interest rate risks on loans, manage exposure risks across markets, instruments and geographies

***Please click here to read the **full article**, and access previous Fin-Sight articles:***

***<http://www.motilaloswal.com/Financial-Services/Investor-Relations/Presentation/>***

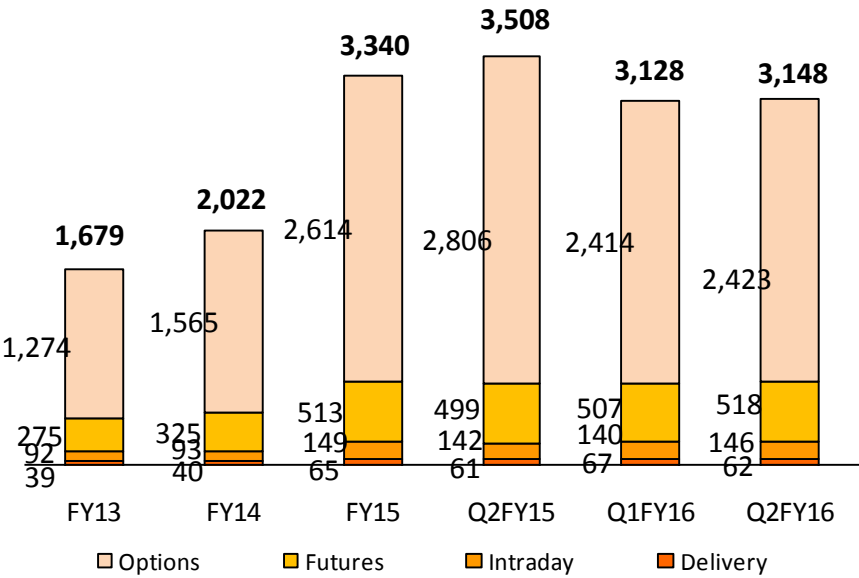


## Industry trends

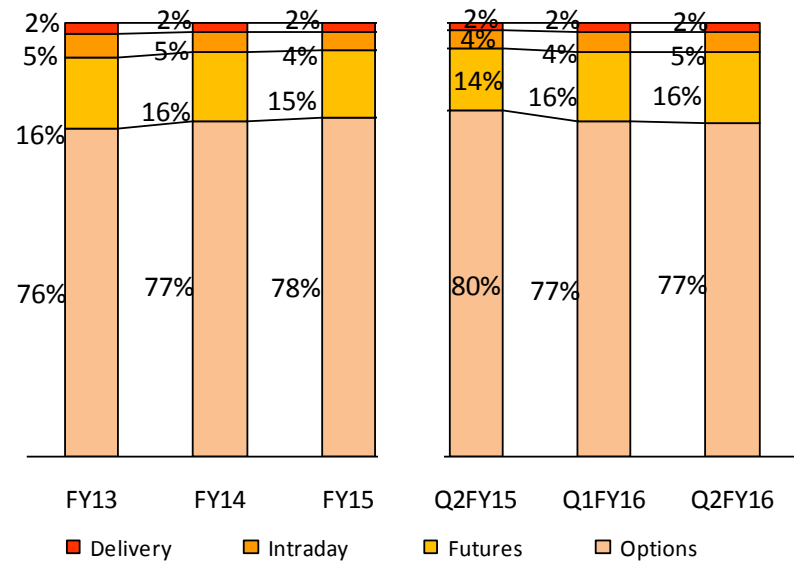
- Equity market volumes
- FII and DII net flows
- Wealth management
- Mutual fund AUM/net inflows
- Housing Finance
- Private Equity activity

# Cash ADTO flat QoQ, though retail cash picked up in Jul/Aug

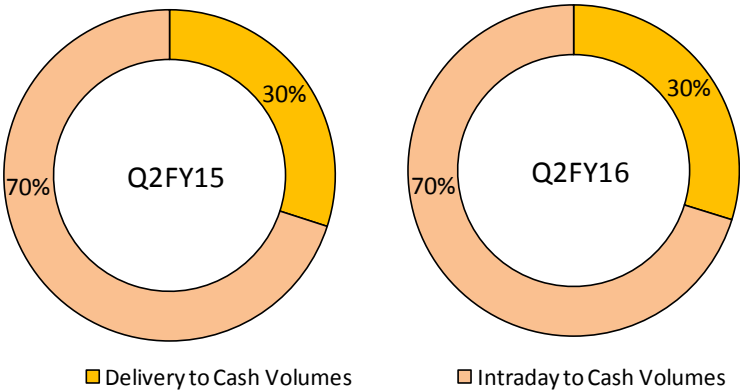
Market ADTO flat QoQ across both cash and F&O; But it is lower YoY due to decline in option volumes (Rs Bn)



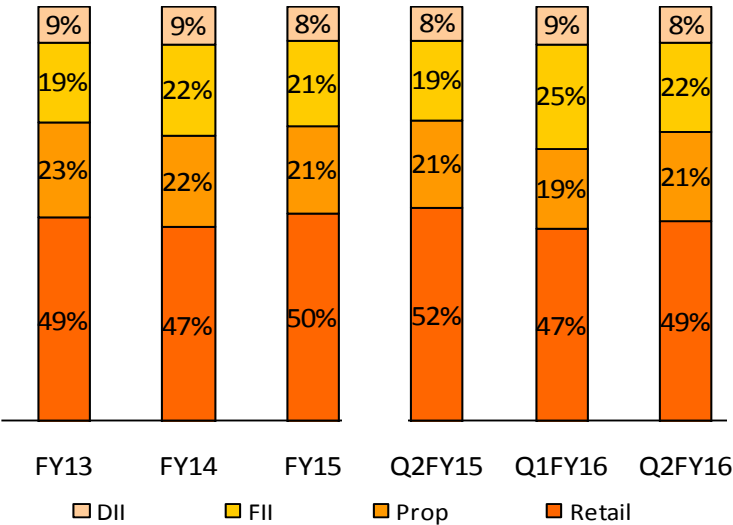
Cash segment maintains its proportion within the overall volume mix on both QoQ and YoY basis



Proportion of delivery has held steady within the cash volume mix since the last year

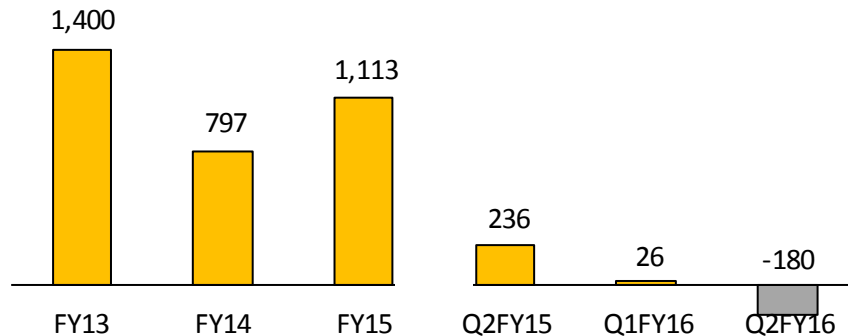


Retail cash volumes increased QoQ due to uptick in Jul/Aug; But it is marginally lower than FY15 averages



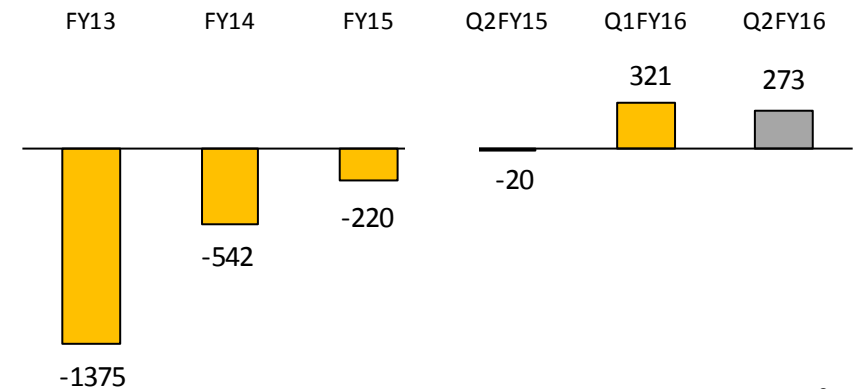
# FII seeing net outflows, while DII net inflows hold steady

FII flows were net sellers due to outflows in Aug/Sep; FII net inflows have declined this year vs. earlier years (Rs Bn)



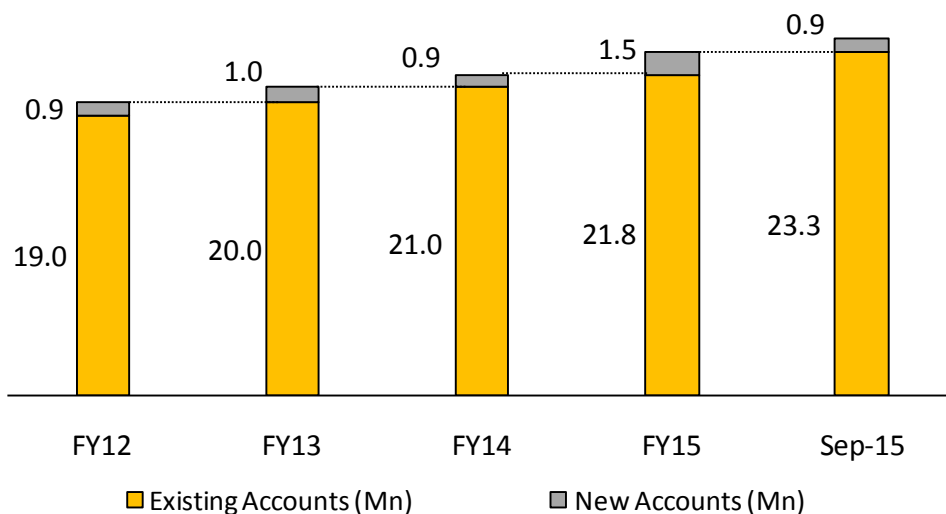
Source: NSE, BSE

DII have registered net inflows since the last 8 months, following several quarters of net outflows (Rs Bn)



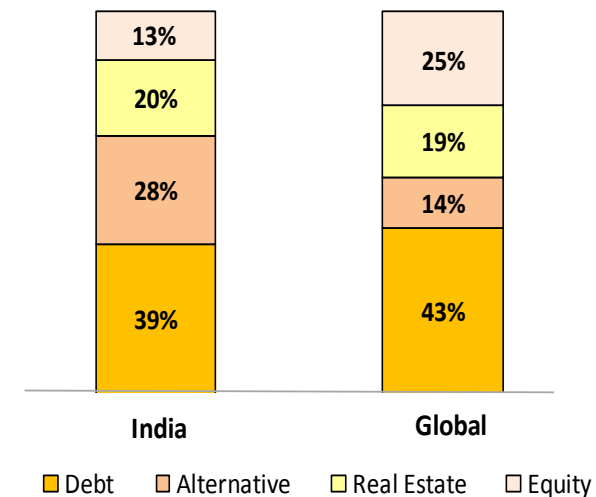
Source: NSE

Demat accounts created in H2FY16 are 2X of the FY12-14 average, as the IPO market picks up slightly



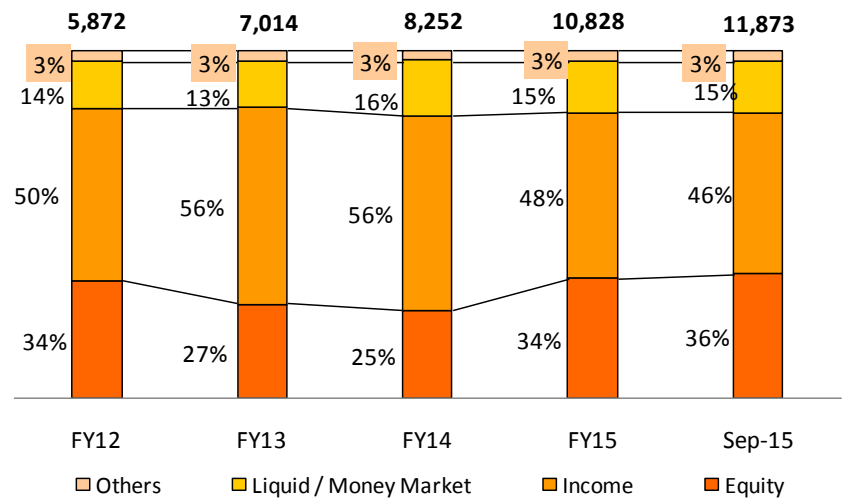
Source: CDSL, NSDL

Wealth management assets in India still lags the world in its allocation towards financial savings vs. physical savings



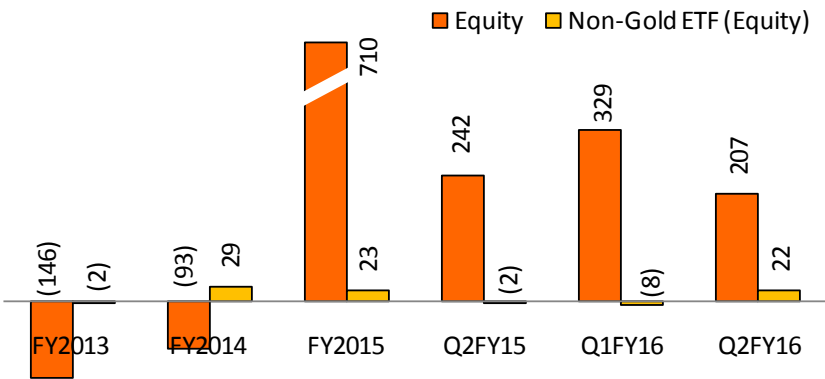
Source: Karvy Report 2014

MF AUM reach a high of ₹11.9 trillion, led largely by the resurgence in equity MF assets (Rs Bn)



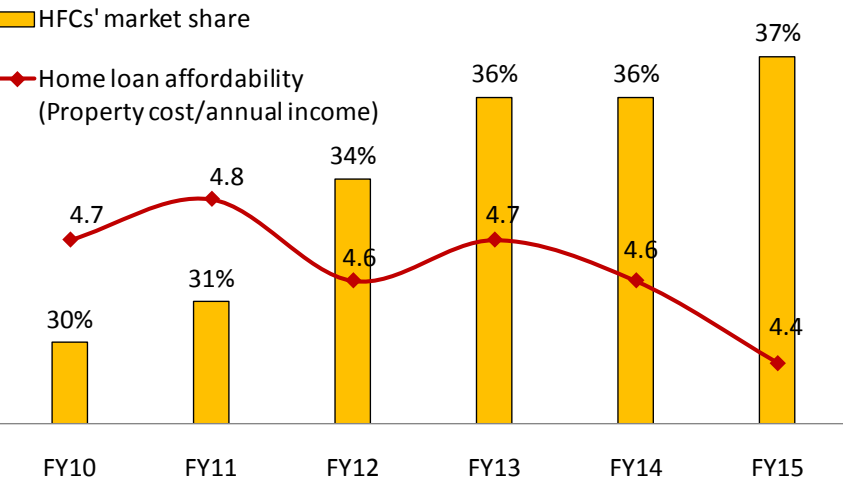
Source: AMFI

Equity MFs registered significant, and sustained, net inflows since the last five successive quarters (Rs Bn)



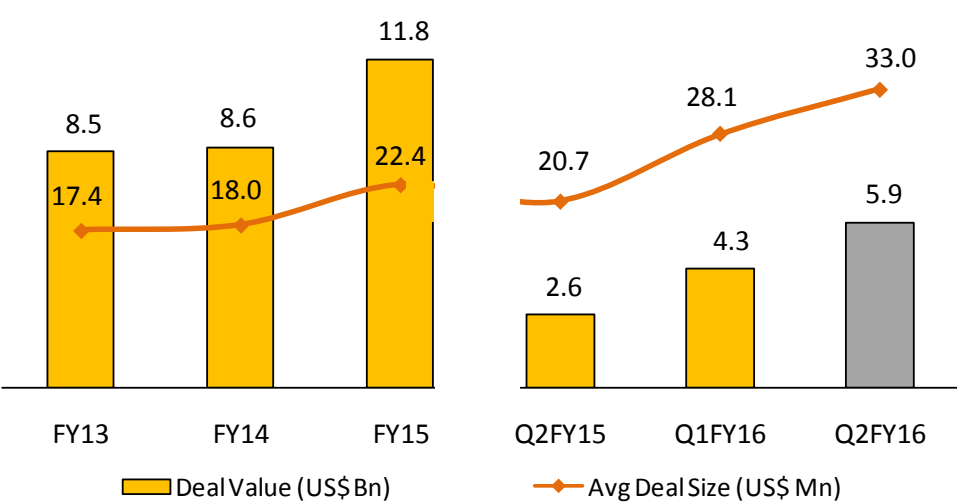
Source: AMFI

Home Loans are becoming more affordable vs. Income, while Market share of HFCs is steadily increasing



Source: NHB, Banco Espirito Santo report, HDFC

PE deal values and average deal size picked up this quarter owing to deals like Flipkart, Snapdeal, ACT, Intelenet & Greenko



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## Thank You

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