Motilal Oswal Financial Services Limited
Regd. Office : Motilal Oswal Tower, Rahimtullah Sayani Road,
Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025.
Board: +91 22 3980 4200 Fax: +91 22 3312 4997
CIN: L67190MH2005PLC153397

27th April, 2017

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai-400 001

The National Stock Exchange of India Limited
Bandra Kurla Complex
Bandra East
Mumbai - 400 051

Dear Sir,

Ref: Stock Code: 532892/MOTILALOFS

Sub: Press Release

Please find attached the duly signed Press Release of the Company issued after the Board Meeting of the Company held on 27th April, 2017.

Thanking You

Yours Faithfully
For Motilal Oswal Financial Services Limited

Murli Krishnan Iyer
Company Secretary and Compliance Officer

Encl: as above

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INVESTOR UPDATE

Motilal Oswal Financial Services reports FY17 Consolidated Revenues of Rs 18.2 billion, +66% YoY (Rs 5.4 billion in Q4FY17, +69% YoY); and PAT of Rs 3.6 billion, +113% YoY (Rs 0.9 billion in Q4FY17, +91% YoY)

Mumbai, Apr 27, 2017: Motilal Oswal Financial Services Ltd. announced its results for the quarter and year ended Mar 31, 2017 post approval by the Board of Directors at a meeting held in Mumbai on Apr 27, 2017.

Performance Highlights

Rs Million	FY17	YoY Chg	Q4FY17	YoY Chg
Revenues	18,183	↑66%	5,370	↑69%
PBT	5,152	↑117%	1,375	↑103%
PAT	3,600	↑113%	902	↑91%
EPS (FV-1)	25		6	

Performance for the Year and Quarter ended Mar 31, 2017

- Consolidated revenues were Rs 18.2 billion in FY17, +66% YoY. It was Rs 5.4 billion in Q4FY17, +69% YoY
- Strong growth in FY17 across businesses. Housing finance was +160% YoY, asset management business +68% YoY and capital market businesses +40% YoY. The revenue mix is seeing healthy diversification, as 56% of the revenue came from linear sources like asset management and wealth business and housing finance vs. 44% last year. While the share of Capital Markets reduced in the mix, it continues to grow in absolute terms. Both asset management and housing finance saw rapid growth in assets, and improved in profitability despite significant investments in areas like manpower, network and marketing. Broking improved its high-yield cash market share, while its distribution piece clocked solid growth in mobilization. Investment banking saw a record year, in terms of ECM transactions done
- Consolidated PAT was Rs 3.6 billion in FY17, +113% YoY. It was Rs 0.9 billion in Q4FY17, +91% YoY
- The contribution from the new businesses is becoming visible, with 57% of the profit coming from asset & wealth management and housing finance in FY17 vs. 45% last year. Profits from all businesses grew this year, with housing finance profit +103% YoY, asset & wealth management +237% YoY and capital market businesses +178% YoY
- Significant investments have been made into manpower in broking (+72% from Mar-15) and housing finance (+115% YoY), advertising in asset management (+105% YoY) and housing finance branches (+135% YoY). These upfronted investments will translate into operating leverage in the coming year. Some of this was visible this year, with PAT Margin of 20% in FY17 vs. 15% in FY16. However, the full effect of operating leverage is yet to unfold in our businesses
- As of Mar 2017, net worth is Rs 18 billion, gross borrowing is Rs 51 billion and net borrowing is Rs 46 billion (including Aspire). Excluding Aspire, gross and net borrowing were Rs 13 billion and Rs 10 billion respectively

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MOTILAL OSWAL
Financial Services

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- In line with our strategy to deliver sustainable 20%+ ROE in the long term, ROE for FY17 was 22% on reported PAT vs. 12% in FY16. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (Rs 3.3 billion, as of Mar 2017). Including this, the ROE in FY17 would have been ~31%.
- Balance sheet has strong liquidity, with ~Rs 9.8 billion as of Mar 2017 in near-liquid investments to fund future investments
- Declared final dividend of Rs 3 per share (total dividend at Rs 5.5 for FY17 vs. Rs 3.5 for FY16).

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

"Our strategy to diversify our business model towards linear sources of earnings is showing definite results, with over half of the revenue and profit pie now coming from these new businesses. They have built scale in the last year, while maintaining critical operating parameters. We are near critical size in some of these new businesses. Our traditional businesses also saw decisive uptick this year, especially in the focus areas where we have invested in recent quarters. Our brand is now being recognized in each of our businesses. Our ROE was 22% this year, and we are well on course to achieve a 20%+ ROE on a sustainable basis. The opportunity size in all our business segments is still huge, and our businesses are well placed to benefit from these opportunities."

Performance of Business Segments for the Year and Quarter ended Mar 31, 2017

- **Capital markets Businesses (broking & investment banking) saw good growth this year**
  - **Broking & related revenues** in FY17 were Rs 6.6 billion, +30% YoY. It was Rs 1.8 billion in Q4FY17, +41% YoY. Market ADTO grew 35% YoY in FY17, with F&O +36% YoY and cash +23% YoY. Q4FY17 saw disproportionate high cash volumes in the market due to large-scale inter-promoter transfers. Overall market share was 2.1% in FY17 vs. 2% in FY16, and cash market share improved YoY. Given the continued shift in market volume to F&O, blended yield in FY17 was ~3.1 bps vs. ~3.5 bps in FY16. The QoQ decline in MOSL PAT is due to higher provisioning for year-end employee bonus on the back of strong business performance in the year and lower treasury gains in Q4FY17. Some of the operating leverage from the investments in manpower (+72% from Mar-15), brand & technology is visible, as MOSL's PAT margin improved to 15% in FY17 vs. 11% in FY16. However, the full benefit of operating leverage is yet to unfold.
  - In **retail broking & distribution**, distribution business saw significant traction in FY17. Distribution net sales were Rs 16 billion, +133% YoY. AUM was Rs 44 billion, +147% YoY. With only ~20% of the network tapped, we expect meaningful increase in AUM and fee income as cross-selling increases. Sales productivity improved, with 50%+ A/Cs opened via e-KYC & 60%+ leads generated from online sources. Online business continued to grow. It was 45% of retail volumes in FY17 from 36% in FY16. Mobile app formed an increasing share within this.
  - In **institutional broking**, blocks continued to gain solid traction within our volumes. Institutional clients were 630, +6% YoY. We empanelled several FIIs this year
  - **Investment banking** fees were Rs 0.9 billion in FY17, +254% YoY. It was Rs 0.4 billion in Q4FY17, +444% YoY. IB business saw a landmark year with all time high revenues since inception. It topped the FY17 India QIP league

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table ranking, and completed 10 ECM transactions in the year - its best ever performance in terms of number of deals and value of transactions.

- Capital markets businesses collectively contributed ~41% of revenues in FY17 vs. ~49% in FY16

- **Asset Management Businesses near critical mass**
  - In **asset management**, Net Sales across MF, PMS & AIF were Rs 57 billion in FY17, +10% YoY, with quarterly net flow of Rs 19 billion in Q4FY17, +134% YoY. AUM was Rs 203 billion, +94% YoY. Net Sales in the context of the closing AUM provides visibility of continued strong AUM growth. Net yield was close to ~1% in FY17. Investment performance was robust this year. As of Mar 2017, ~14% of non-mutual fund AUM was performance-fee linked. Our target is to increase this further. Our rank in Equity AUM improved to 9 vs. 14 in FY15. All 3 mutual funds complete their 3-year performance track record, which should enhance participation from distributors. Advertising/marketing spends were Rs 182 million in FY17, +105% YoY, forming 13% of net revenue in FY17. This should boost brand-recall. Total costs ex-distribution sharing were Rs 654 million in FY17, +55% YoY. Significant investments in manpower (+48% from Mar-15) and advertising/marketing have been upfronted, which should help build operating leverage in future. With financial savings to total savings in India rising from 31% in FY12 to 41% in FY16, the domestic market should continue to benefit from this shift towards financial assets. In offshore, which is 2X of institutionally managed equity assets in India, we are seeing initial interest in our offshore products
  - In **private equity**, we manage an AUM of Rs 31 billion across 2 growth capital PE funds & 3 real estate funds. The PE business has demonstrated robust profitability and the RE business has shown significant scalability. The 1st growth fund has returned ~209% capital so far. It is estimated to deliver a gross multiple of ~3.5X. This means over half of the estimated profits are yet to be booked. The 2nd growth fund has committed 100%. Fundraising for IBEF III is expected to commence in FY18. The 2nd real estate fund has returned ~ 29% money to investors. The 3rd real estate fund has raised commitments of ~Rs 9 billion so far
  - Asset Management fee (asset management & private equity) were Rs 3.8 billion in FY17, +68% YoY. It was Rs 1.3 billion in Q4FY17, +94% YoY. This contributed ~21% of consolidated revenues in FY17 vs. 20% in FY16
  - In **Wealth management**, Net Sales was Rs 18 billion in FY17, +21% YoY, with quarterly net flow at Rs 4 billion in Q4FY17, +2% YoY. AUM was Rs 101 billion, +57% YoY. Net Sales in the context of closing AUM provides visibility of continued strong AUM growth. We enjoy a yield of ~0.87%, due to the higher share of equity & alternates in our AUM. A strong brand image helped attract quality RM talent.
- **Housing finance has shown traction in assets & liabilities, while maintaining risk & operational parameters**
  - **Housing finance** income was Rs 5.7 billion in FY17, +160% YoY. It was Rs 1.7 billion in Q4FY17, +87% YoY.
  - Disbursements were Rs 24 billion in FY17, +32% YoY, with quarterly disbursements at Rs 9.2 billion, +26% YoY. Loan Book was Rs 41 billion, +2X YoY. Disbursements in the context of the closing loan book provide visibility of continued strong growth in assets. Average yield held firm at ~13.4% on a YoY basis.
  - Expanded into 5 new states in Q4FY17 (Rajasthan, Karnataka, Andhra Pradesh, Tamil Nadu & Chattisgarh). Disbursements of the HFC industry in these 5 states in FY15 were ~Rs 450 billion, which gives an indication of the

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addressable market. Branch network increased from 51 to 120 during this year, with 32 in the new states

- In liabilities, ~58% borrowings were from NCDs and ~42% from bank loans. As of Mar 2017, 32 Banks/NBFC had extended lines, apart from 22 institutions to whom NCDs were allotted. This was 29 and 14 respectively last year
- Average cost of borrowing raised cumulatively has been ~9.4%, while it was ~9% on the borrowings raised in FY17. Credit ratings are CRISIL A+ Stable and ICRA AA-. Gearing remains conservative, with Debt/Equity ratio at 6X
- ROA for FY17 was 2.6%, while ROE was 16.7%. Asset quality remains under control, with GNPL at 0.6% as of Mar 2017. We maintained steady operating metrics. Average ticket-size came down from Rs 1 million as of Mar 2016 to Rs 0.90 million as of Mar 2017. LTV was ~60% as of Mar 2017 vs. ~64% last year. FOIR was ~46% as of Mar 2017, same as last year
- Cumulative capital infusion from sponsor is Rs 5 billion and net worth is Rs 6 billion, as of Mar 2017
- Increase in state outreach (4 to 9 YoY), branches (51 to 120 YoY) and employees (489 to 1,051 YoY) resulted in a high Cost-Income ratio of ~36% in FY17 vs. ~37% in FY16, despite doubling of the loan book. This network expansion is expected to yield results in FY18
- Invested significantly into Digitization to reduce opex and TAT, and improve customer convenience. We expect majority of the transactions to be covered by our digital initiatives
- PMAY CLSS is a demand-side boost to this sector, and bulk of our loans qualifies for this scheme. Tax-relief for developers on unsold stocks for 1 year post project completion and reclassification of housing unit size from 30-60 sq. m. built-up area to 30-60 sq.m. carpet area for subsidy qualification are supply-side boosts to this sector
- Housing Finance contributed ~31% of consolidated revenues in FY17 vs. ~20% in FY16

- **Fund Based Business** includes sponsor commitments to our AMC & PE funds, and the NBFC LAS book.
  - **Fund based** income was Rs 1.2 billion in FY17, +4% YoY. It was Rs 0.2 billion in Q4FY17, -31% YoY
  - Investments in Motilal Oswal's mutual funds (at cost) stood at Rs 6.4 billion. Unrealized gain on these was Rs 3.3 billion, as of Mar 2017 vs. Rs 1.2 billion as of Mar 2016. The same is not reflected in the reported PAT. Had this been included, the Group's ROE would have been much higher at ~31%. Post-tax XIRR of the MF investments (since inception) is ~24%, in line with the long term performance track record of our QGLP investment philosophy. This compares with a reported FY17 RoE of 5% for this business vs. 7% in FY16.
  - Investments in Motilal Oswal's alternative investment funds stood at Rs 2.6 billion. Exits from 1st PE fund led to portfolio gains of Rs 0.3 billion this year
  - Both these commitments not only helped "seed" these new businesses by investing in highly scalable opportunities, but they also represent liquid "resources" available for deployment in any future opportunities
  - NBFC LAS lending book was Rs 2.4 billion as of Mar 2017, which is run as a spread business
- **Other income** was Rs 0.1 billion in FY17
- In line with the goal to achieve a sustainable 20%+ ROE, **consolidated ROE** for the Group for FY17 was 22% (without including unrealized gains on mutual funds investments of Rs 3.3 billion). Within this, Housing Finance RoE was 17%, Asset and Wealth Management RoE was 206%, Capital Markets RoE was 61% and Fund based RoE was 5% annualized (without considering unrealized gains on mutual funds)

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Motilal Oswal Financial Services Ltd. is a financial services company. Its offerings include capital markets businesses (retail broking, institutional broking & investment banking), asset & wealth management (asset management, private equity & wealth management), housing finance & equity based treasury investments. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards for the 5th time. It was ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services & Best Roadshows/Company Visits & amongst the Top-3 in Best Local Brokerage, Best Execution & Sales Trading Visits at the AsiaMoney Awards 2015. Motilal Oswal Private Equity won the 'Best Growth Capital Investor-2012' award at the Awards for PE Excellence 2013. Motilal Oswal Private Wealth Management won at the UTI-MF CNBC Financial Advisor Award in HNI Wealth Management category for 2015. Aspire Housing Finance was awarded 'India's Most Admired & Valuable Housing Finance Company' at India Leadership Conclave 2015.

For further details contact:

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Mr. Motilal Oswal
Chairman & Managing Director
Motilal Oswal Financial Services Limited