

Motilal Oswal Financial Services Ltd

Earnings Presentation | Q2FY18

Businesses building scale

Sustainability of high RoE

Annuity revenue driving visibility

All biz offer huge headroom for growth

Key Highlights

Financials

Businesses

Internal Group Restructuring

Interesting Exhibits

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Financials

Businesses

Internal Group Restructuring

Interesting Exhibits

Strong growth across businesses



Capital Markets

Highest-ever quarterly Broking revenue

Healthy volume growth;
Gained share across all market segments

Strong growth of 130% YoY in Distribution AUM to Rs 61 bn

Concluded 7 Investment banking deals in H1FY18; deal pipeline remains robust

Asset Management

AMC net sales: Rs 36 bn, +178% YoY in Q2FY18; AUM: Rs 290 bn, +92% YoY

Continued increase in market share of Equity MF Net Sales from 3.6% in Q2FY17 to 4.3% in Q2FY18

Maintained market leadership in PMS

Average IRR on exited PE investments: ~29%

Wealth AUM: Rs 129 bn, +51% YoY; highest ever EBITDA margin of 41% in Q2FY18

Housing Finance

Loan book growth remains strong : +57% YoY to Rs 48 bn

Maintained NIM at ~4% and spread of ~3.5% in H1FY18

Disbursements are cautiously calibrated

Dedicated collection organisation put in place

Continues to be in investment mode

Fund based business

Unrealised gain on quoted equity investments: Rs 5.8 bn; not included in earnings yet. As per INDAS, will be part of reported earnings from FY19

Reported RoE of 4% in fund based business; however, post-tax cumulative XIRR of ~29% on equity investments

Overall reported RoE of 29% excluding unrealised gains and 32% including unrealised gains

Key Highlights

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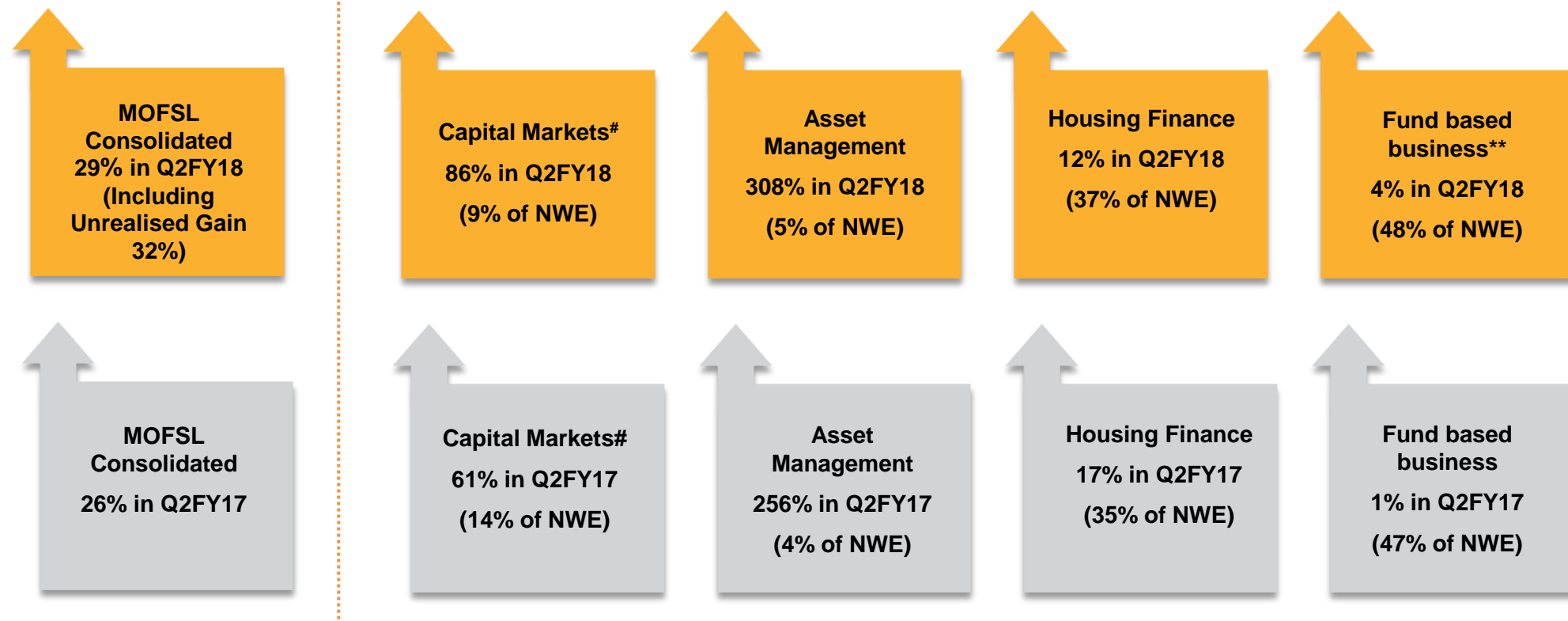
Internal Group Restructuring

Interesting Exhibits

Achieving a high, sustainable RoE

Group RoE

Segment-wise RoE*, with % of net worth employed (NWE)



Notes:

- * RoE calculated on average net worth
- # Treasury gains in Agency business P&L have been classified under Fund based business
- ** In Fund based business, unrealised gain for Q2FY18 is Rs 490 mn; RoE including unrealised gain is 17%
- Net carry earned on PE exits shown under Asset Management
- Does not include unrealised gain on our quoted equity investments (Rs 5.8 bn as of September 2017).
- Post-tax XIRR of these investments (since inception): ~29%; other treasury investments are valued at cost

Consolidated financials – 56% PBT growth YoY



Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
Broking	2,193	1,806	21%	1,977	11%	4,169	3,164	32%	6,396
Investment Banking	220	202	9%	230	-4%	451	284	59%	855
Asset Management	2,549	1,583	61%	1,498	70%	4,048	2,671	52%	5,102
Fund Based	361	194	86%	422	-14%	783	652	20%	1,174
Housing Finance	1,804	1,482	22%	1,600	13%	3,404	2,484	37%	5,705
Total Revenues	7,144	5,285	35%	5,761	24%	12,905	9,298	39%	19,315
EBITDA	3,713	2,766	34%	2,739	36%	6,452	4,934	31%	10,182
PBT	2,314	1,486	56%	1,386	67%	3,700	2,549	45%	5,152
Reported PAT	1,438	1,016	42%	1,016	42%	2,454	1,807	36%	3,600

Notes :

- Asset Management includes share in profit on sale of investments made by IBEF during Q2FY18 and H1FY18 of Rs. 633 mn against Rs 507 mn in Q2FY17 and Rs 819 mn in H1FY17
- In Q2FY18, MOAMC has undertaken Ad campaign in media with Brand line “Think Equity, Think Motilal” of Rs 60mn. Other expenses includes expenses on Advertising, marketing & brand promotion of Rs. 85 mn or 14% of net revenues
- In Q2FY18, MOFSL has made provision of Rs 151 mn for Minimum Alternate Tax (MAT) Credit, which hitherto was carried forward in the balance sheet as MAT credit receivable. As a result, effective tax rate during the quarter is 34.68%
- Effective April 01 2017, the Group had changed its accounting policy for ESOPs valuation from intrinsic value method to fair value method. The change is applied retrospectively, and accordingly, accumulated expenses of Rs 161 mn were debited under people cost in Q1FY18 and Rs. 35 mn in Q2FY18
- Previous period comparatives of Broking and Asset Management are regrouped on account of reclassification of Wealth management under Asset Management

Consolidated balance sheet



Particulars (Rs bn)	H1FY18	H1FY17	FY17
Sources of Funds			
Net Worth	20.0	16.3	17.9
Loan Funds*	54.7	47.1	50.7
Minority Interest	0.3	0.3	0.3
Deferred Tax Liability	0.4	0.1	0.4
Total	75.5	63.9	69.2
Application of Funds			
Fixed Assets (Net Block)	2.6	2.8	2.6
Investments	18.4	20.9	18.0
Long Term Loan & Advances**	48.1	30.5	41.1
Net Current Assets	6.3	9.8	7.4
Total	75.5	63.9	69.2

Notes :

- *Loan Fund includes borrowings of Aspire Home Finance; Ex- Aspire net borrowings is Rs 12 bn as at September 2017
- ** Long Term Loan & Advances includes loans given by Aspire Home Finance

Highest-ever quarterly revenues and profits



Asset Management: Market share gains to drive strong growth

- AMC AUM crossed Rs 290 bn, +92% YoY
- Net sales grew 141% YoY to Rs 61 bn in H1FY18
- Equity MF AUM market share improved to 1.8% and Net Equity MF Flows market share increased to 4.3%
- Operating leverage visible despite ongoing investment

Broking & Distribution: Margins led by Distribution

- B&D revenue and profit for H1FY18 grew 44% YoY and 55% YoY, respectively.
- Strong growth in Distribution AUM of +130% YoY to Rs 61 bn led by strong net sales of Rs 8.2 bn, +142% YoY.
- Gained share across market segments

Growth Drivers

Housing Finance: Ample headroom for growth

- Dedicated collection organisation is in place, which will fast-track recoveries
- Loan book grew 57% YoY to Rs 48.2 bn, led by strong sequential pick-up in disbursements
- Collection engine in place

Wealth Management: Profitability inflection commenced

- Revenues and profit for H1FY18 grew 36% YoY and 137% YoY, respectively
- AUM grew 51% YoY to Rs 129 bn with highest ever quarterly net sales of Rs 9.1 bn, +91% YoY
- Highest margin of 41%, led by improved RM productivity

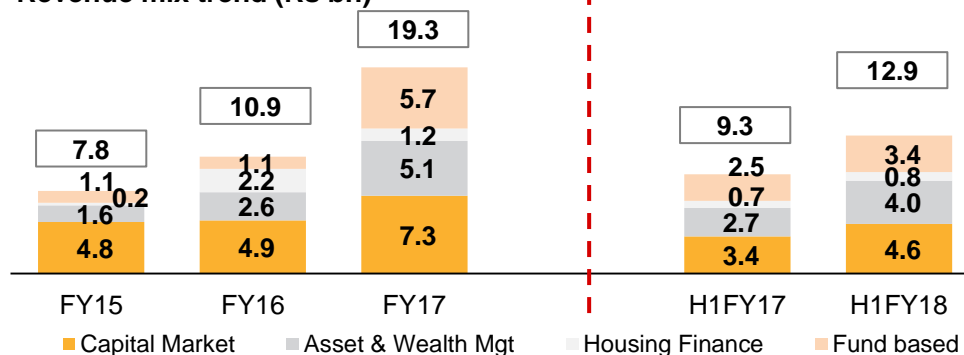
- **Highest-ever quarterly revenue at Rs 7.1 bn, +35% YoY; PBT at Rs 2.3 bn, + 56% YoY; and PAT at Rs 1.4 bn, +42% YoY**

This strong revenue growth was led by the Capital Market business (+20% YoY), Asset Management business (+61% YoY), and Fund based business (+86% YoY). Profit growth was majorly contributed by Asset Management (+52% YoY) and Capital Markets business (+38% YoY).

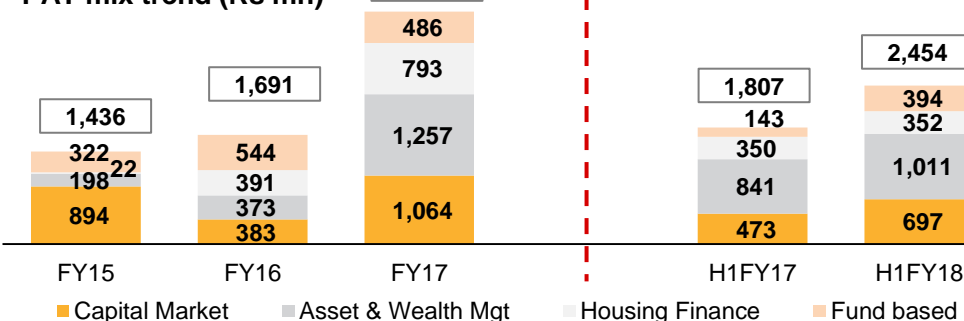
- **Strong Balance Sheet**

Strong liquidity, with ~Rs 13 bn as of Q2FY18 in near-liquid investments to fund future investments. Net worth has crossed the Rs 20 bn mark. Overall gearing remains conservative at 2.7x; ex-Aspire it is at 0.8x.

Revenue mix trend (Rs bn)



PAT mix trend (Rs mn)



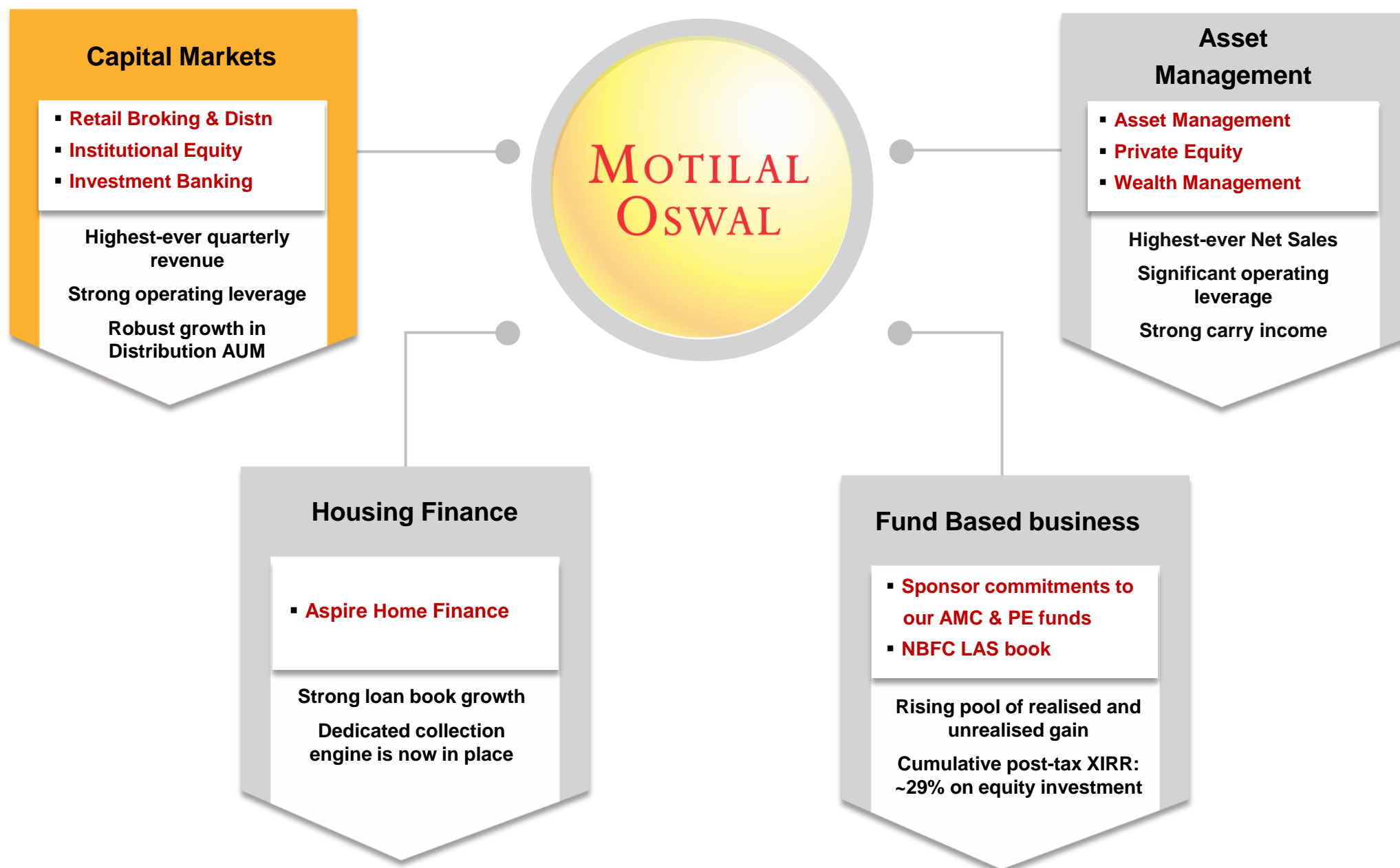
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Capital Market – Highest-ever broking revenue



MOSL Standalone

Highest-ever quarterly broking revenue

Healthy volume growth; gained share across market segments

Distribution AUM picked up strongly to Rs 61 bn, +130% YoY

Ample scope for operating leverage

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
Total Revenues	2,463	1,877	31%	2,409	2%	4,872	3,382	44%	7,197
EBITDA	805	569	42%	725	11%	1,531	1,068	43%	2,275
<i>EBITDA Margin</i>	33%	30%	-	30%	-	31%	32%	-	32%
PBT	528	349	51%	489	8%	1,017	665	53%	1,429
PAT	349	235	49%	386	-10%	736	475	55%	1,088

- Profit from broking activities up 49% YoY to Rs 349 mn, led by 31% YoY revenue growth.
- Distribution saw strong traction, with net sales of Rs 8.2 bn, +142% YoY. AUM was Rs 61 bn, +130% YoY. With only ~9% of our client base and ~18% of our distribution network tapped, we expect meaningful increase in distribution AUM and fee income as cross-sell increases.
- Market ADTO grew 65% YoY in Q2FY18, with F&O up 68% YoY and Cash up 21% YoY. Within Cash, Retail and Institution grew 21% each.
- MOSL's overall ADTO grew 49% YoY to Rs 132 bn in Q2FY18. Market share in high-yield cash segment has improved on YoY basis, along with improvement in overall market share to 2% in Q2FY18. Blended yield* broadly remained stable ~2.8 bps in H1FY18 versus 2.9 bps in H1FY17.
- Some of the operating leverage from the investments in manpower (+44% YoY) and brand & technology is visible, as PAT margin stands at 15% in H1FY18. However, the full benefit of operating leverage is yet to unfold.
- MOSL also runs Margin trading funding (MTF) business with book size of ~Rs 3.4 bn. This business can benefit from new regulation on Margin funding.

Note: *We have modified our yield calculation methodology which has resulted in restated yield

Broking & Distribution – Strong revenue and profit growth



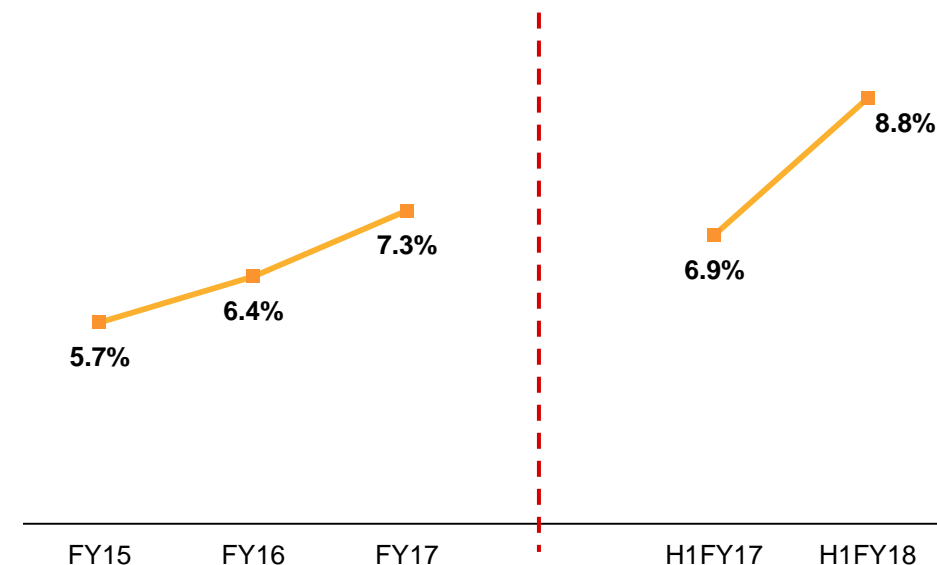
Retail Broking & Distribution

- Significant traction in broking revenue with focused efforts to drive revenue growth supported by strong market up move
- Sales productivity improved, with 60%+ leads generated via online sources
- 37,861 new accounts added taking total clients to 0.9 mn
- 200+ new franchisees / channel partners taking total count to ~ 2000
- Online penetration improved on brokerage and turnover side
- Focus on new product launches and digitization
- Distribution AUM crossed Rs 61 bn AUM mark, +130% YoY
- Distribution income at 15.9% of retail broking net revenues with just 9% of cross sell penetration
- Gained traction in SIP with ~15,000 SIPs done during the quarter

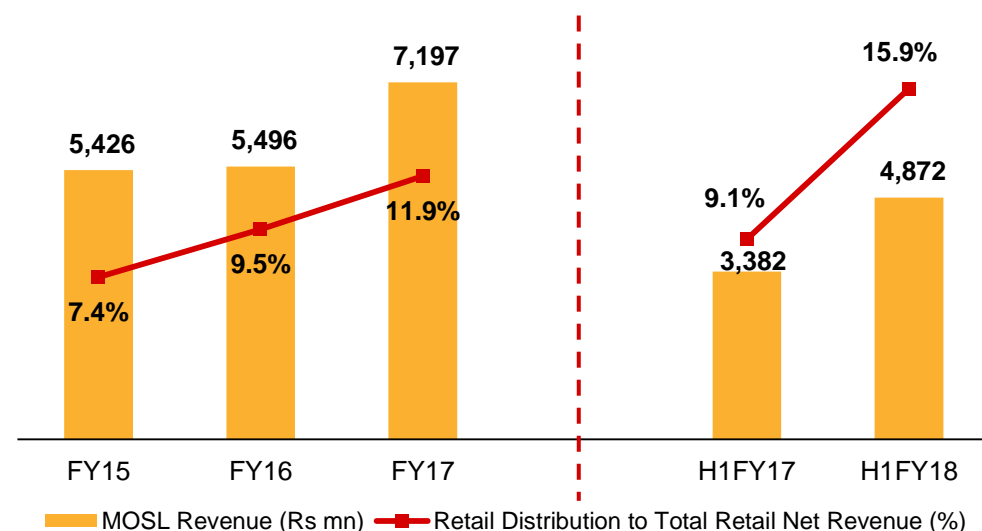
Institutional Broking

- Strong quarter led by domestic business and blocks
- Highest-ever empanelments in a quarter, taking client base to 657, +6% YoY
- Higher participation from investors and corporates in Motilal Oswal's Annual Global Investor Conference 2017
- Improvement in rank in almost every account, led by focused and broad-based team servicing.
- Differentiated research products evincing client interest
- Blocks continue to gain traction within institutional volumes
- Developed new products to align with emerging trend.
- Strong traction from domestic business, led by strong inflows in mutual funds

Distribution Penetration (% of total client base of 0.9 mn)



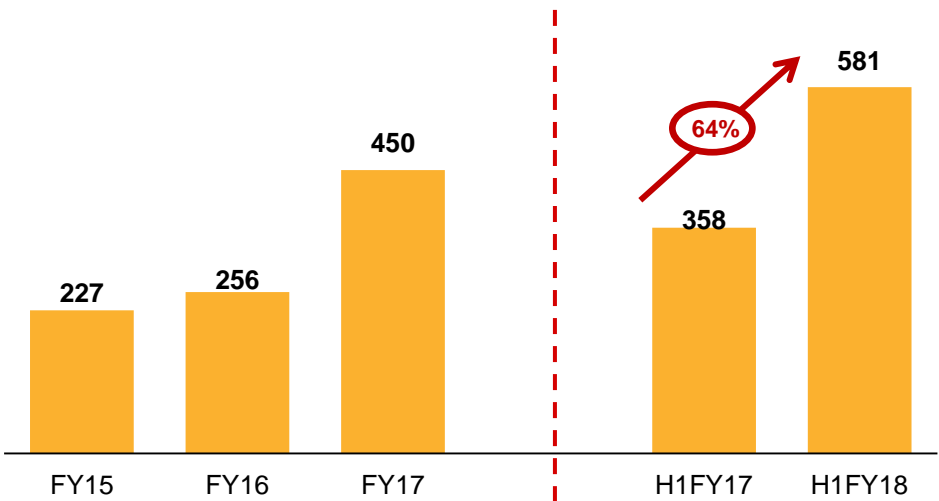
Trail based Annuity Income Picking Up



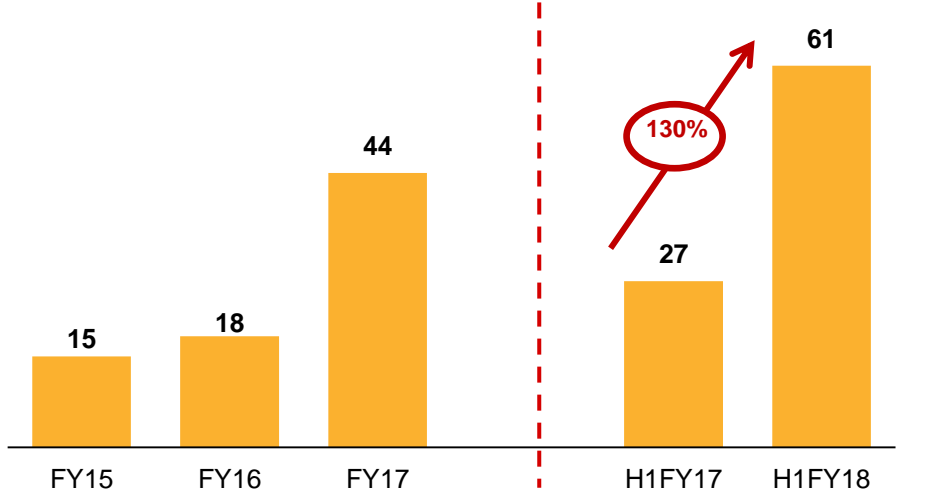
Broking & Distribution – strong growth in Volume and Distribution AUM



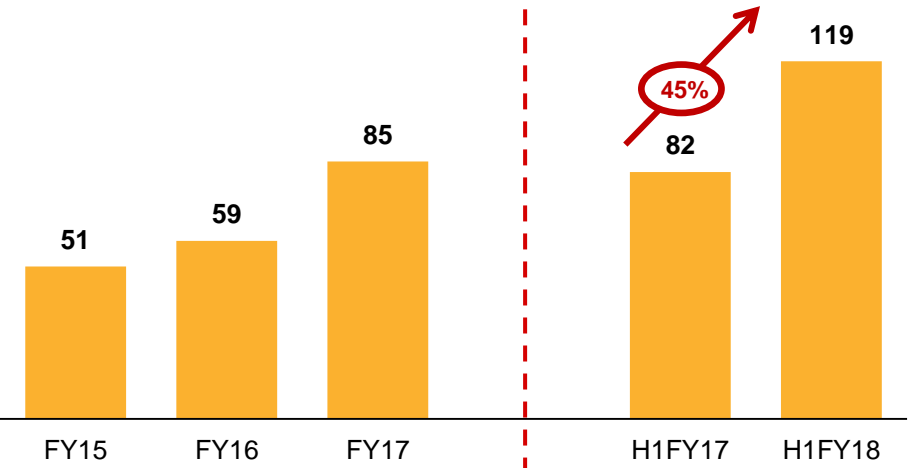
DP AUM growth trend (Rs bn)



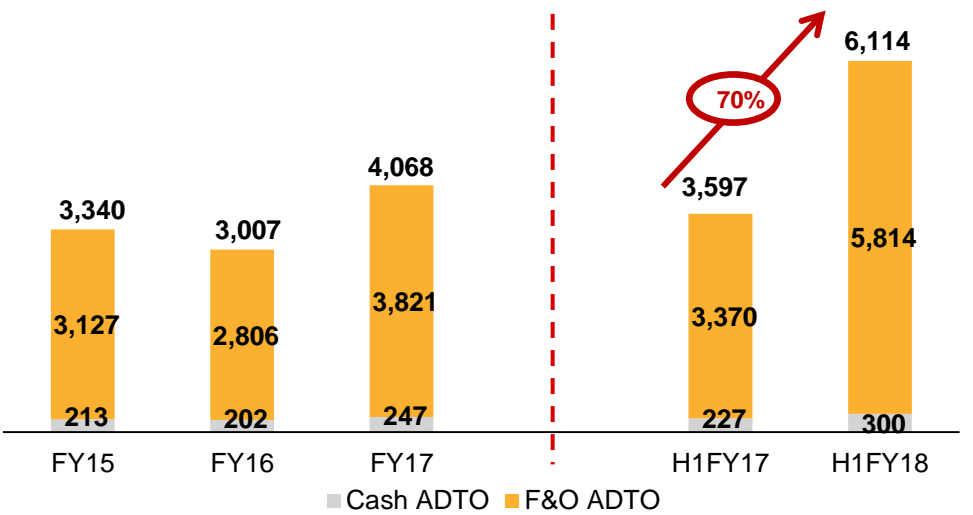
Rising Distribution AUM (Rs bn)



MOSL Broking ADTO (Rs bn)



Market ADTO (Rs bn) – Cash and F&O



Investment Banking – Strong growth; robust pipeline



IPO - Rs 19.1 bn



Preferential Issue - Rs 16.8 bn (Sole Advisor)



IPO - Rs 7.2 bn



QIP - Rs 5.5 bn



IPO - Rs 4.8 bn



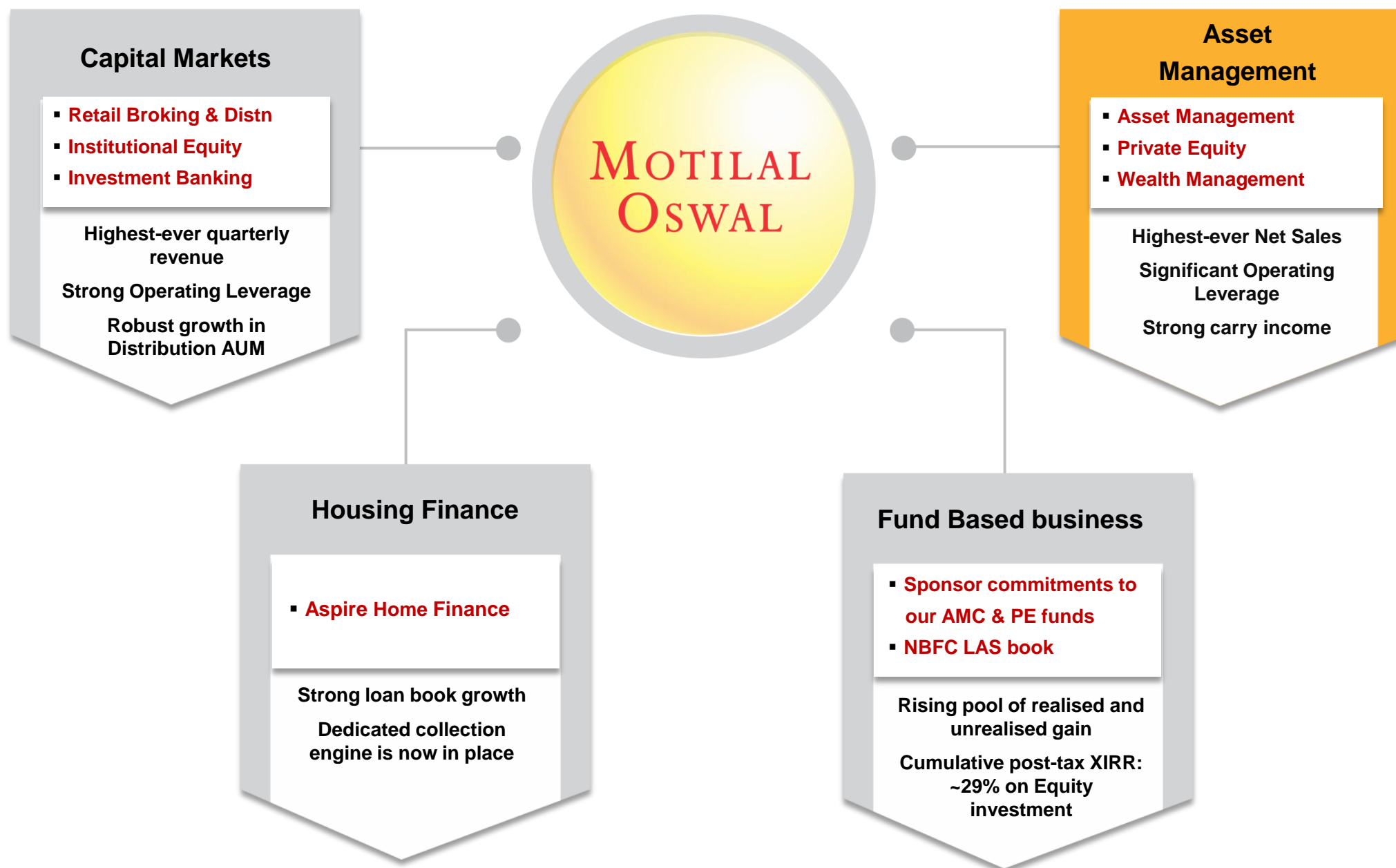
IPO - Rs 2.1 bn



QIP - Rs 3 bn

Particulars (Rs mn)	Q2FY18 Q2FY17 YoY (%)			Q1FY18 QoQ (%)		H1FY18 H1FY17 YoY (%)			FY17
Total Revenues	225	202	11%	240	-6%	465	293	59%	872
EBITDA	180	82	120%	167	8%	348	121	187%	561
EBITDA Margin	80%	41%	-	70%	-	75%	41%	-	64%
PBT	179	81	122%	167	7%	346	118	194%	554
PAT	128	51	153%	148	-13%	276	83	234%	372

- Performance trajectory remains strong driven by higher deals during the quarter.
- In Q2FY18, we were the sole advisor for RBL Bank's Rs 16.8 bn preferential allotment and Dixon Technologies' Rs 7.2 bn pre-IPO placement, and a BRLM for Dixon Technologies' IPO.
- We completed several marquee transactions in October – sole BRLM for IPO of MAS Financial, and BRLM for the QIPs of Piramal Enterprises, Dena Bank and Granules India.
- Our differentiated positioning and strong performance track record have enabled us to build a strong pipeline of transactions for the coming quarters.



Asset Management – Gaining share; significant operating leverage



AMC Net Sales
Rs 36 bn in Q2FY18
178% YoY

AMC AUM
Rs 290 bn in Q2FY18,
92% YoY

Rank in Equity AUM*
9 in Sep 2017

Market leader in PMS with 14.5% market share in AUM

Eq. MF Market Share**
~4.3% in Net Flows

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
AUM (bn)	289	150	92%	242	19%	289	150	92%	203
Net adds (bn)	36	13	178%	26	23%	61	25	141%	62
Total Revenues	1,466	748	96%	1,347	9%	2,814	1,332	111%	3,413
Total costs	1,107	609	82%	1,000	11%	2,107	1,060	99%	2,648
EBITDA	359	140	157%	348	3%	707	271	161%	765
EBITDA Margin	25%	19%	-	26%	-	25%	20%	-	22%
PBT	358	138	159%	347	3%	705	268	162%	759
PAT	233	92	154%	232	0%	465	176	164%	498

Note : * Carry income in AMC will be booked in Q4 of every year

- AUM across MF, PMS and AIF reached Rs 290 bn (+92% YoY), with MF AUM at Rs 143 bn (+104% YoY), PMS AUM at Rs 134 bn (+72% YoY), and AIF AUM at Rs 11 bn (+482% YoY).
- AMC net sales grew 141% YoY in H1FY18 to Rs 61 bn as against Rs 62 bn in all of FY17.
- Net yield remained stable at ~0.9% in Q2FY18 as higher net additions in MF than in higher-yielding alternates. Pricing power in MF is improving and the direct net sales contribution is rising – up from 13% in Q2FY17 to 30% in Q2FY18.
- SIP inflows during the quarter remained strong, +42% QoQ. SIP AUM is growing qualitatively and profitably; our average SIP at ~Rs 5,000 per month is much higher than the industry average of Rs 3,500 per month.
- We raised our advertising and marketing investments by 51% YoY and 85% QoQ to Rs 85 mn, equivalent to 14% of net revenue in Q2FY18. This addresses the unique challenge of gaining materiality in a market that is witnessing staggering growth.
- Unique distribution strategy – niche manager, B2B wholesaler: We have the highest AUM and net sales per sales employee in the industry. This is because we have systematic distribution tie-ups that eliminate the need to open branches and deploy staff across the country. This not only helps keep distribution costs low, but also minimizes channel conflicts.

Notes: *Rank includes our AUM in Equity MF, PMS & AIF; Industry AUM includes Equity MF assets excl Arbitrage funds

**Includes only Open-Ended Equity Mutual Funds

MOAMC – Continuing traction in performance and market share



- Market share in Equity Net Sales continues to gain traction at 4.3% in H1FY18 in rising pool of equity flows, this has resulted from MOAMC's niche equity focus, process (QGLP) oriented approach and solid performance track record
- Investment performance continues to be robust – our longest-running Value PMS has delivered a return of ~25% per year since inception; F-35, our largest MF scheme by AUM, has delivered 31.4% per year and an alpha over benchmark of 16.4%.
- Most MF schemes (F-25, F-30, F-35) now have a three-year track record, drawing interest from a larger section of distributors and investors.
- With equity mutual funds focusing on retail outreach, PMS and AIF serves HNIs, family offices and institutions and are able to differentiate with concentrated strategies affording scope for higher alpha.
- We are amongst the largest AIF managers in India within a span of two years and have a steady pipeline for fund-raising – tie-ups are in place.
- ~15% of our non-MF AUM was performance-fee-linked as of September 2017. Our target is to increase this further.
- We are seeing initial interest in our offshore products; the offshore segment is 1.7x the institutionally-managed equity assets in India.
- MOAMC is well positioned in the context of SEBI guidelines on scheme categorization and rationalization.

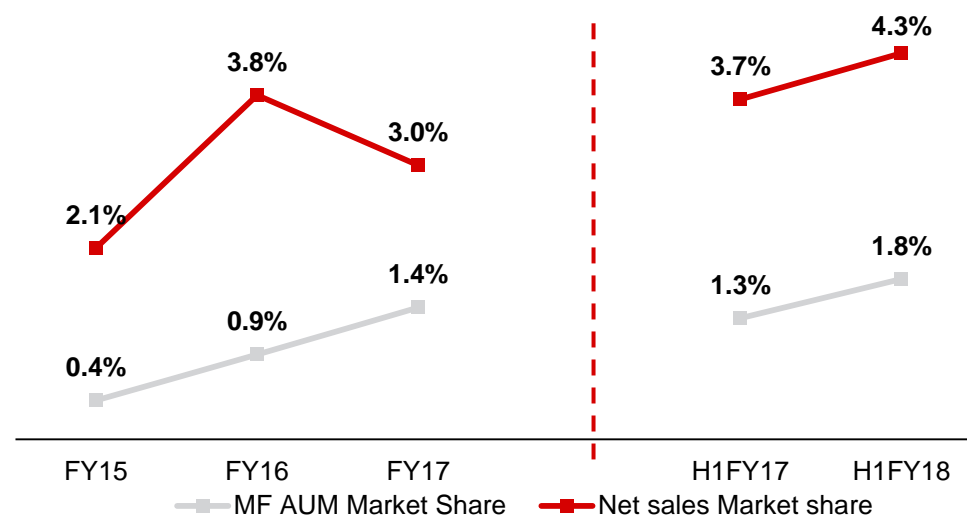
Top Notch performance across product and categories

Product	Scheme	Strategy	Inception Date	Total Return	Alpha over Benchmark
PMS	Value	Large-Cap	25-Mar-03	25%	8%
PMS	NTDOP	Multi-Cap	11-Dec-07	19%	11%
PMS	IOP	Mid-Cap	15-Feb-10	19%	6%
Mutual Fund	F-25	Large-Cap	13-May-13	18%	6%
Mutual Fund	F-35	Multi-Cap	28-Apr-14	31%	16%
Mutual Fund	F-30	Mid-Cap	24-Feb-14	31%	3%

* Read above fund performances with their corresponding Disclaimers in the funds' Fact Sheets, which are available in www.motilaloswalmf.com.

¹ Inception Date: 25/03/2003. These returns are of a Model Client as on 30th Sep 2017. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns shown are post fees and expenses. Benchmark is Nifty 50 Index

Higher equity MF net sales market share would pull equity MF AUM share up eventually

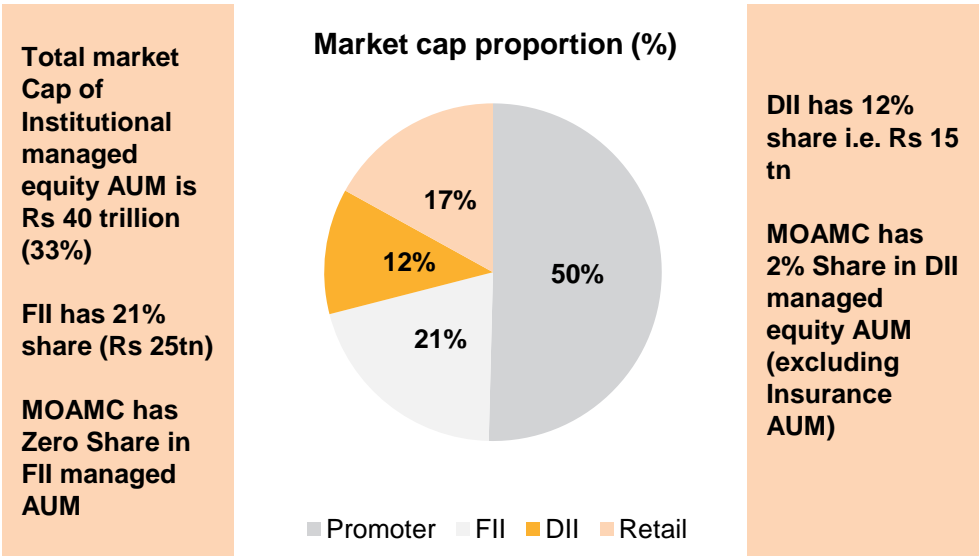


Note : *Equity AUM market share is based on Avg AUM. As on Sep' 17, our AUM share is 2%

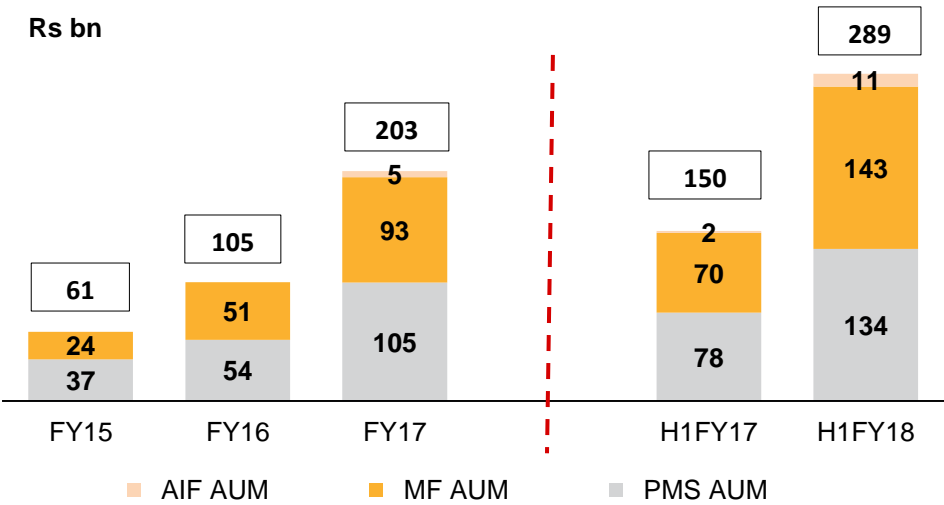
MOAMC – Potential levers to scale business



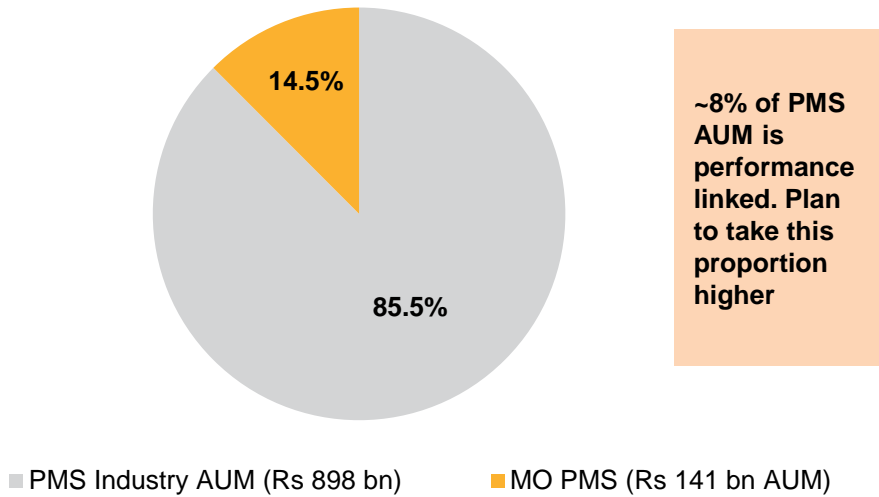
MOAMC’s has “Zero” share in FII driven domestic equity market which is 1.7x of size of DII.



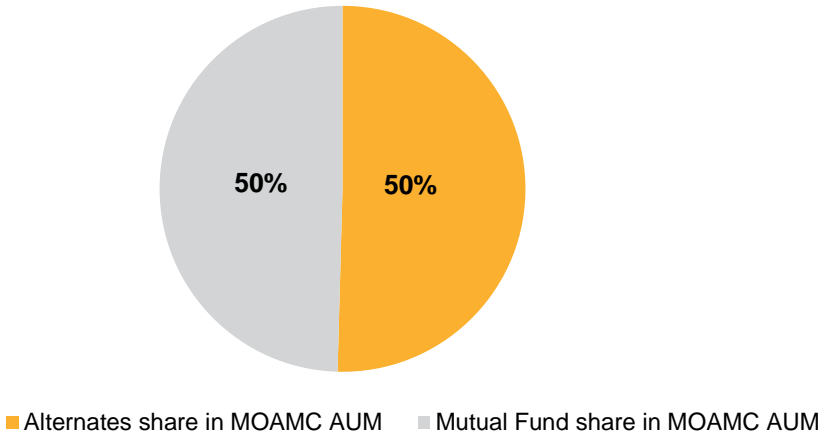
MOAMC AUM breakup



MOPMS market share in Industry’s Equity AUM



Higher Alternates share in MOAMC AUM



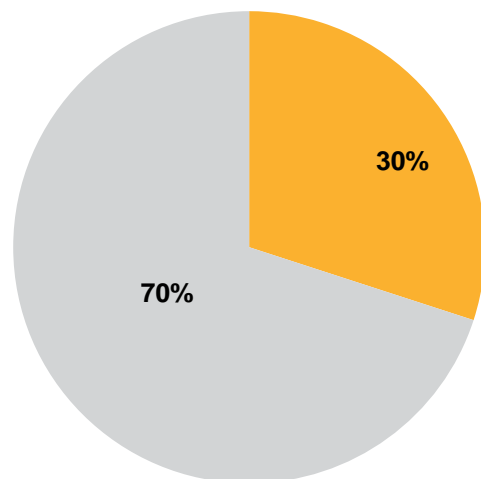
*Alternates includes PMS and AIF

MOAMC – Potential levers to scale profitability



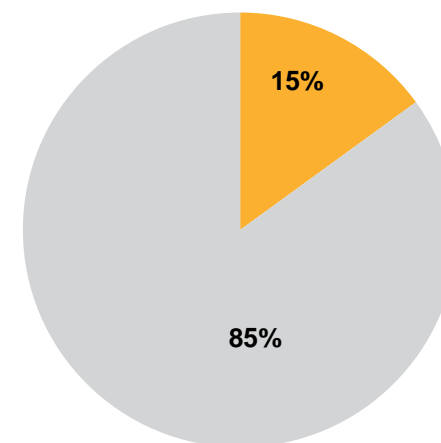
Share of Direct sales in MF net sales

Q2FY18



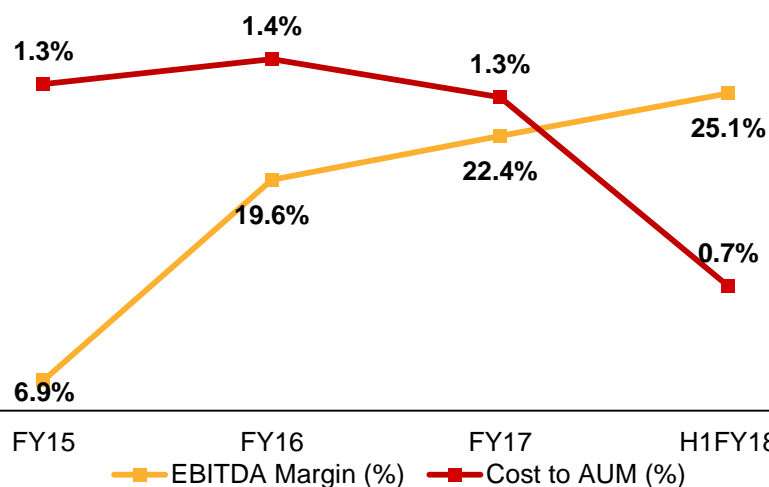
■ Share of Direct in MF net sales ■ Share of Regular in MF net sales

Share of performance linked AUM in Alternates



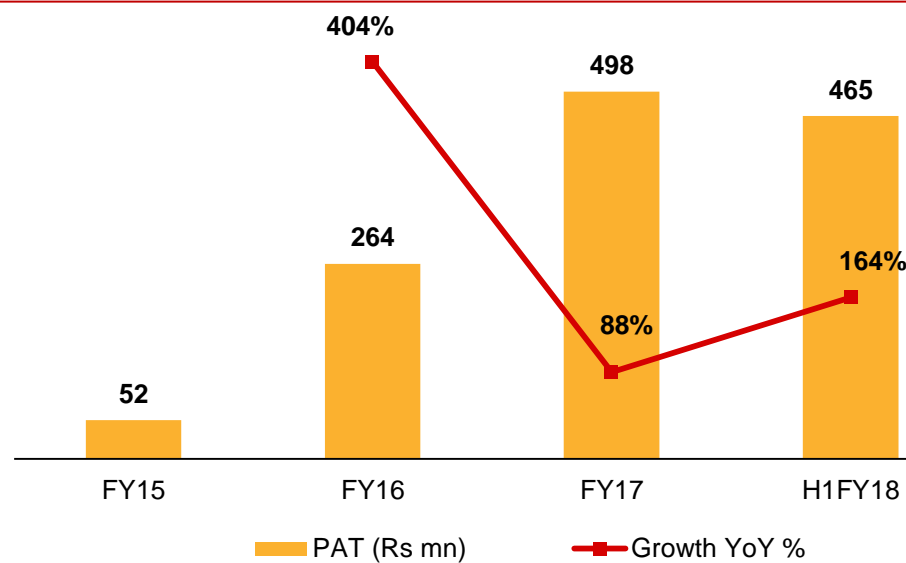
■ Alternates AUM - Performance linked ■ Alternates AUM - Fixed fee

Operating leverage playing out as cost stabilizes & AUM rises



■ EBITDA Margin (%) ■ Cost to AUM (%)

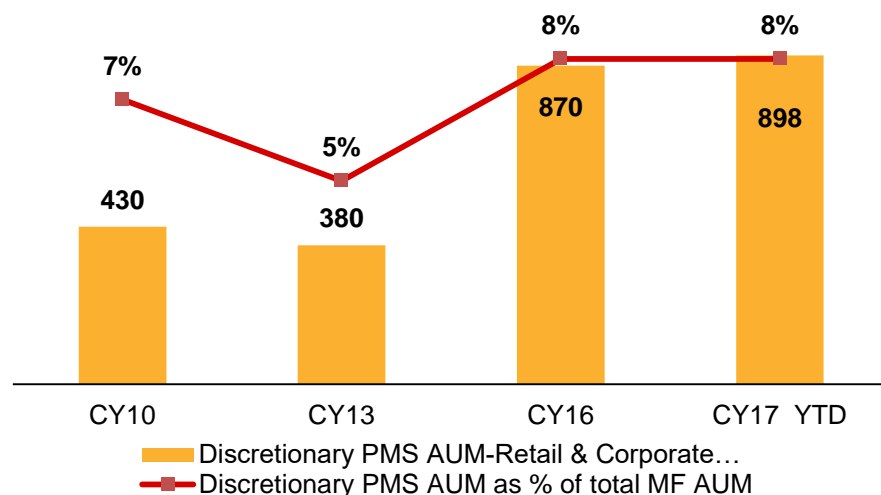
MOAMC profitability trend



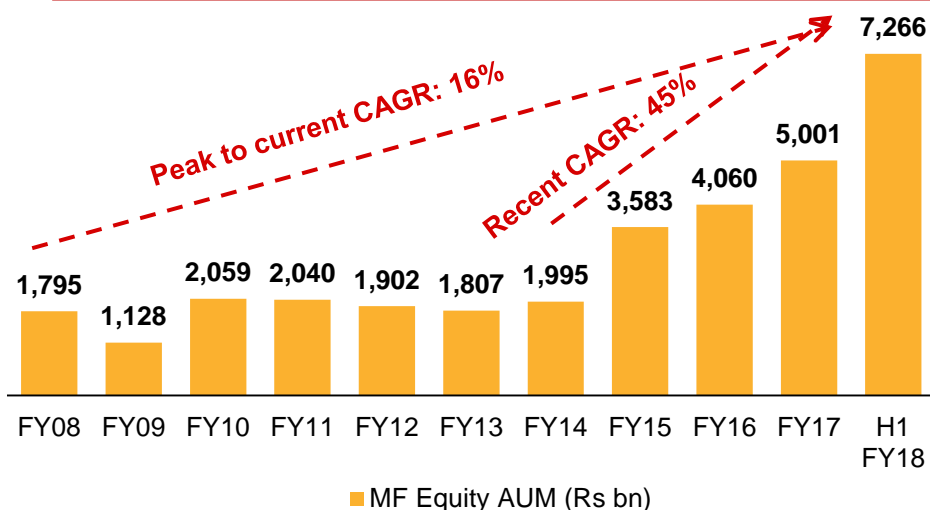
■ PAT (Rs mn) ■ Growth YoY %

Asset Management – Rising share of Alternates

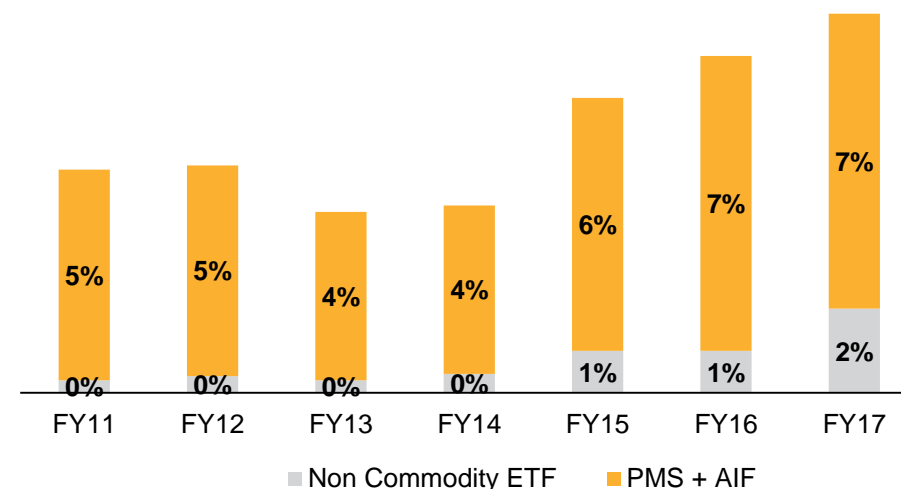
Rising share of Alternates in Industry AUM



Rising MF Equity AUM (Rs bn)



Rising share of Alternates in Industry AUM



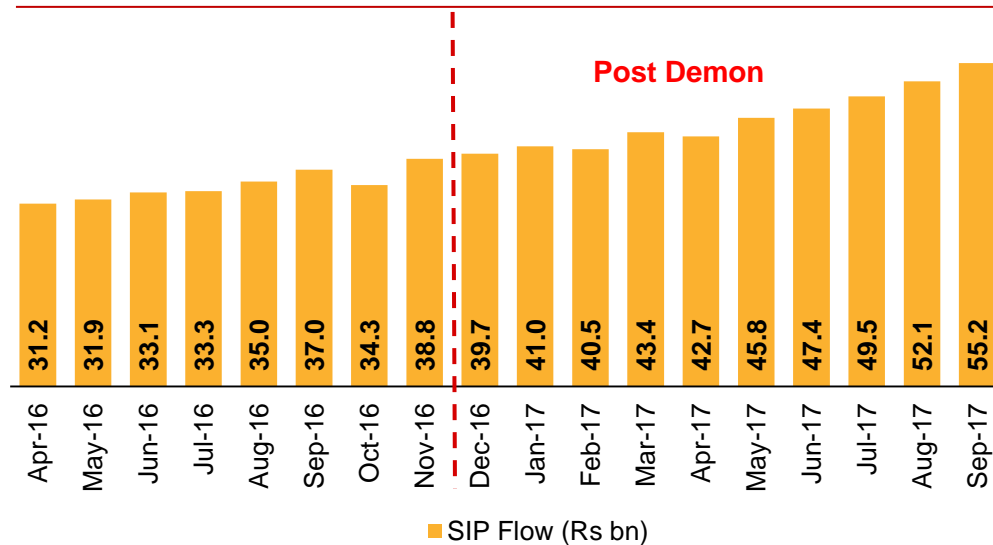
India still at nascent stage in Alternates penetration

Alternates	India	US
PMS	~8% of MF market	~10% of MF market
AIF	~2% of MF market	~30% of MF market

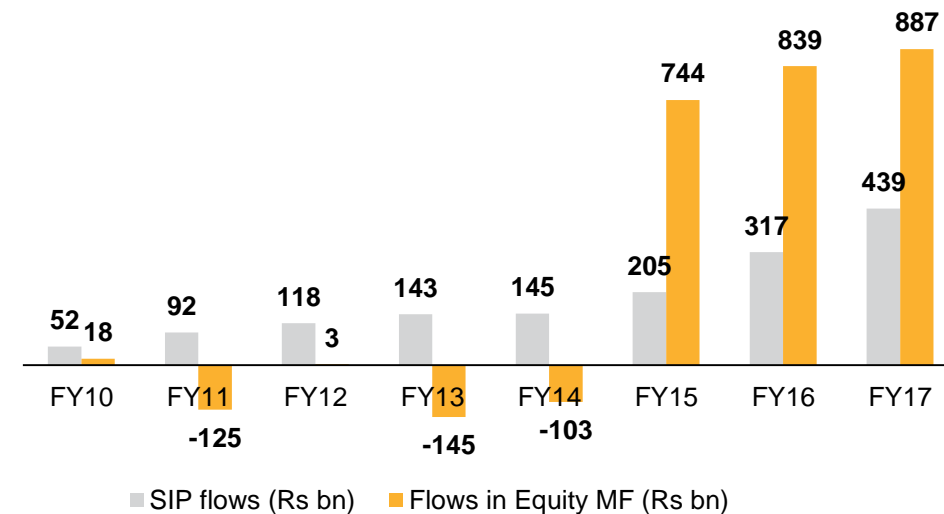
US markets data shows that for every \$100 in traditional fund products, there is \$40 in AIFs and PMS and traditional AMC's may or may not participate in the space; MOAMC has been a PMS and AIF player at early stage, while Indian AMC's are yet to realise this potential

Asset Management – Stickiness of MF flows to continue..

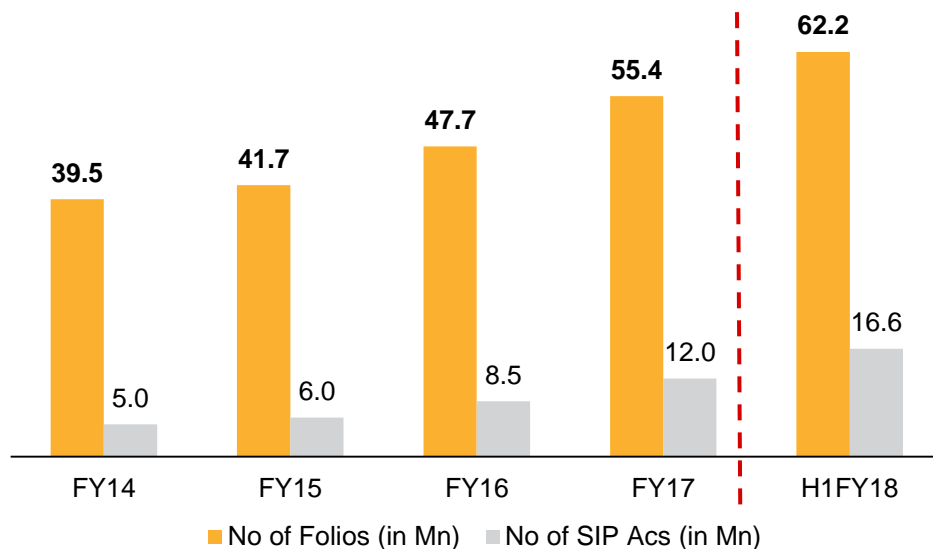
Strong traction in SIP flows continues



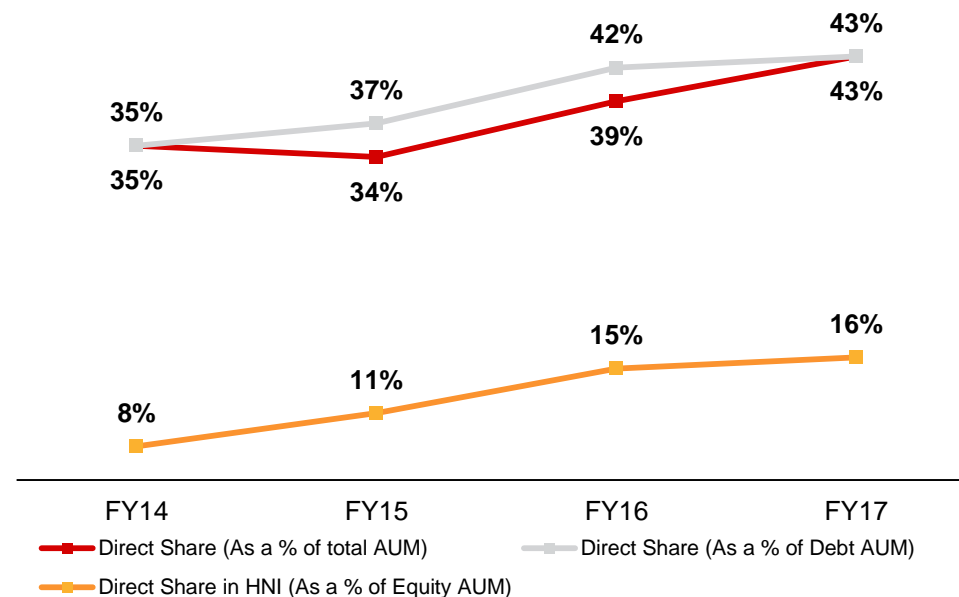
SIP gaining share in rising Equity AUM



Investor A/Cs (Mn) in MF industry took off since mid-2014

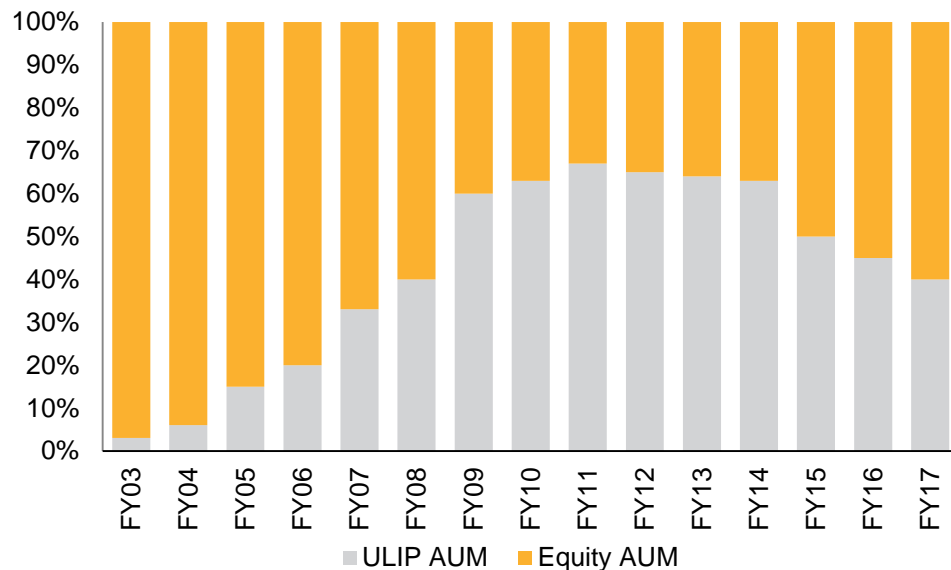


Rising share of Direct proportion in Asset management industry

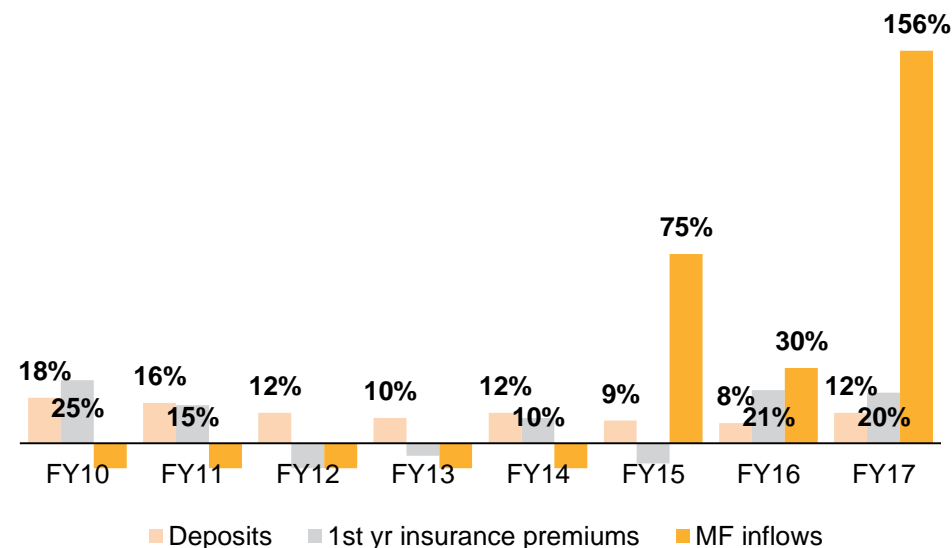


Asset Management – Rising financialization of savings

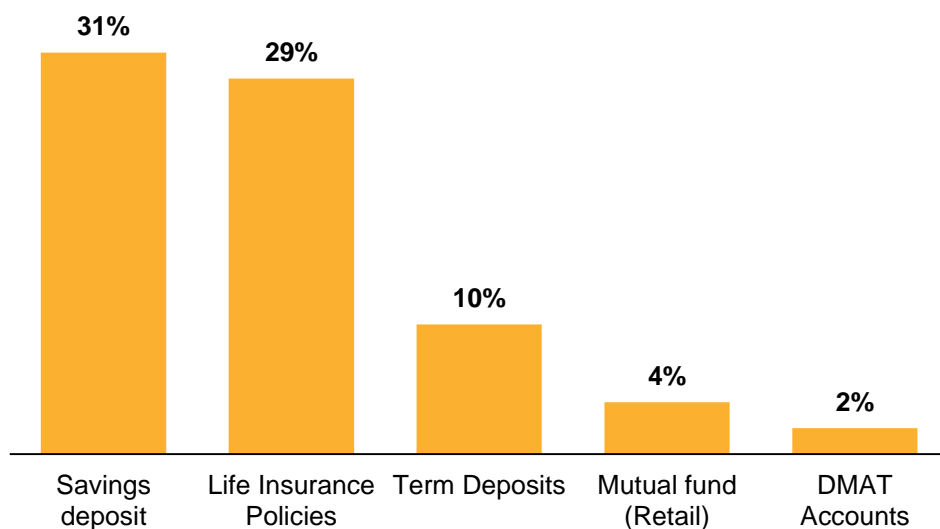
Shift of financial savings from ULIP to Equity MF



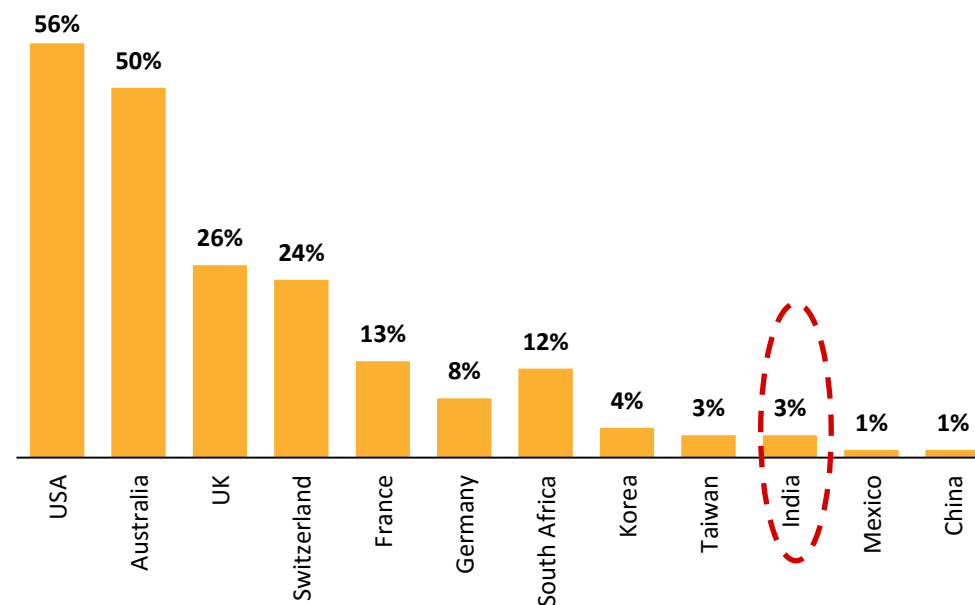
Strong traction in MF inflows (growth YoY %)



MF is the most underpenetrated savings instrument



MF Equity AUM / GDP – Headroom for growth



Private Equity – Exits at high IRRs; strong response to IBEF III



Total AUM of PE business stands at Rs ~42 bn

Phenomenal response to IBEF III launch

IBEF I exits could result in lumpy gains in FY18-FY19

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
Total Revenues	879	700	26%	109	709%	988	941	5%	1,193
EBITDA	547	429	28%	47	nm	594	561	6%	649
PBT	543	427	27%	41	nm	584	559	4%	637
PAT	422	329	28%	29	nm	451	450	0%	502

Growth PE Funds

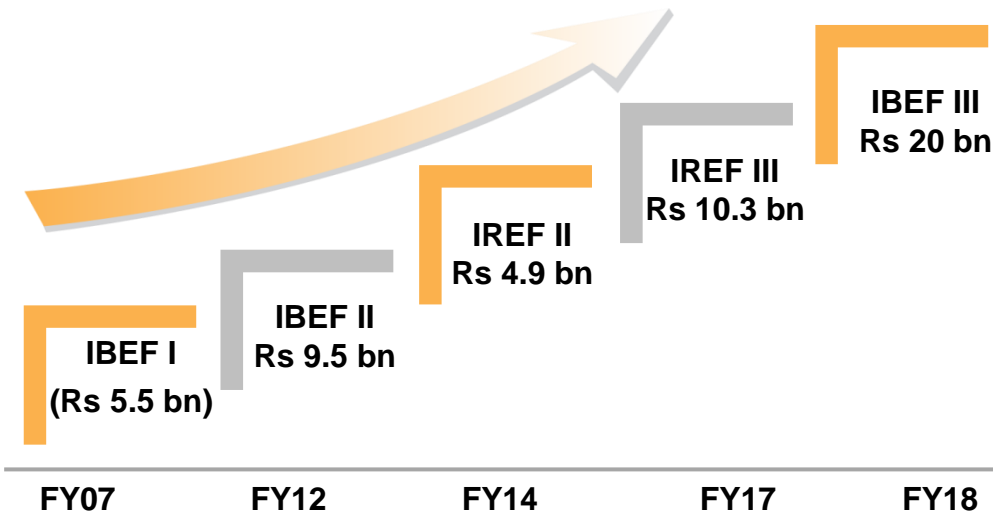
- MOPE Funds stand out with stellar performance. IBEF 1 has delivered an XIRR of 29%, alpha of 10% and is expected to return 5.4x MoC (Multiple of Cost). Till date, 2.5x MoC has been returned for INR investors and 2.2x for USD investors.
- Fund II committed 100% across 11 investments so far after raising commitments from marquee institutions and exits from fund will contribute going forward.
- Strong performance and positioning is aiding new fund raise. Fund III was launched in Q2FY18 with a target size of Rs 20 bn. The fund has already achieved a first close of Rs 9.4 bn and is expected to close Q3FY18 at Rs 15 bn and achieve the targeted Rs 20 bn by Q4FY18.

Real Estate Funds

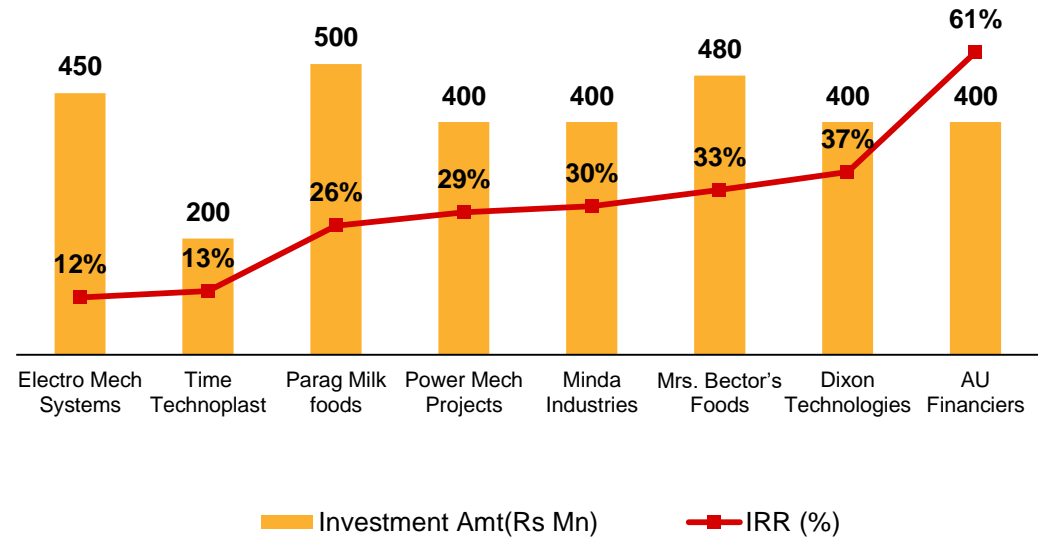
- IREF I has seen full / partial exits from 7 projects, translating into ~109% capital returned to investors.
- IREF II is fully deployed in 13 investments. It secured 4 full exits and has returned ~42% capital to investors. Average IRR on exited investments is ~26%.
- IREF III has announced its final close at Rs 10.3 bn, of which ~70% is committed across 12 investments.

Private Equity – Exits from 6 funds provides strong visibility over next decade

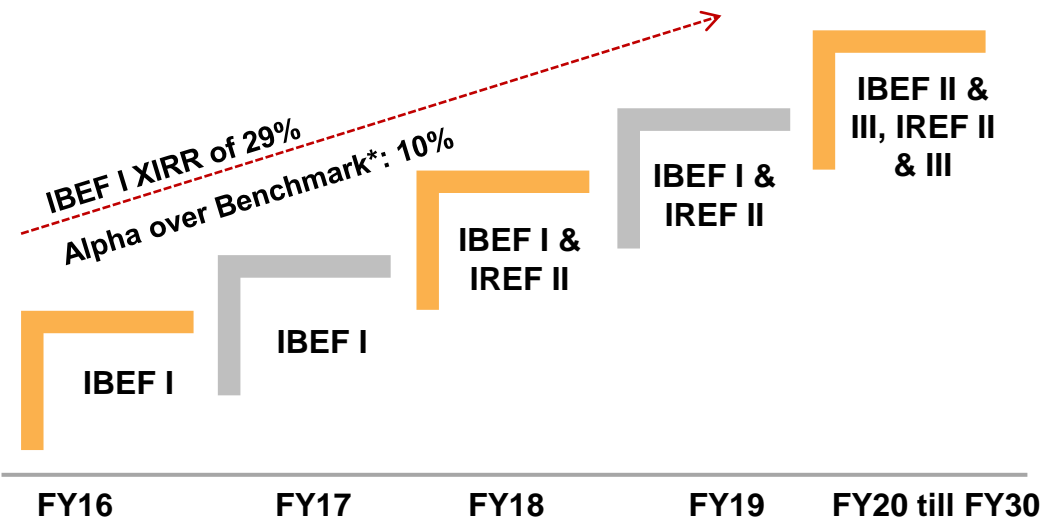
Launch period of PE Funds



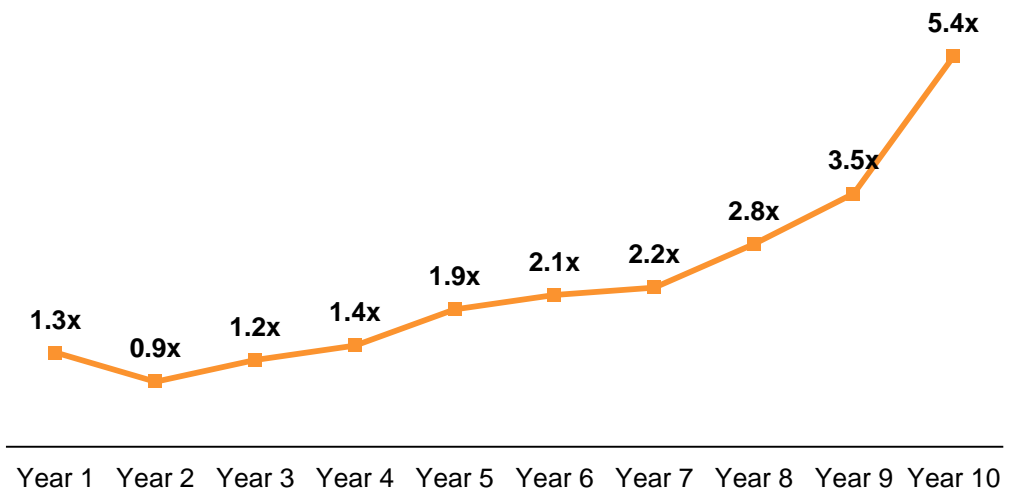
QGLP investments delivering higher IRR



Exit period of PE funds



IBEF I exits delivering 5x return



Wealth Management – Profitability inflection commenced



Highest-ever Net Sales
at ~Rs 9.1 bn,
+91% YoY

Wealth AUM
Rs 129 bn in
Q2FY18,
+51% YoY

Rising Number of Client Families,
+45% YoY

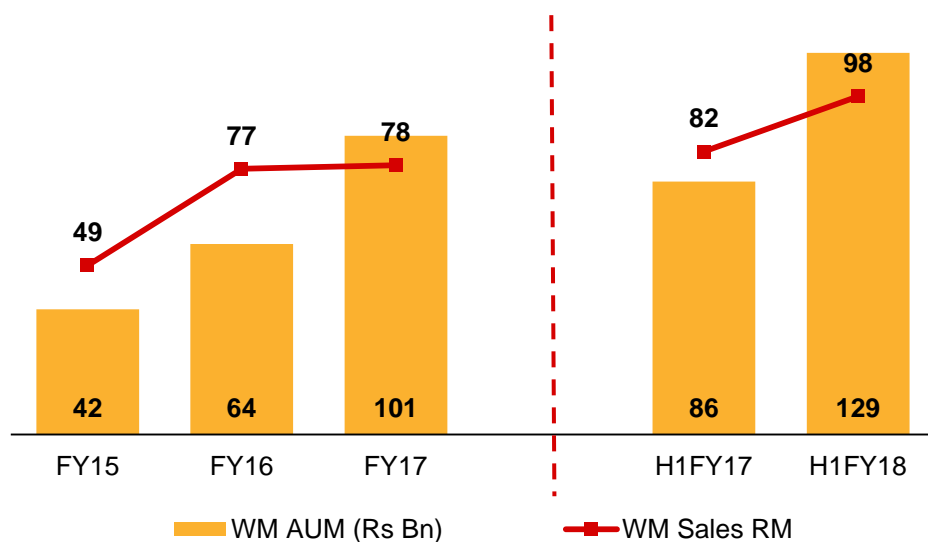
Deepening our client wallet-share & RM productivity

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
AUM (bn)	129	86	51%	113	14%	129	86	51%	101
Net adds (bn)	9	5	91%	4	150%	13	10	30%	18
Total Revenues	267	174	53%	179	49%	446	328	36%	720
Total Cost	156	122	28%	120	30%	277	240	15%	498
C/I ratio	59%	70%	-	67%	-	62%	73%	-	69%
EBITDA	109	46	137%	57	91%	165	74	124%	205
EBITDA Margin	41%	26%	-	32%	-	37%	23%	-	28%
PBT	109	46	137%	57	91%	165	74	124%	205
PAT	78	31	151%	40	95%	119	50	137%	132

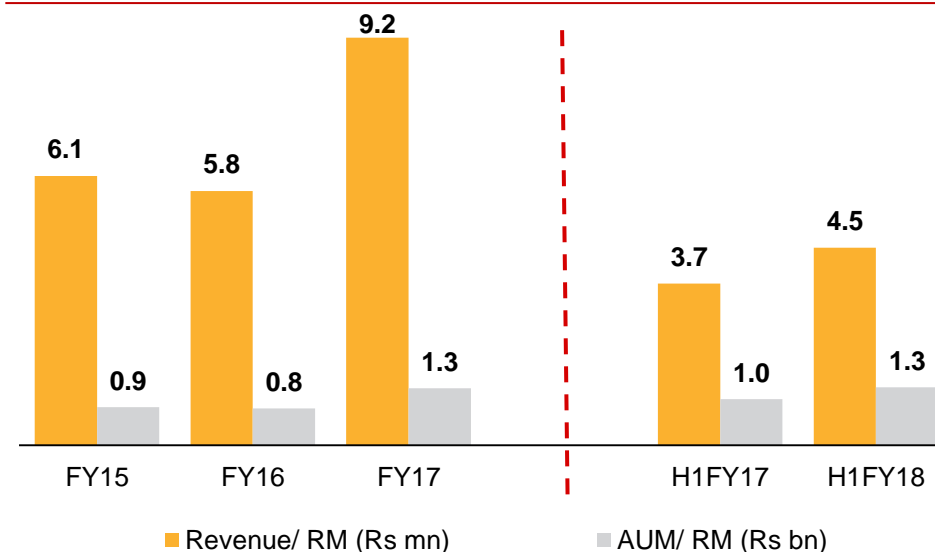
- Operating leverage is visible, with EBITDA margin improving to 37% for H1FY18.
- RM productivity has increased in line with vintage.
- Capacity to hire additional RMs will increase, as existing RMs' vintage increases, which will help sustaining growth and driving further operating leverage.
- Yield during the quarter has improved to ~90 bps, as AUM mix has shifted in favour of equity.
- AUM traction is largely driven by captive PE product and other products from strategic funds.
- Inclination to invest in financial assets remains high, and headroom for growth in AUM and profit pool is enormous.

Wealth – Rise in productivity resulting in margin expansion

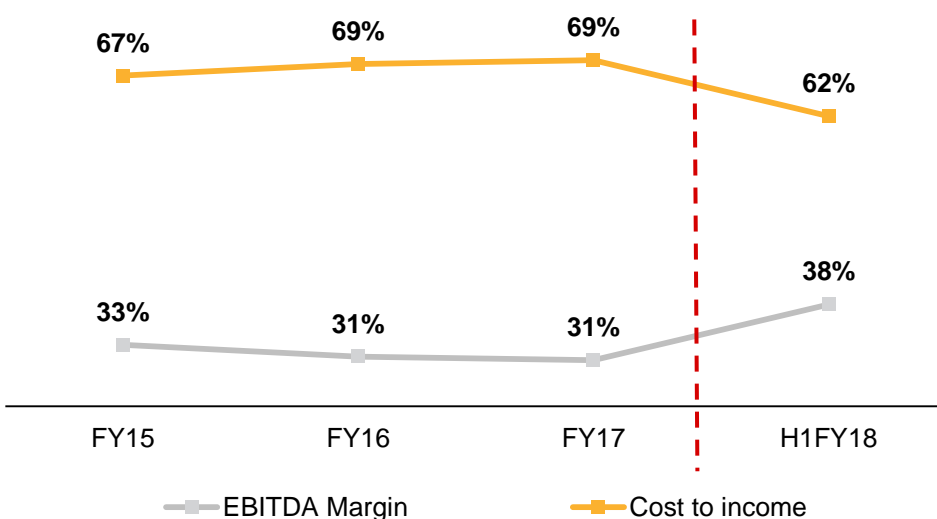
Wealth RM addition in proportion to AUM



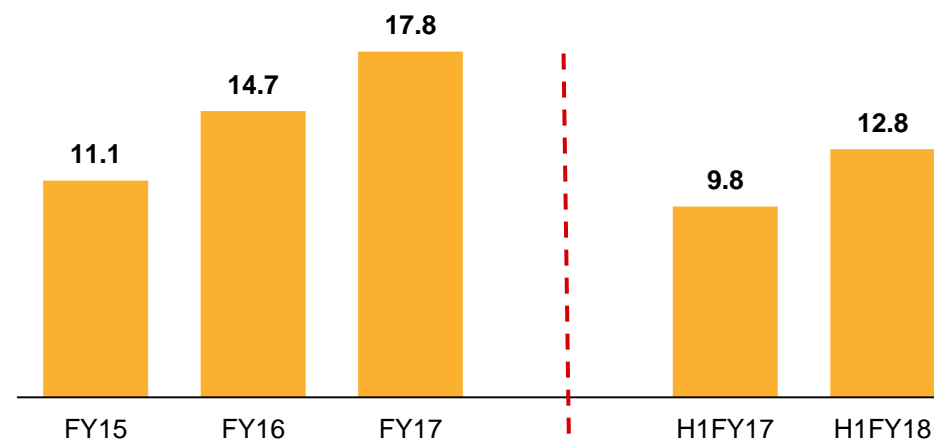
Wealth RM productivity



Wealth EBITDA margin and cost to income ratio



Wealth net sales (Rs bn)



Ad Campaigns – Significant step up; well received by customers



MOFSL's "Think Equity Think Motilal Oswal" Won Best Ad Award in BFSI space

LESS IS MORE

When you look at mutual funds available for investing, you are intimidated by a plethora of over 2000 options. Sometimes mind boggling choice itself makes us fearful to choose, lest we go wrong!

At Motilal Oswal Mutual Fund, we believe in the power of focus. We have only 5 high quality equity mutual fund schemes to choose from. Each with a concentrated portfolio consisting of not more than 20-25 stocks at any point of time. We believe investing is about picking correctly from highly differentiated choices and not about playing a "spot the difference" contest with poorly defined choices.

After all, focus brings mastery. And mastery makes things simple for you.

SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**FOCUS.
MASTER.
SIMPLIFY.**

When you look at equity mutual funds available for investing, you are intimidated by a plethora of options; over a 2000. Sometimes mind boggling choice itself makes us regret later and wonder did we pick the right one whilst making numerous hindsight comparisons like "If only I'd picked that one over this one!"

At Motilal Oswal Mutual Fund, our focused approach to equity investing has ensured that we have only 5 equity mutual funds to choose from. After all, focus builds mastery. And mastery makes things simple for you.

SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**THE
PARADOX
OF CHOICE**

Sometimes mind boggling choice itself makes it confusing to choose. Like in mutual funds where you get intimidated and confused by a plethora of over 2000 options. Mutual Funds are not toothpastes, soaps or shampoos! That's the paradox of choice.

At Motilal Oswal Mutual Fund, we focus only on equity with a focused equity investing process and focused set of only 5 equity mutual funds to choose from. After all, focus builds mastery. And mastery makes things simple for you.

SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**WHEN YOU
FOCUS ON
ONE THING
FOR 30 YEARS,
YOU MASTER IT.**

At Motilal Oswal, we have spent 30 years focusing on just one thing – creating this focus has helped us master our equity investing process to give wealth creating success and participation in creating wealth. So if you are looking to master in equity, go with us. The experts.

To find out more visit www.motilaloswal.com or www.motilal.com

SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

30 YEARS

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**YOU CAN'T
BEAT THE MARKET,
IF YOU
BUY THE MARKET**

Over diversification can have adverse effects on your equity portfolio. An investor who chooses to own a bunch of 8-10 funds equivalent to 300 unique stock portfolio would end up owning 88% of the market. Needless to say, if you buy the market, you can't beat the market. To beat the market one needs to stick the neck out and make some high conviction choices and that's what we enable for you.

At Motilal Oswal Mutual Fund, we have only 5 equity mutual funds, i.e. Large Cap, Mid Cap, MultiCap, ELSS and Dynamic Equity to reflect the right investment universe. At no point in time do we go beyond 20-25 stocks in the portfolio.

SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**EQUITY FOCUS
PROCESS FOCUS
PRODUCT FOCUS**

When you look at equity mutual funds available for investing, you are intimidated by a plethora of options; over a 2000. Sometimes mind boggling choice itself makes it confusing to choose!

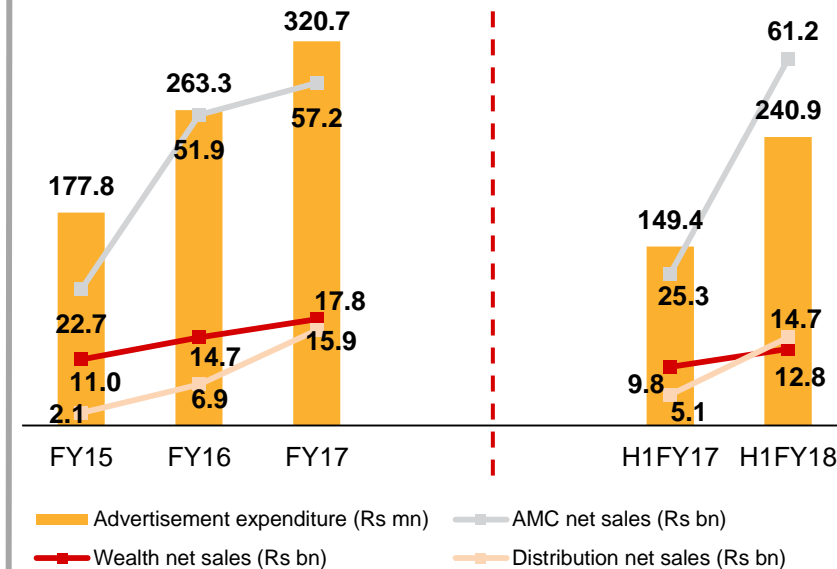
At Motilal Oswal Mutual Fund, we focus only on equity with a focused equity investing process and focused set of only 5 equity mutual funds to choose from. After all, focus builds mastery. And mastery makes things simple for you.

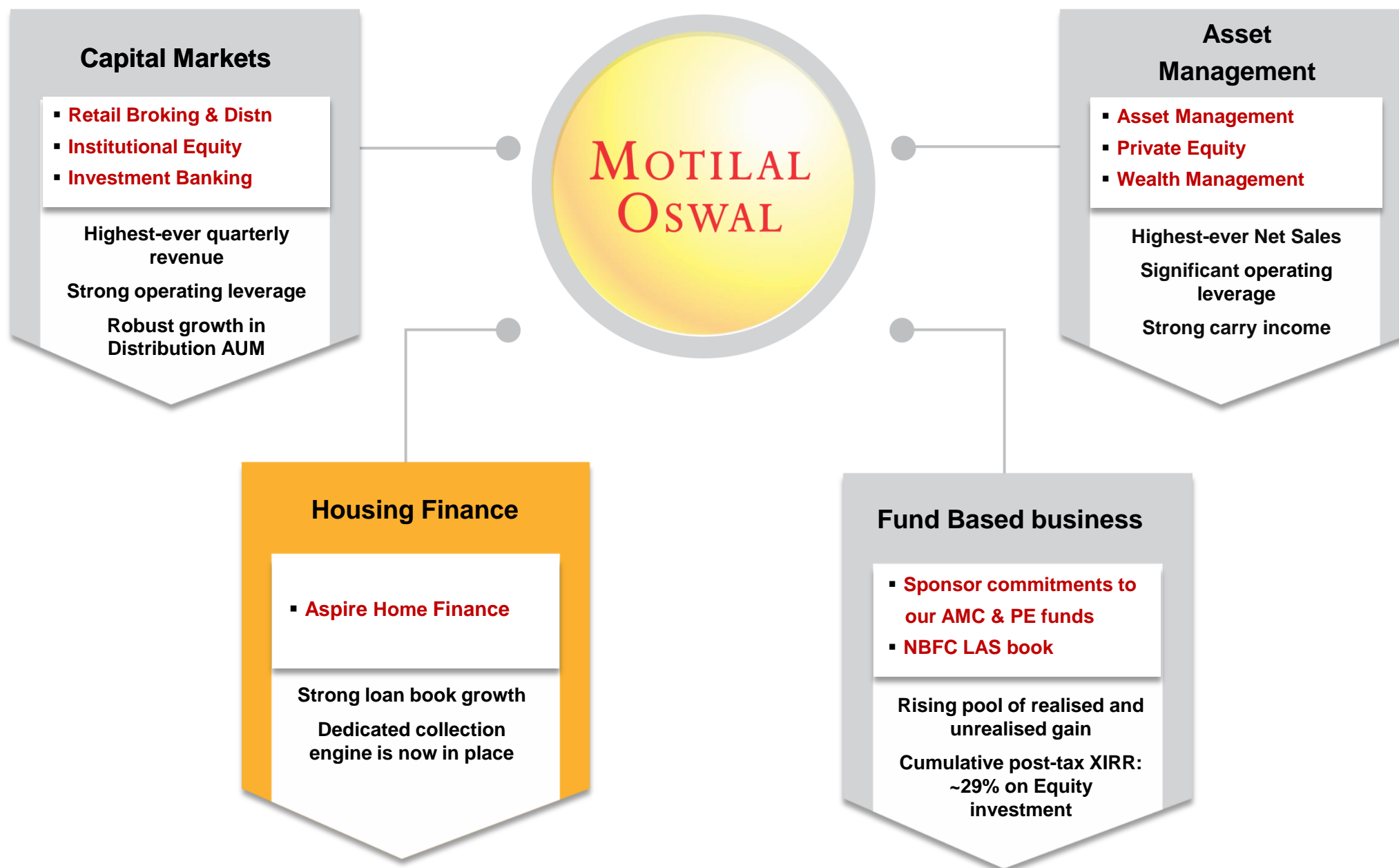
SCAN FOR MORE

**THINK EQUITY
THINK MOTILAL OSWAL**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Ad spends supporting strong growth





Aspire Home Finance (AHFCL) – Steady growth momentum in niche Affordable Housing segment



Loan extended to more than ~55,000 families

HFC Loan Book Rs 48 bn in Q2FY18 +57% YoY

Continue to Invest in manpower and technology

Gearing remains conservative

Particulars (Rs mn)	Q2FY18 Q2FY17 YoY (%)			Q1FY18 QoQ (%)		H1FY18 H1FY17 YoY (%)			FY17
Loan Book (bn)	48.2	30.7	57%	43.1	12%	48.2	30.7	57%	41.4
Disbursements (bn)	6.3	6.7	-5%	3.3	92%	9.6	11.5	-16%	24.0
Gross NPL%	2.8%	0.3%	-	1.6%	-	2.8%	0.3%	-	0.6%
Net Interest Income (NII)	563	322	75%	425	32%	989	539	83%	1,259
Other Income	224	279	-20%	155	45%	379	455	-17%	951
Total Income	788	601	31%	580	36%	1,368	994	38%	2,209
Operating Profit (Pre- Prov.)	468	375	25%	284	65%	752	600	25%	1,379
PBT	345	345	0%	213	62%	558	552	1%	1,257
PAT	223	227	-2%	141	58%	365	361	1%	821

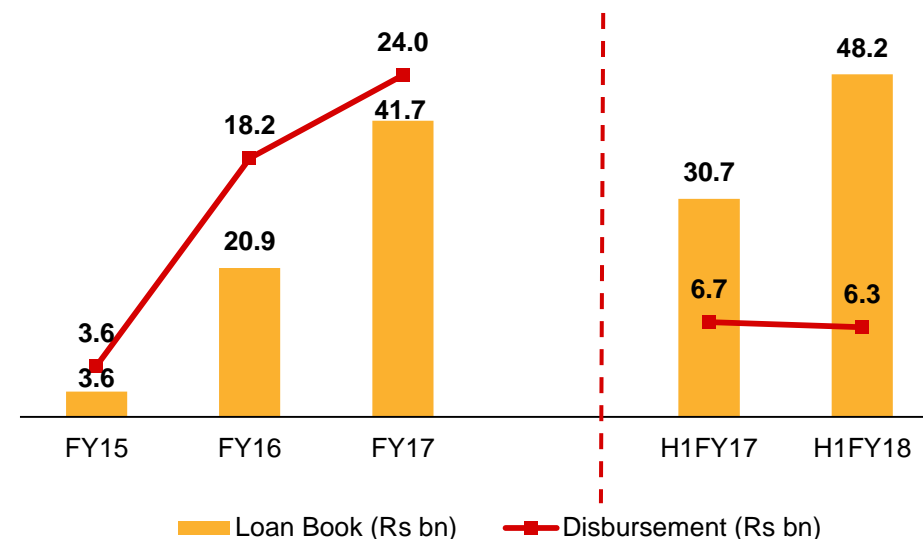
- NII grew 75% YoY, as interest expenses declined, driven by lower borrowings and lower cost of funds. Yet, PAT remained stable YoY at Rs 223 mn, as expenses grew 41% YoY and provisioning was higher.
- Loan book grew 57% YoY to Rs 48.2 bn led by strong pick-up in disbursement on sequential basis.
- GNPA increased from 1.6% in Q1FY18 to 2.8% in Q2FY18 on account of seasoning of the book coupled with external shocks such as demonetization, RERA and GST. Also, in the first three years, there was no independent collection organization, resulting in higher slippages. Collection engine now in place.
- Strong ramp in last year has driven 70% YoY growth in manpower and 62% growth in branches. However, YTD growth in manpower is 19% with no additions to branches.
- Average ticket size is Rs 0.9 mn, as AHFCL is focused on the affordable housing segment.
- Average LTV of the book is under 58%; overall FOIR remains at a comfortable level of 46%.

Aspire Home Finance – Laying foundation for sustainable growth

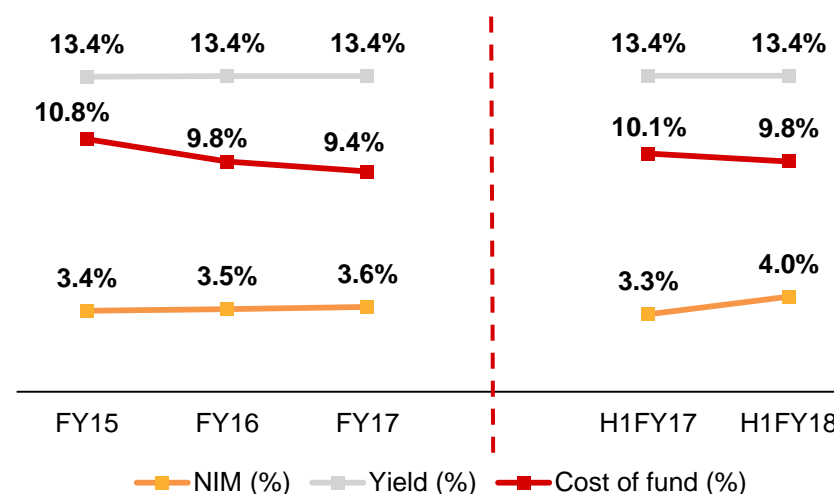


- Disbursements in Q2FY18 were Rs 6.3 bn versus Rs 3.3 bn in Q1FY18 and Rs 6.7 bn in Q2FY17. Calibration in the pace of disbursements in H1FY18 was partly led by external factors in the economy, causing postponement of customer decisions.
- Investments have been made in building a collection and legal organisation while calibrating growth. This will create a strong foundation for sustainable growth.
- Average yield held firm at ~13.4% on a YoY basis despite competition.
- Strong traction in margin at 4.5% in Q2FY18 on account of lower incremental borrowing and sequentially lower cost of funds. Equity infusion in Q1FY18 also aided margin expansion.
- Average cost of borrowing declined from 10% in Q2FY17 to 9.8% in Q2FY18, despite negligible CP contribution in funding mix. Incremental borrowings from CP will bring down cost of borrowings in H2FY18.
- Diversified liability profile, with ~53% from NCDs and ~47% from bank loans as of September 2017. 26 banks extended credit lines and NCDs were allotted to 24 institutions as of September 2017.

Loan Book and disbursement trend (Rs bn)



Healthy Margins trend*



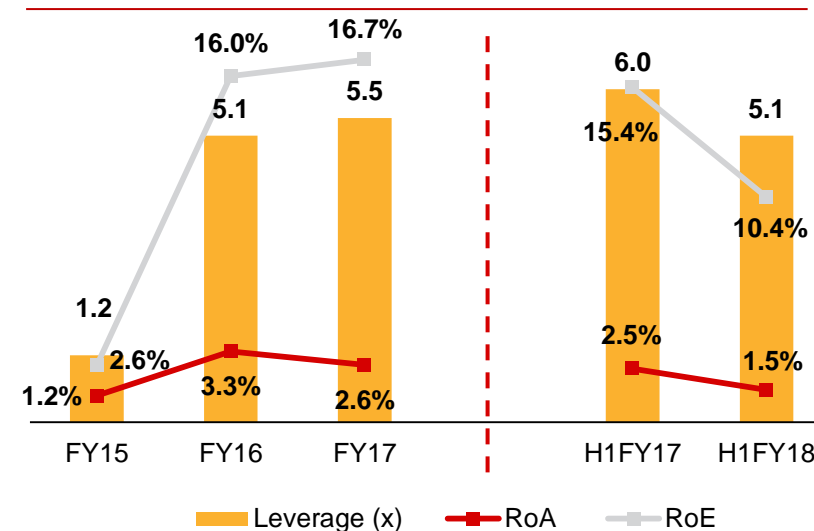
Note: *We have modified our NIM calculation methodology which has resulted in restated NIM

Aspire Home Finance – Laying foundation for sustainable growth

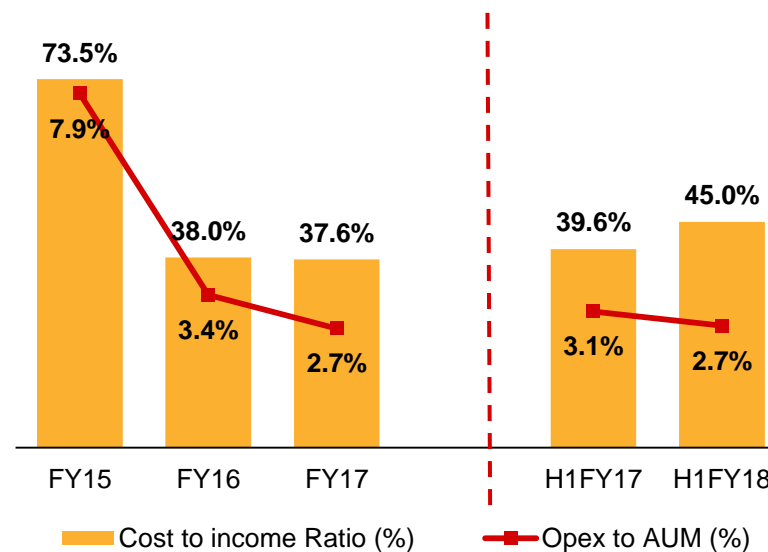


- RoA was 1.7% and RoE was 11.6% for Q2FY18. Though return ratios have improved sequentially, they appear muted as compared to Q2FY17. This is also due to equity dilution led by promoter capital infusion in June 2017.
- Credit ratings are CRISIL A+ Stable and ICRA AA-. Gearing remains conservative, with Debt-Equity ratio at 5.1x.
- Increase in collection headcount coupled with upgradation and refurbishment of old branches has resulted in a high Cost-Income ratio of ~41% in Q2FY18 vs. ~37% in Q2FY17. This expansion is expected to yield results in FY18.
- Cumulative capital infusion from sponsor is Rs 6 bn and net worth is Rs 7.7 bn, as of September 2017.
- We have been investing in technology to strengthen our database, analytics and risk framework. We are also investing in digital initiatives to reduce operating costs and turnaround time, and to improve customer experience. Our digital initiatives include new apps for sales, credit, collection, clients and vendors.
- Aspire has been awarded the second prize for “Best Performing PLI (prime lending institution) under PMAY by MHUPA (Ministry of Housing and Urban Poverty Alleviation)”.
- Aspire has won India's Greatest Brand 2016-2017 award by URS Asia One.

RoE & RoA trajectory with low gearing



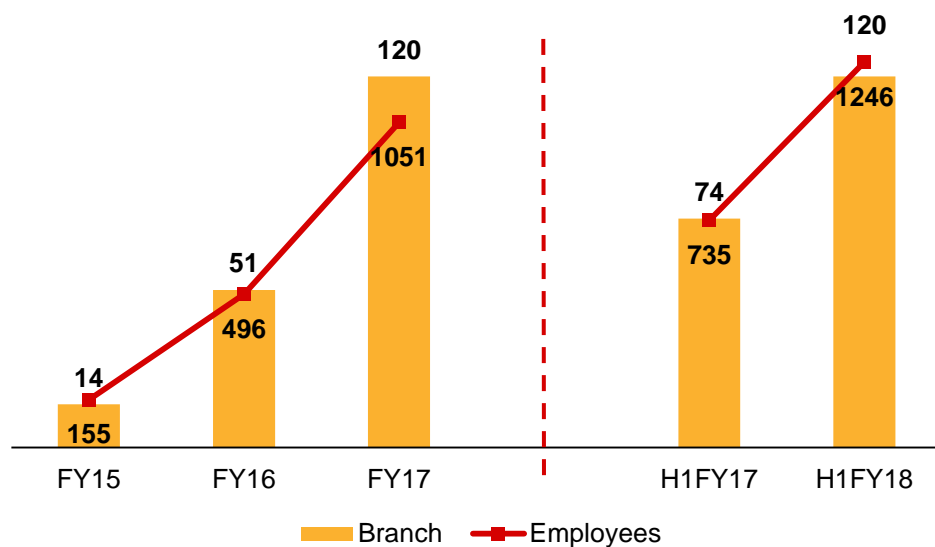
Higher Opex resulting from Investment mode



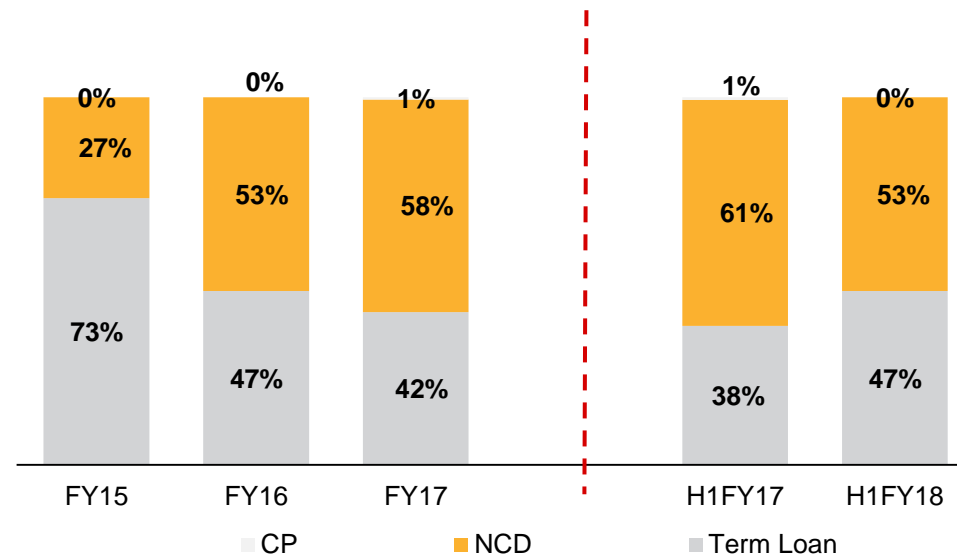
Aspire Home Finance – Robust operating metrics



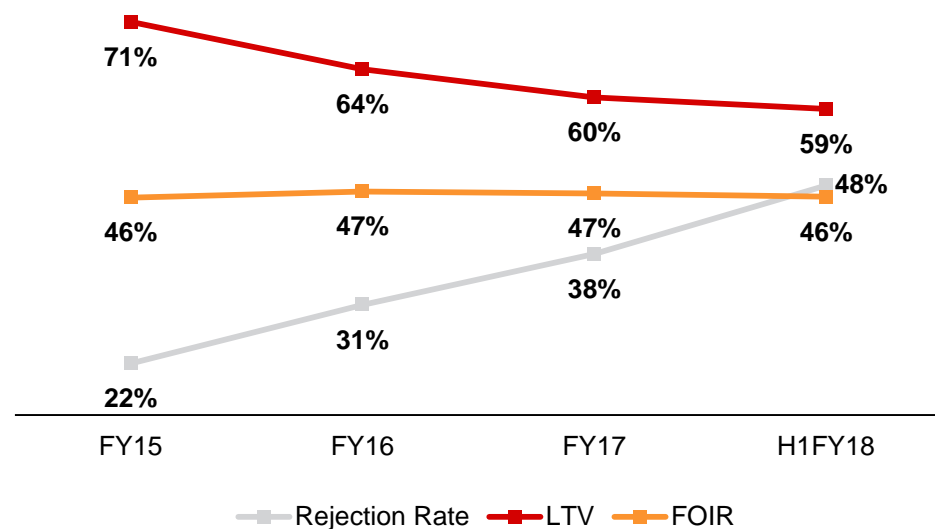
Higher investment in manpower and branch network



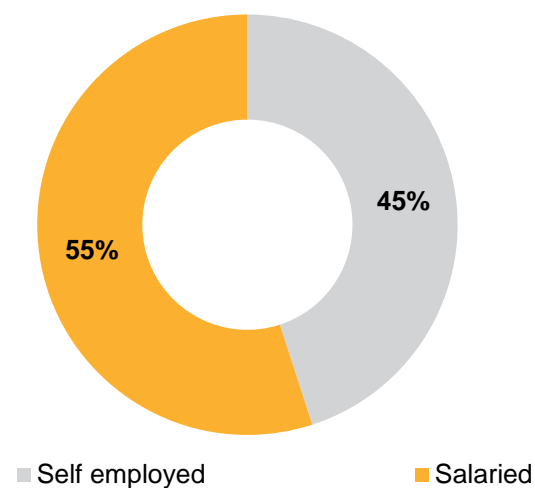
Diversified liability mix trend

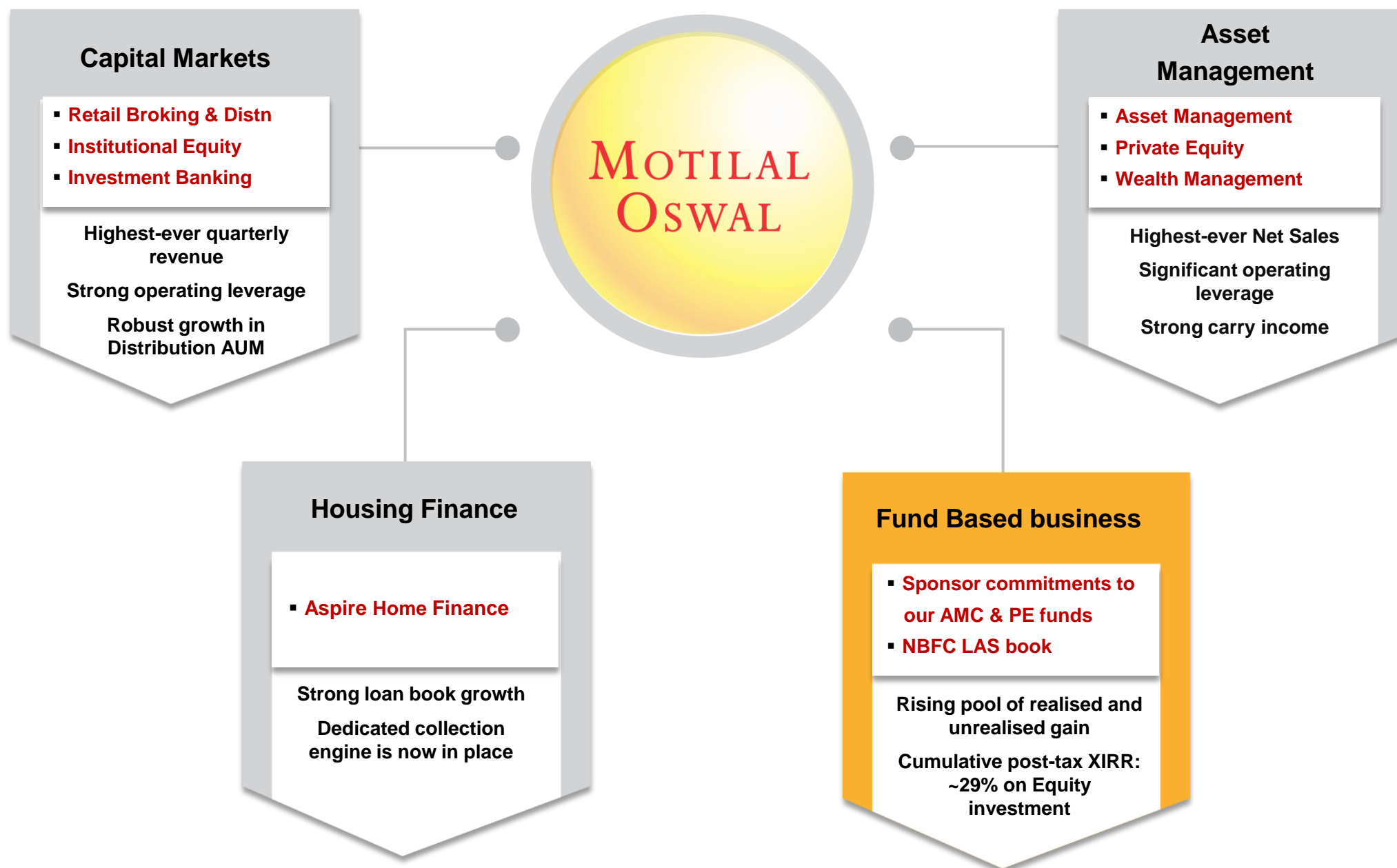


Stringent underwriting parameters



Balanced customer mix (%)





Fund based business – Significant unrealised gains



MOFSL Standalone

Investments in
MOAMC Mutual
Funds (at cost): Rs
6.7 bn

Particulars (Rs mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	H1FY18	H1FY17	YoY (%)	FY17
Total Revenues	957	788	21%	226	324%	1,183	1,367	-13%	1,763
EBITDA	906	743	22%	176	415%	1,082	1,265	-15%	1,569
PBT	798	549	45%	71	dd	869	752	15%	857
PAT	625	569	10%	49	1167%	674	748	-10%	863

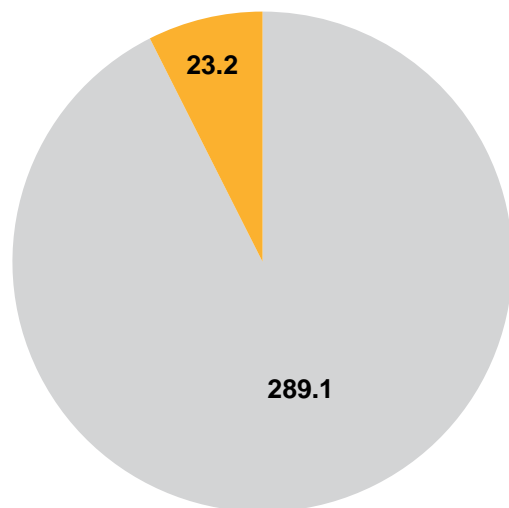
Unrealised gain on
quoted equity
investments: Rs 5.8
bn (not included in
P/L)

- Revenue grew 324% QoQ to Rs 957 mn, largely driven by dividend of Rs 458 mn from PE on account of carry income of Rs 539 mn.
- Unrealized gain on quoted equity investments (equity MF/Shares) as of September 2017 is Rs 5.8 bn (equity MF: Rs 4.1 bn; AU Small Finance Bank: Rs 1.7 bn) which is not included in earnings yet. Overall reported RoE of 29% excluding unrealised gains and 32% including unrealised gains
- Reported RoE of 4% in fund based business; however, post-tax cumulative XIRR of ~29% (since inception) on equity investments, validating the long-term performance track record of our QGLP investment philosophy.
- These investments have helped “seed” our new businesses, which are scalable, high-RoE opportunities. They also serve as highly liquid “resources” available for future investments in business, if required.
- We also provide loans against shares (LAS) to NBFCs. This is run as a spread business with the book size of Rs 2.24 bn.

Investments in MO
PE/RE funds (at
cost): Rs 2.9 bn

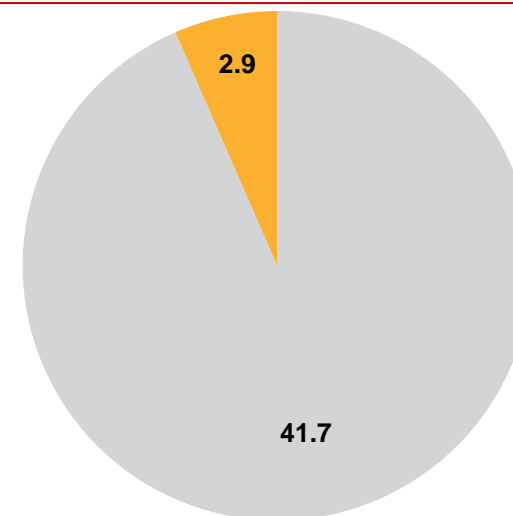
Fund based business – Skin in the game

Skin in the game in AMC



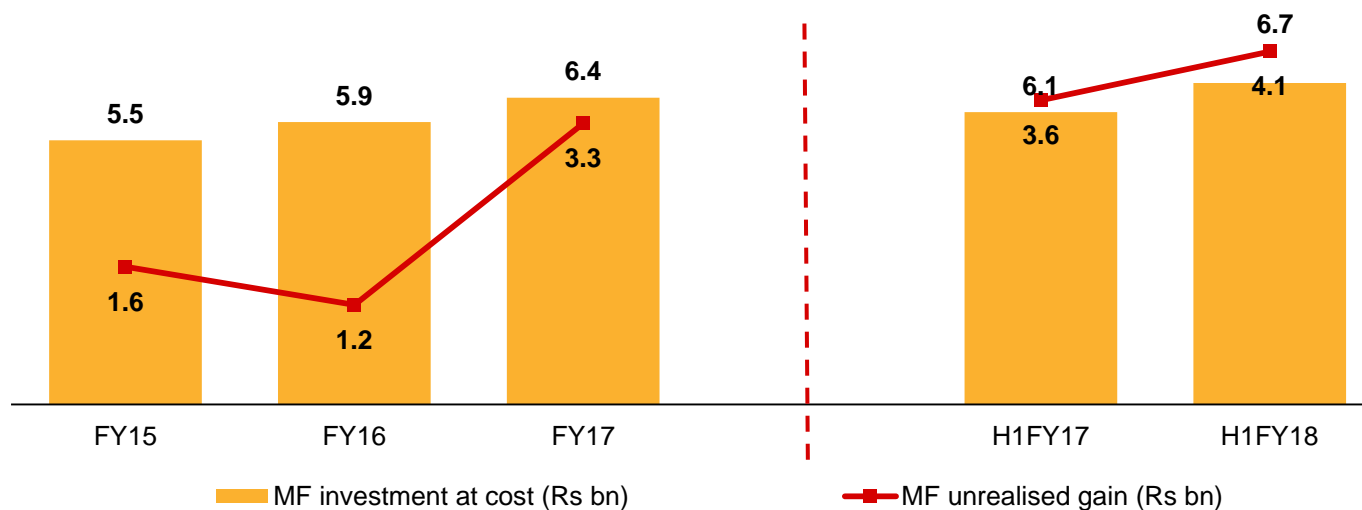
■ AMC AUM (Rs bn) ■ Sponsor/Promoter AUM in AMC (Rs bn)

Skin in the game in PE



■ PE AUM (Rs bn) ■ Sponson Commitment in PE (Rs bn)

MF unrealised gain from equity MF investments (Rs bn)



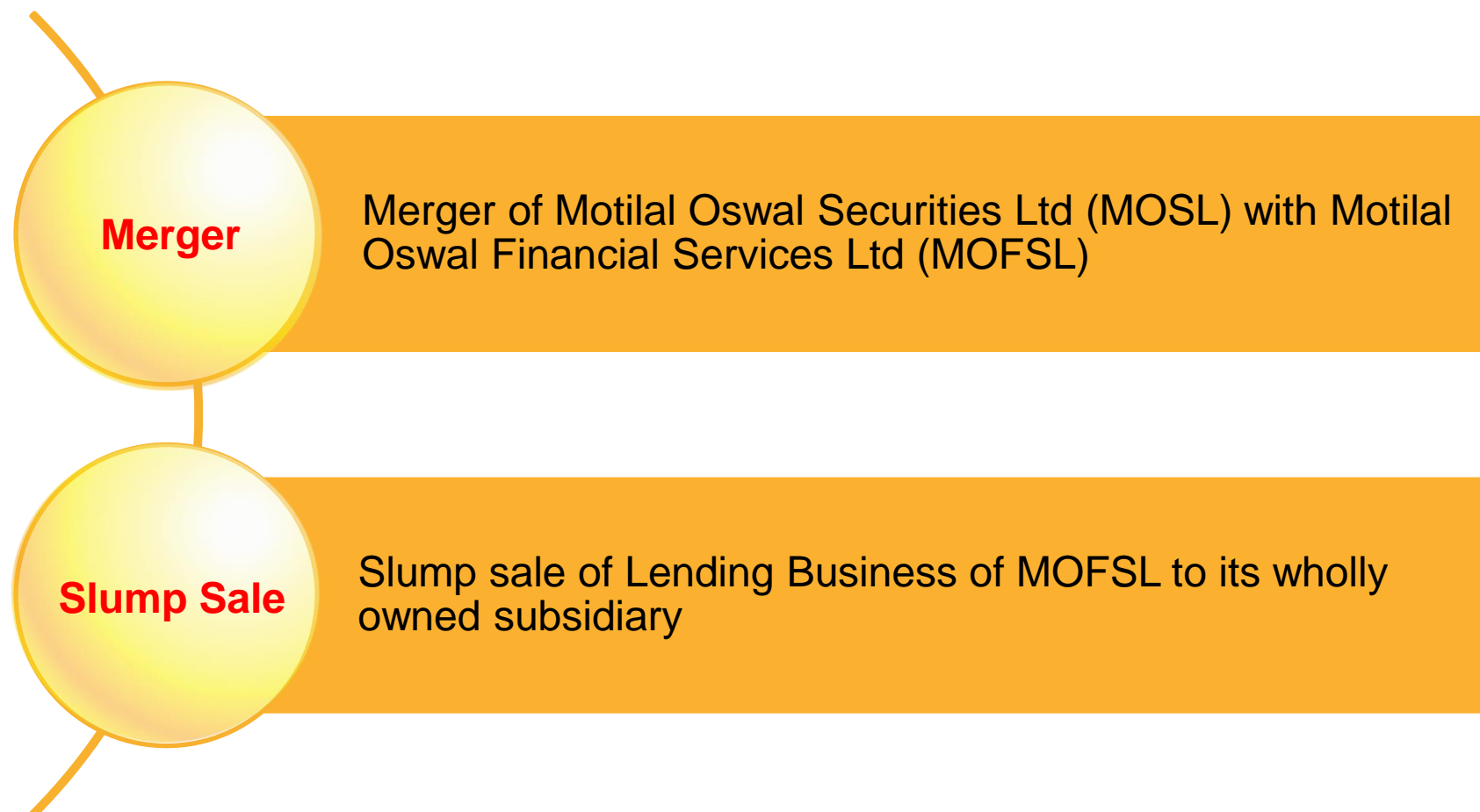
Key Highlights

Financials

Businesses

Internal Group Restructuring

Interesting Exhibits



The Board of Directors of the Company at its meetings held on 4th November, 2017, have, *inter alia*, approved (i) the Draft Scheme of Amalgamation for merger of MOSL with MOFSL; and (ii) Slump Sale of its existing Lending Business to its wholly owned subsidiary, which is in the process of being incorporated. Further, intimation pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 submitted to Stock Exchange is available on the website of the Company at www.motilaloswalgroup.com

Internal group restructuring – Considerations for Merger and Slump Sale



- It is proposed to merge Motilal Oswal Securities Limited, a company engaged in the business of stock broking with the Motilal Oswal Financial Services Limited (“MOFSL”) as per the extant regulatory framework. Hence, the stock broker cannot engage in any business other than that of securities [or commodity broking] except as a broker or agent not involving any personal financial liability. Thus, to comply with the regulatory requirements, it is proposed to transfer the Lending Business of the MOFSL to its wholly owned subsidiary (yet to be incorporated).
- Consolidation of operational business holdings within MOFSL leading to greater operational flexibility and business synergy across the subsidiaries.
- Strong Balance sheet with combined Net-worth at the parent company level (MOFSL) to meet capital needs in subsidiaries for future growth / expansion needs.
- Facilitates free flow of funds and ease limits of investments / loans by MOFSL for expansion of business activities.
- MOFSL board to have greater oversight over business operations of subsidiaries
- Consolidation of immovable property, Motilal Oswal Towers into one entity.
- Merger of the Fund based investment activities into one entity
- Direct access to shareholders of MOFSL to a larger business activities of Flagship Broking and related business activities of the group in the parent company.
- Consolidation of one layer structure to avoid multi-layering.

Key Highlights

Financials

Businesses

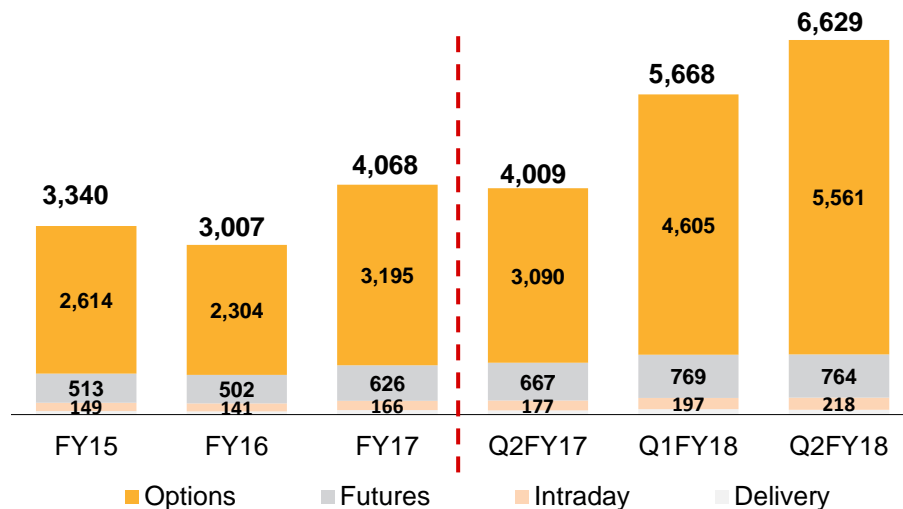
Internal Group Restructuring

Interesting Exhibits

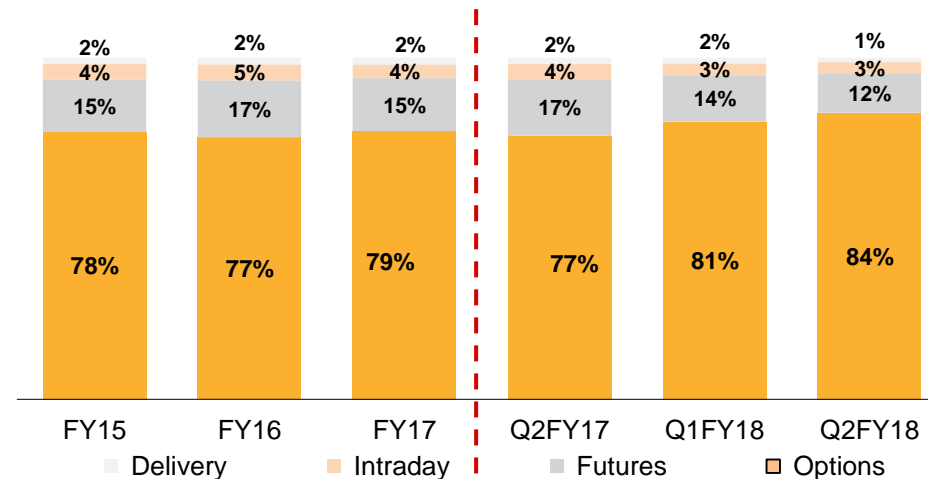
Capital Market – Rising market share of top brokers in an earnings upcycle



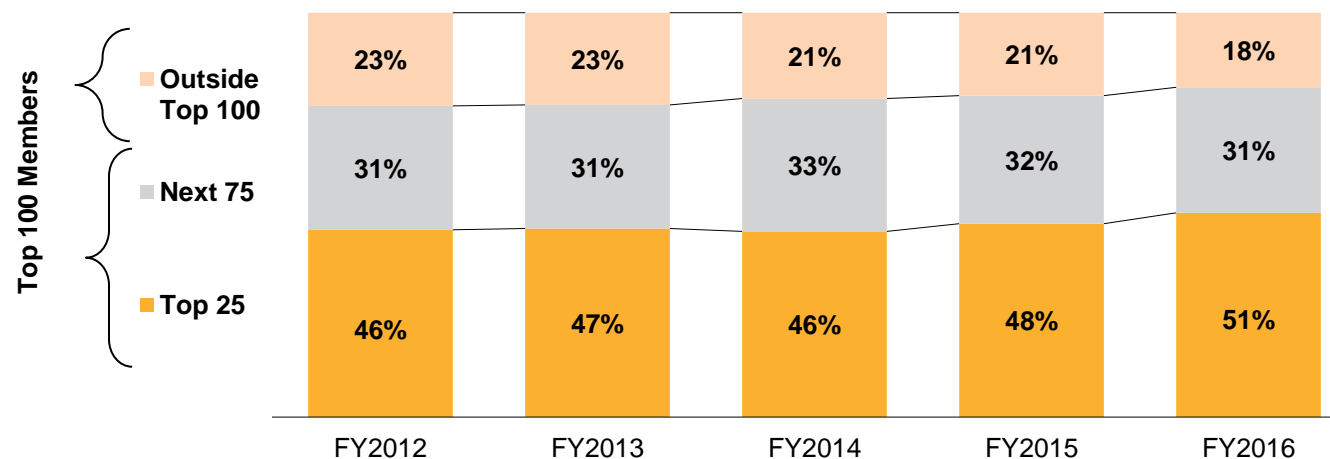
Market ADTO picked up in Q2FY18 in the F&O segment (Rs bn)



Proportion of retail volumes in the cash volume picked up in Q2FY18

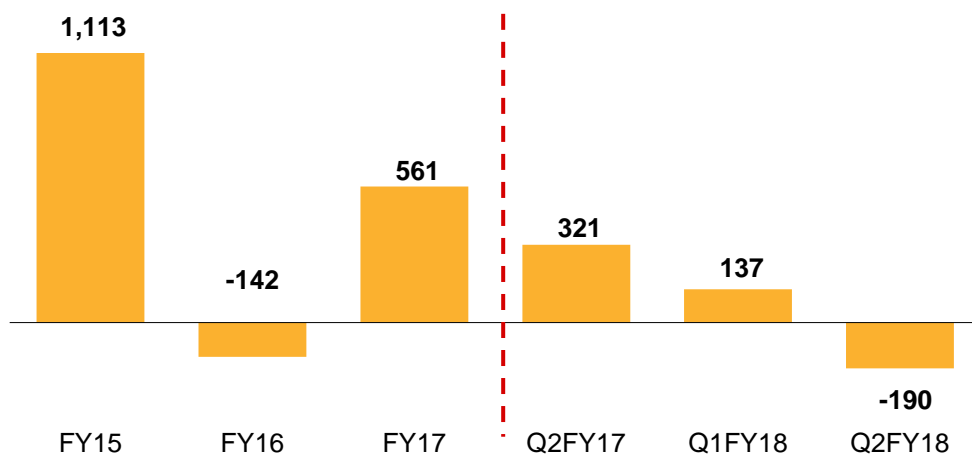


Proportion of NSE cash volumes consolidated to the largest brokers during bull-phases in the markets, not bear-periods

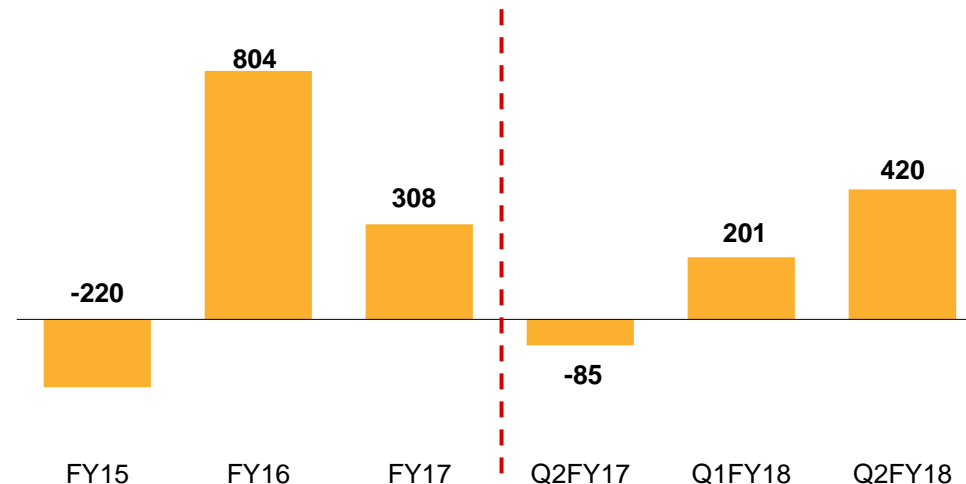


DII clock healthy inflows; Higher-value IPOs pick up

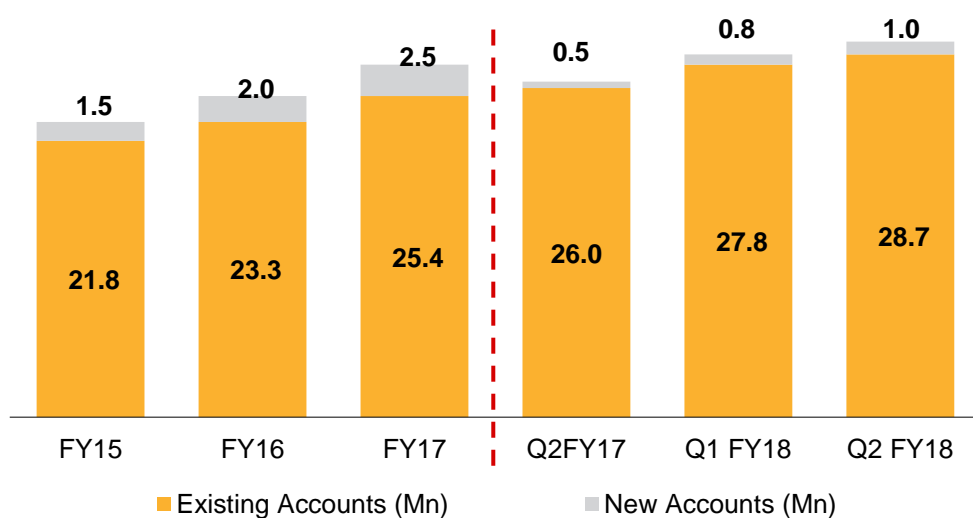
FII net outflows in Q2FY18 (Rs bn)



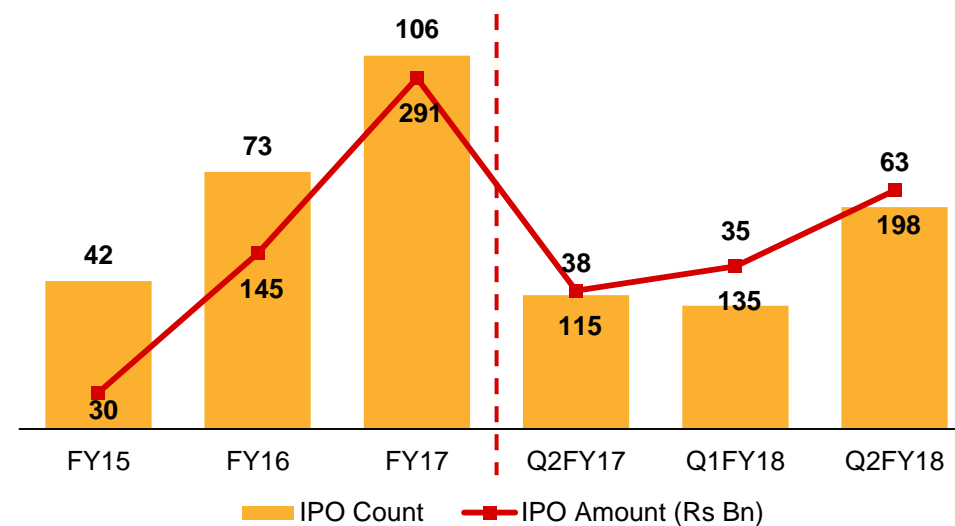
DII net inflows in Q2FY18 (Rs bn)



As momentum in IPO activity continued, incremental Demat accounts continued to grow at a healthy pace



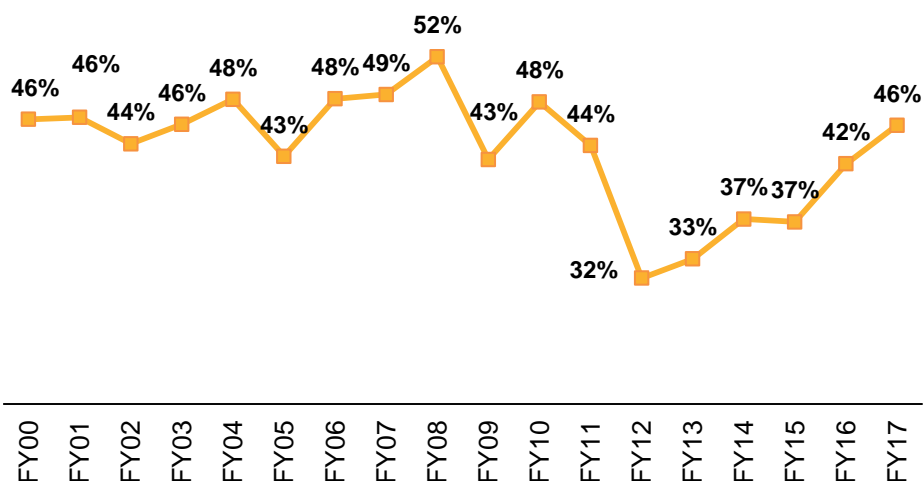
IPO raising has picked up since the last FY15



Asset Management – Financialisation of savings wave...

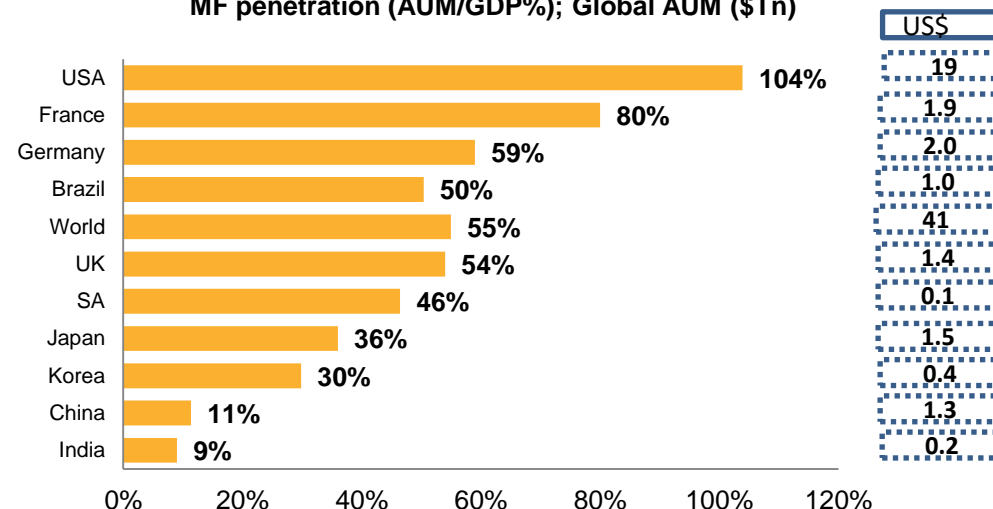
Higher financial savings signifying opportunity for MFs

(% of household savings)

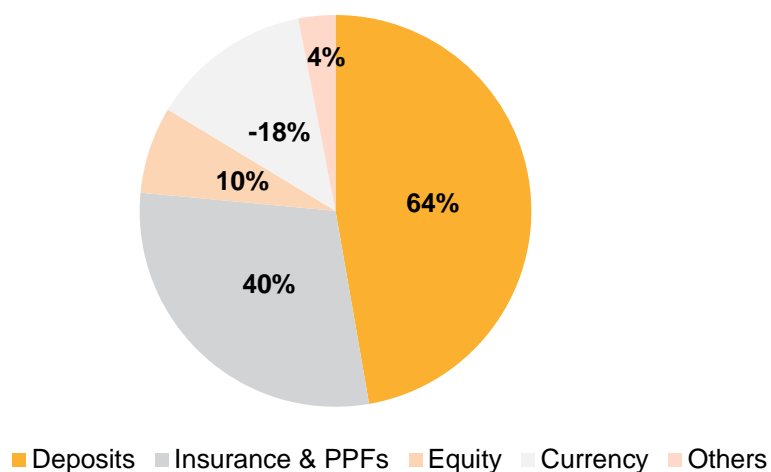


Low penetration of MFs provides headroom for growth

MF penetration (AUM/GDP%); Global AUM (\$Tn)

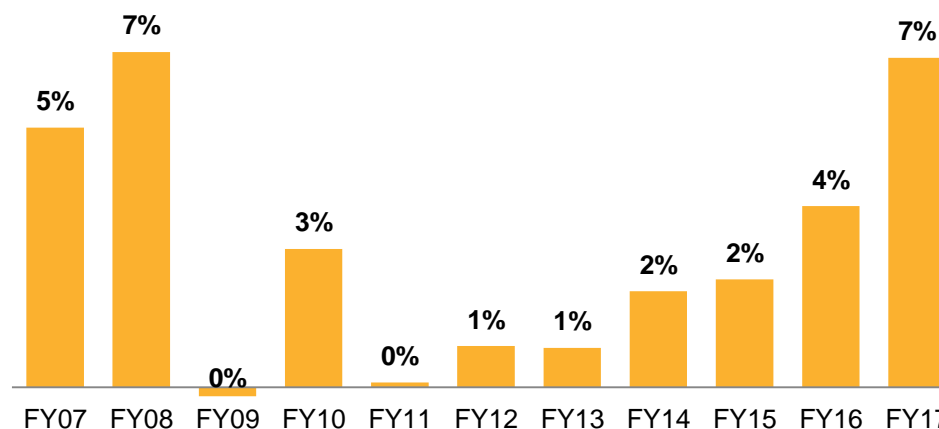


Equities are underpenetrated within Indian financial savings



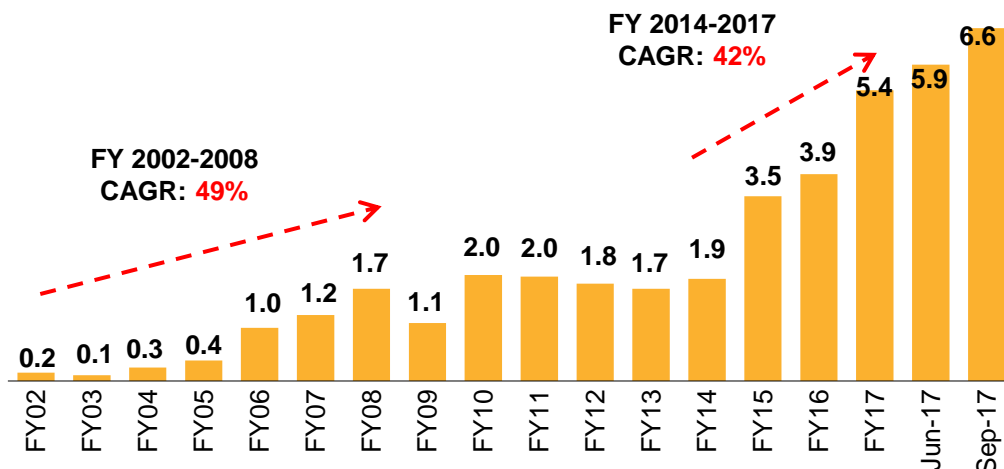
Equity assets of households are rising in recent years

(% of household assets)

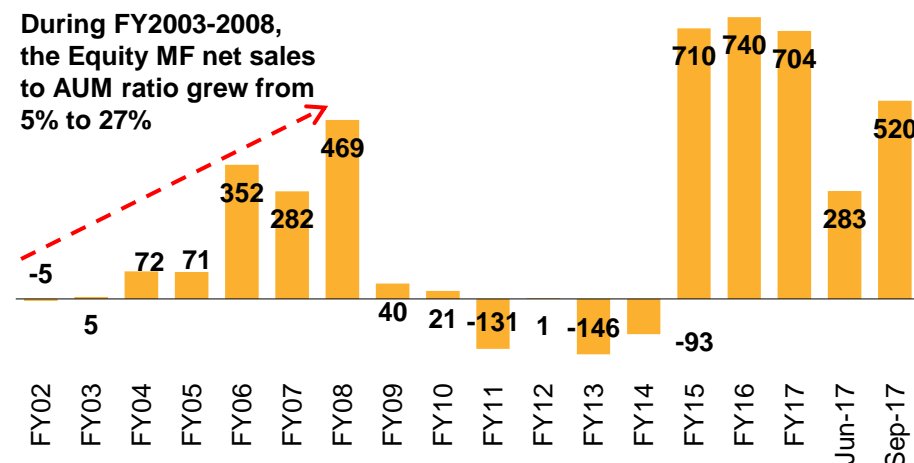


Asset Management – Current Equity MF uptrend is just like FY02-08 cycle

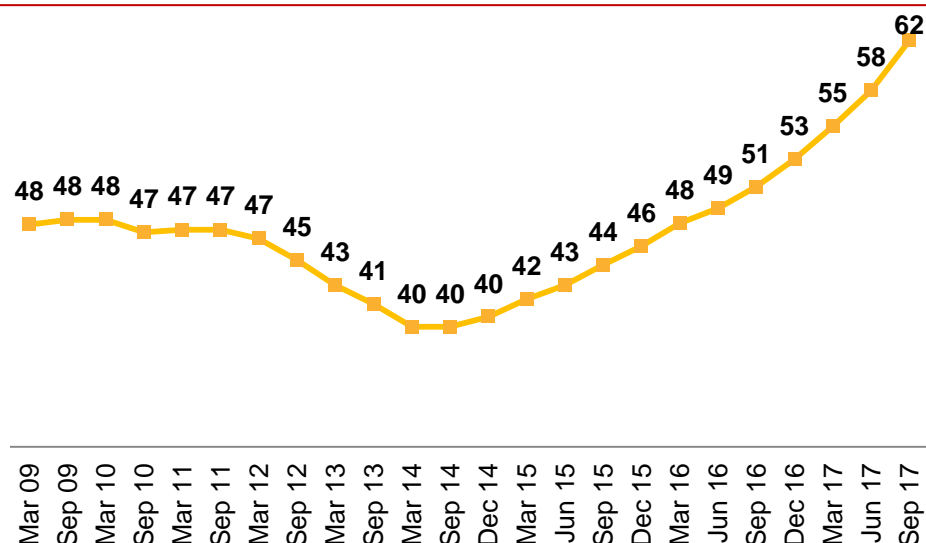
The last up-cycle from FY02-08 saw a significant inflows in Eq MF AUM; It has again seen rapid traction from FY14 onwards (Rs tn)



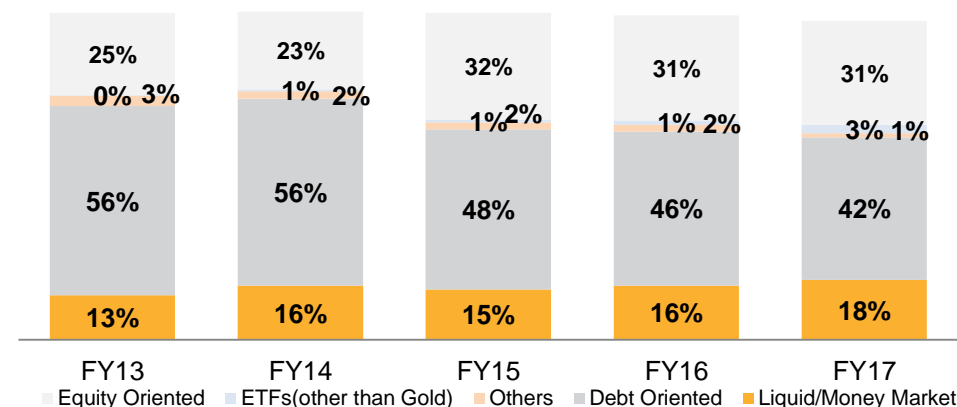
Market performance drives MF net flows, a repeat of the last cycle (Rs bn)



Investor A/Cs (Mn) in MF industry took off since mid-2014

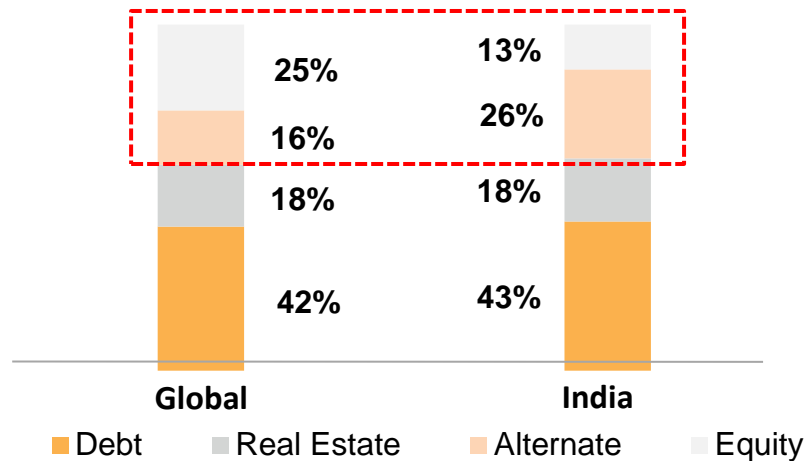


Proportion of Equity in Industry MF AUM mix went up in 5 years

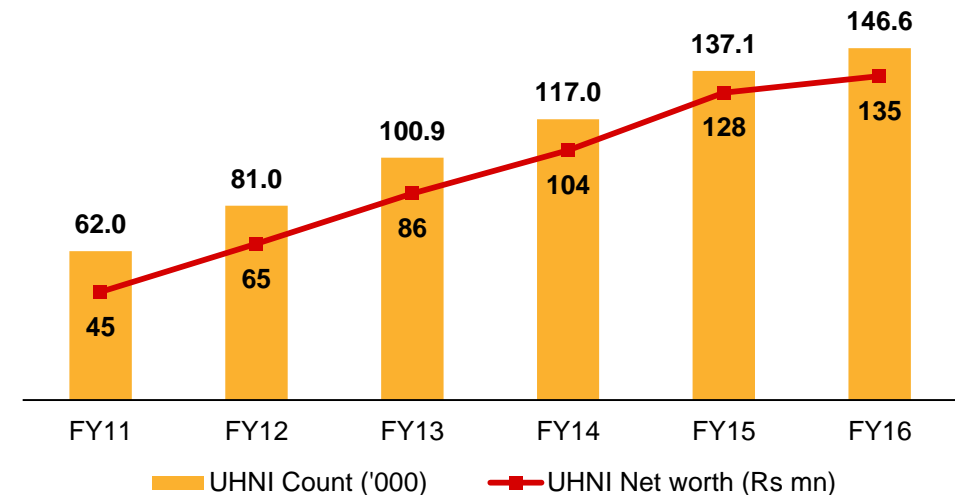


Wealth Management – HNI Wealth picking up; HNI assets in equity MFs growing

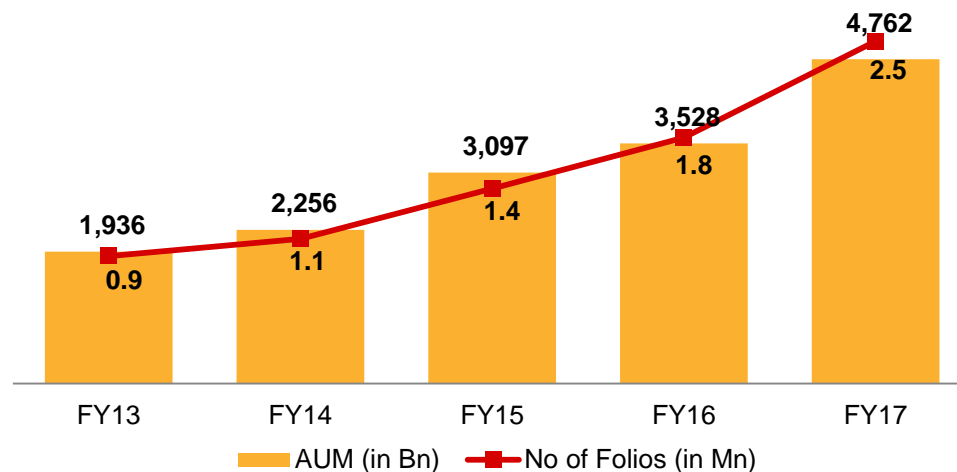
Individual Wealth distribution shows India has a higher share of Alternates, but lower share of Equity, to global averages



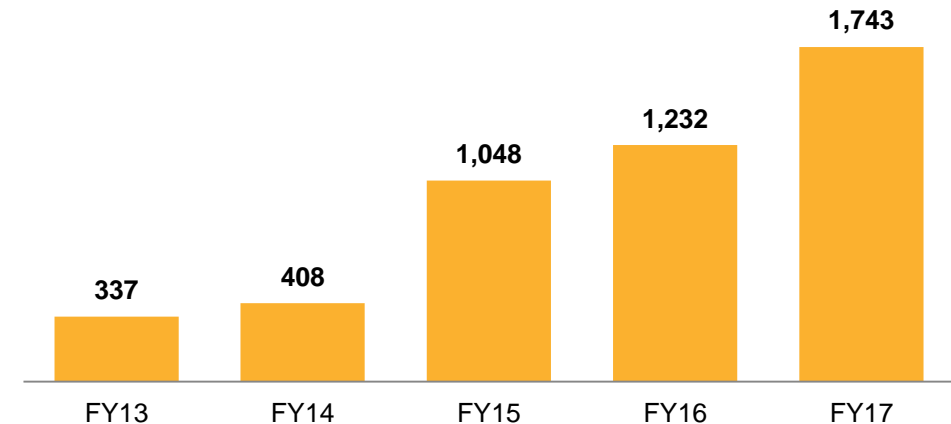
India is Home to ~0.2 mn HNIs, out of which ~0.15 mn are UHNIs; UHNI growth and count has seen steady growth last 6 years



HNI's Mutual Funds AUM grew at 25% CAGR in the last 4 years (Rs bn); Folios also picked up (Mn)



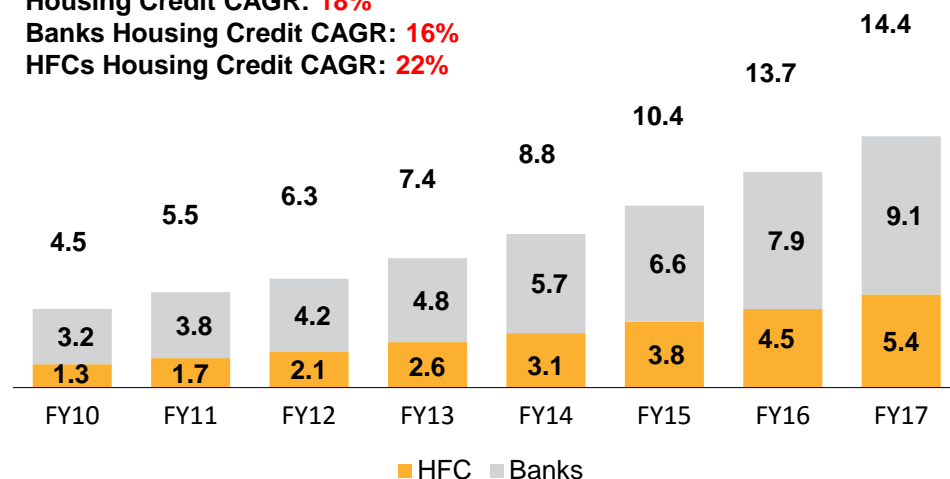
HNI's equity Mutual Funds AUM have picked up at a higher CAGR of 50% in the last 4 years (Rs bn)



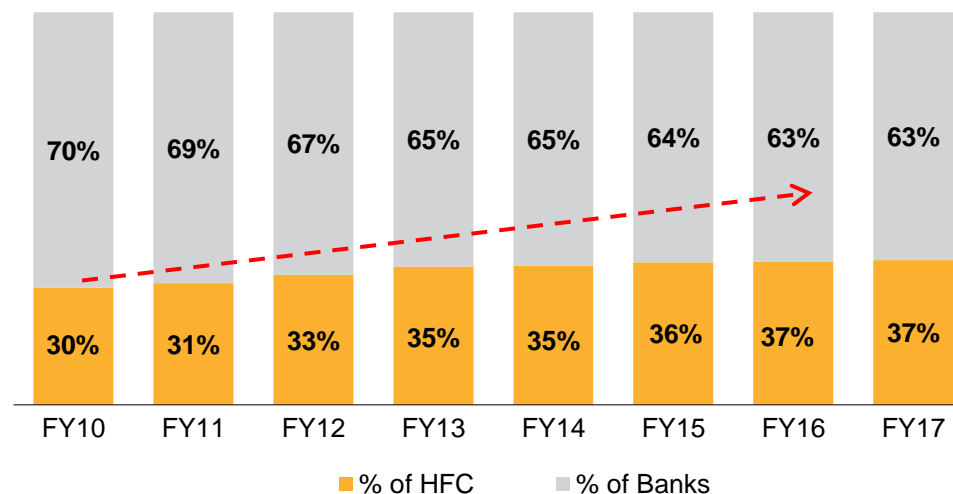
Housing Finance holds ample potential; moving from Banks to HFCs

India's housing credit growing significantly (Rs tn)

Housing Credit CAGR: **18%**
Banks Housing Credit CAGR: **16%**
HFCs Housing Credit CAGR: **22%**

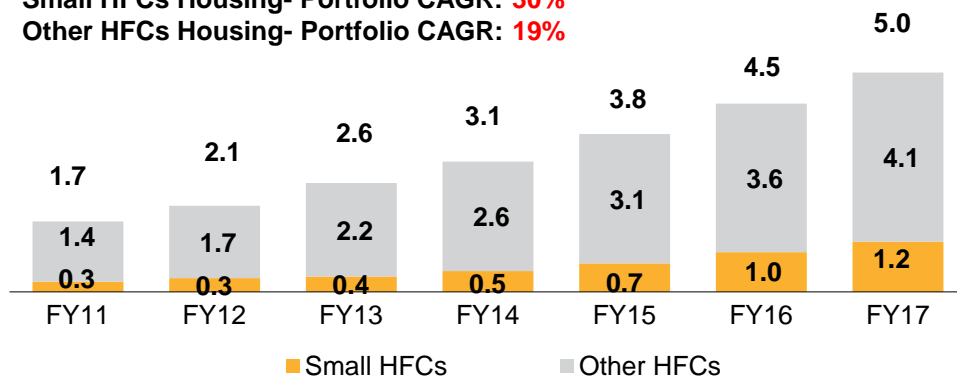


HFCs gaining share from banks



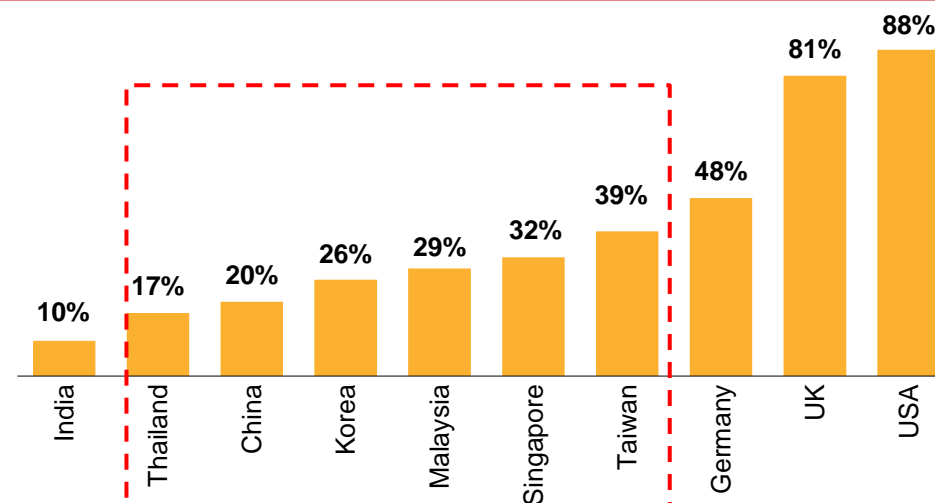
Small HFCs outpaced large HFCs (Rs tn)

All HFCs Housing-Portfolio CAGR: **21%**
Small HFCs Housing- Portfolio CAGR: **30%**
Other HFCs Housing- Portfolio CAGR: **19%**



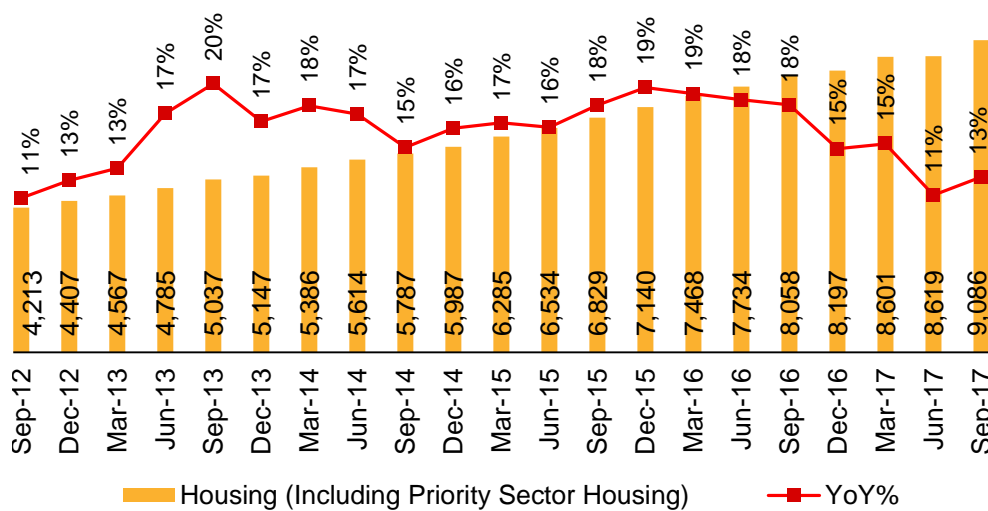
Note : * Includes only retail mortgages; does not include LAP and Construction Finance

Indian mortgage underpenetrated versus Asian peers

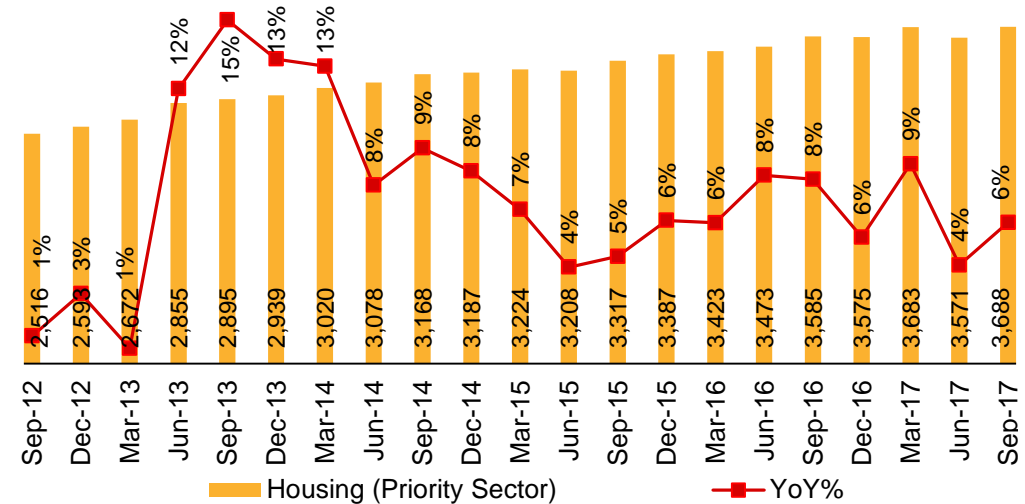


Affordable Housing growth much faster

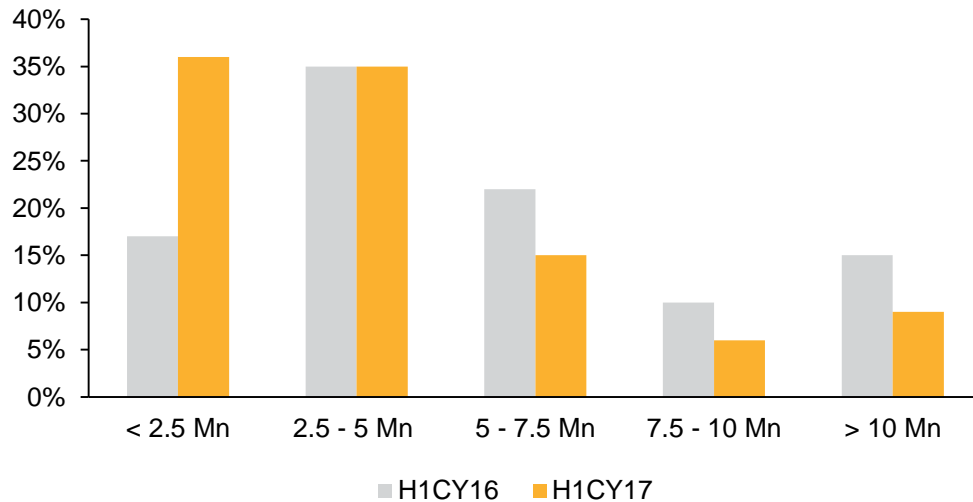
Housing credit demand trend (Rs bn)



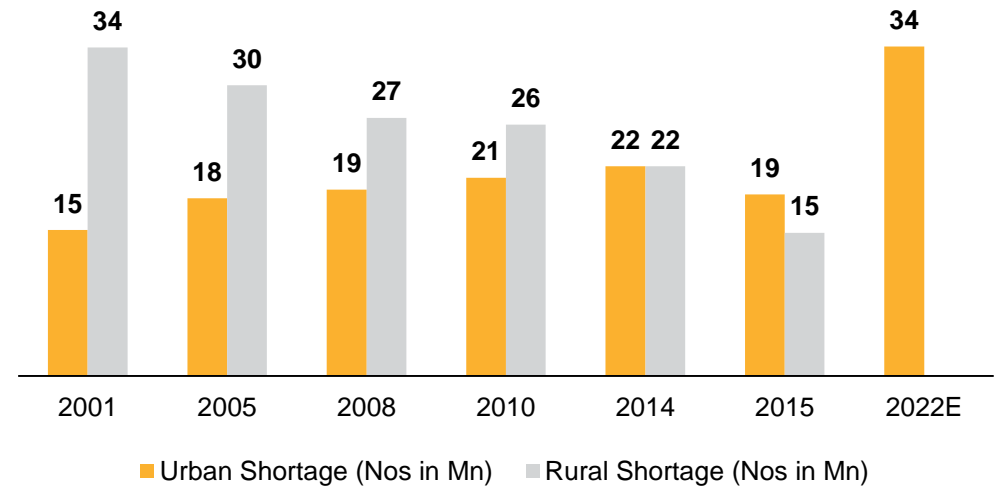
Priority Sector Housing credit demand trend (Rs bn)



Affordable Housing gaining traction



Affordable Housing opportunity – Shortage of urban & rural housing



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