Motilal Oswal Financial Services Ltd

Earnings Presentation | Q3FY18

Businesses building scale

Sustainability of high RoE

Annuity revenue driving visibility

All biz offer huge headroom for growth

Key Highlights

Financials

Businesses

Interesting Exhibits

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Businesses

Interesting Exhibits

Strong growth across most businesses

Capital Markets

Highest-ever quarterly Broking revenue

Share in high yielding cash segment up strongly

Strong growth of +112% YoY in Distribution AUM to Rs 75 bn

Broking business core profits +88% YoY

Concluded 11 investment banking deals in 9MFY18; deal pipeline remains robust

Capital Market business profits +92% YoY

Asset Management

AMC net sales: Rs 36 bn, +119% YoY in Q3FY18; AUM: Rs 350 bn, +126% YoY

Equity MF AUM share 1.9% in 9MFY18 vs 1.4% in 9MFY17; flow share 4% in 9MFY18 vs 2.7% 9MFY17

Average IRR on exited PE investments: ~27%

Wealth AUM: Rs 153 bn, +67% YoY; EBITDA margin of 36% in 9MFY18 (+700bps YoY)

Asset & Wealth Management business profits +277% YoY

Housing Finance

Loan book growth: 48% YoY at Rs 49.4 bn

Disbursements are cautiously calibrated

Asset quality deteriorated

Dedicated collection organisation in place. Collection headcount up 68% QoQ.

Continues to be in investment mode

Fund based Business

Unrealised gain on quoted equity investments: Rs 7 bn – not included in earnings yet. As per INDAS, it will be part of reported earnings from FY19

Reported RoE of 12% in fund based business. Post-tax cumulative XIRR of ~30% on equity investments

RoE of 40% including unrealised gains (28% ex-unrealised gains)

Interim dividend of Rs 4/share (Pay out policy of 25% - 35%)

Note: *All AUM figures are for Q3FY18, unless otherwise mentioned*

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Achieving a high, sustainable RoE

Group RoE

MOFSL Consolidated

28% RoE (Inc-Unrealised Gain is 40%) in Q3FY18

MOFSL Consolidated

21% in Q3FY17

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

	Capital Markets#	Asset Management	Housing Finance	Fund based business
Q3FY18	**111% in Q3FY18** *(10% of NWE)*	**214% in Q3FY18** *(6% of NWE)*	**0% in Q3FY18** *(35% of NWE)*	**12% in Q3FY18** *(49% of NWE)*
Q3FY17	**60% in Q3FY17** *(9% of NWE)*	**86% in Q3FY17** *(5% of NWE)*	**12% in Q3FY17** *(34% of NWE)*	**13% in Q3FY17** *(52% of NWE)*

Notes:

- *# Treasury gains in Agency business P&L have been classified under Fund based business*
- *Does not include unrealised gain on our quoted equity investments (Rs 7 bn as of December 2017).*
- *Post-tax XIRR of these investments (since inception): ~30%; other treasury investments are valued at cost*

Consolidated financials – PBT up 75%

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Broking	2,674	1,516	76%	2,193	22%	6,843	4,680	46%	6,396
Investment Banking	444	148	200%	220	101%	894	432	107%	855
Asset & Wealth Management	2,199	1,000	120%	2,549	-14%	6,247	3,671	70%	5,102
Fund Based	491	351	40%	361	36%	1,274	1,003	27%	1,174
Housing Finance	1,533	1,525	0%	1,804	-15%	4,937	4,010	23%	5,705
Total Revenues	**7,362**	**4,555**	**62%**	**7,144**	**3%**	**20,266**	**13,853**	**46%**	**19,315**
EBITDA	**3,579**	**2,617**	**37%**	**3,713**	**-4%**	**10,031**	**7,551**	**33%**	**10,182**
PBT	**2,152**	**1,228**	**75%**	**2,314**	**-7%**	**5,852**	**3,777**	**55%**	**5,152**
Reported PAT	**1,481**	**891**	**66%**	**1,438**	**3%**	**3,934**	**2,698**	**46%**	**3,600**
PAT (Ex-Aspire)	**1,474**	**734**	**101%**	**1,221**	**21%**	**3,574**	**2,192**	**63%**	**2,818**

Notes :

- *Asset Management (PE) includes share in profit on sale of investments made by IBEF during Q3FY18 of Rs.250 mn.*
- *Provision of Minimum Alternate Tax (MAT) Credit was Rs 123 mn in Q3FY18 and 274 mn in 9MFY18. Till FY17, this was carried forward in the balance sheet as MAT credit receivable. As a result, effective tax rate during the quarter higher at 31%. Profit is lower to that extent.*
- *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 63 mn for Q3FY18 and Rs. 232 mn for 9MFY18 were charged as people cost. Profit is lower to that extent.*

Consolidated profitability mix

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Capital Market	564	294	92%	411	37%	1,261	767	64%	1,064
Asset & Wealth Management	596	158	277%	715	-17%	1,607	1,000	61%	1,257
Housing Finance	6	168	-97%	216	-97%	358	518	-31%	793
Fund Based	315	271	16%	95	230%	708	413	71%	486
Total PAT	**1,481**	**891**	**66%**	**1,438**	**3%**	**3,934**	**2,698**	**46%**	**3,600**
PAT Mix (%)									
Capital Market	38%	33%		29%		32%	28%		30%
Asset & Wealth Management	40%	18%		50%		41%	37%		35%
Housing Finance	0%	19%		15%		9%	19%		22%
Fund Based	21%	30%		7%		18%	15%		14%

Consolidated balance sheet

Particulars (Rs bn)	9MFY18	9MFY17	FY17
Sources of Funds			
Net Worth	21.6	17.3	17.9
Loan Funds*	58.1	45.9	50.7
Minority Interest	0.3	0.3	0.3
Deferred Tax Liability	0.4	0.2	0.4
Total	**80.5**	**63.6**	**69.2**

Application of Funds			
Fixed Assets (Net Block)	2.7	2.6	2.6
Investments	20.9	23.3	18.0
Long Term Loan & Advances**	49.0	33.2	41.1
Net Current Assets	7.9	4.6	7.4
Total	**80.5**	**63.6**	**69.2**

Notes *:*
**Loan Fund includes borrowings of Aspire Home Finance; Ex- Aspire net borrowings is Rs 14 bn as at December 2017. Market value of investment is Rs 15 bn*
*** Long Term Loan & Advances includes loans given by Aspire Home Finance*

Highest-ever quarterly revenues and profits

Growth Drivers

Broking & Distribution: Margins led by Distribution
- B&D revenue and profit for 9MFY18 grew 49% YoY and 24% YoY, respectively.
- Strong growth in Distribution AUM of +112% YoY to Rs 75 bn led by strong net sales of Rs 9.6 bn, +170% YoY.
- Share in high yielding cash segment up strongly

Wealth Management: Profitability inflection commenced
- Revenues and profit for 9MFY18 grew 45% YoY and 112% YoY, respectively
- AUM grew 67% YoY to Rs 153 bn with highest ever quarterly net sales of Rs 10 bn, +141% YoY in Q3FY18
- Strong margin of 36%, led by improved RM productivity

Asset Management: Market share gains to drive strong growth
- AMC AUM crossed Rs 350 bn, +126% YoY
- Net sales grew +156% YoY to Rs 97 bn in 9MFY18
- Equity MF AUM market share improved to 1.9% and Net Equity MF Flows market share increased to 4%
- Operating leverage visible despite ongoing investment

Housing Finance: Ample headroom for growth
- Loan book grew 48% YoY to Rs 49.4 bn
- Disbursements are cautiously calibrated
- Asset quality deteriorates
- Dedicated collection organisation is in place

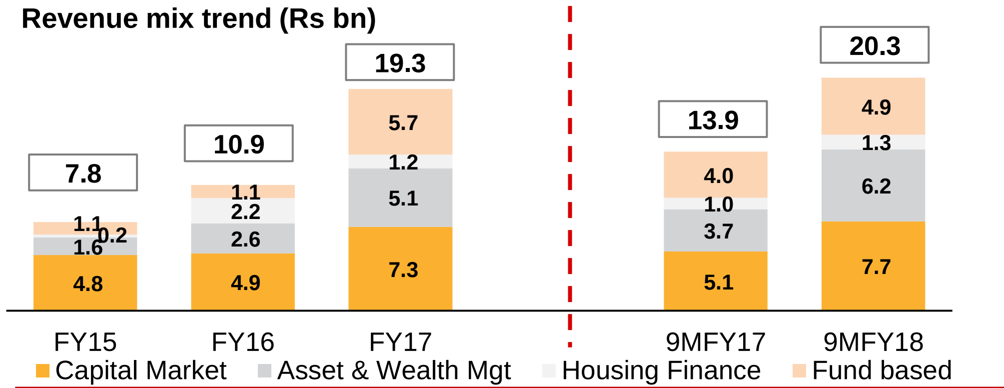
- **Highest-ever quarterly revenue at Rs 7.4 bn, +62% YoY; PBT at Rs 2.2 bn, + 75% YoY; and PAT at Rs 1.48 bn, +66% YoY**

  This strong revenue growth was led by the Capital Market business (+87% YoY), Asset Management business (+120% YoY), and Fund based business (+40% YoY). Profit growth was majorly contributed by Asset Management (+277% YoY) and Capital Markets business (+92% YoY).

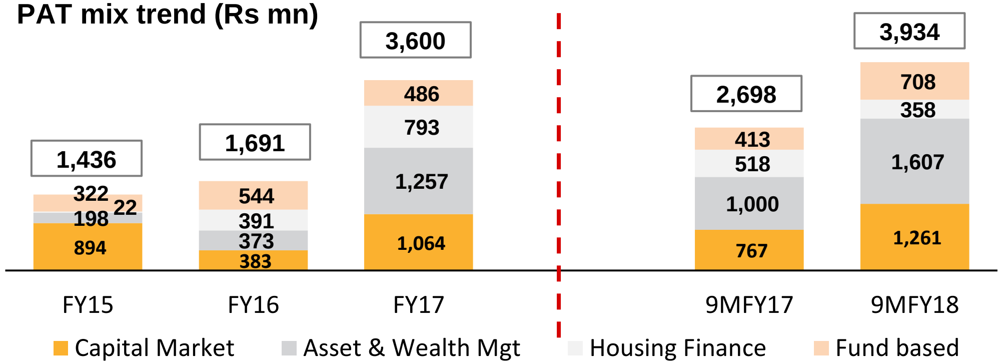
- **Strong Balance Sheet**

  Strong liquidity, with ~Rs 15 bn as of Q3FY18 in near-liquid investments to fund future investments. Overall gearing remains conservative at 2.7x; ex-Aspire it is at 0.9x. Considering market value of investment and cash equivalents, effective gearing is zero.

Revenue mix trend (Rs bn)



PAT mix trend (Rs mn)



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Capital Markets

- Retail Broking & Distn
- Institutional Equity
- Investment Banking

Highest-ever quarterly revenue

Strong operating leverage

Robust growth in Distribution AUM

Asset Management

- Asset Management
- Private Equity
- Wealth Management

Highest-ever net sales

Significant operating leverage

Strong carry income

Housing Finance

- Aspire Home Finance

Continues to be in investment mode

Dedicated collection engine is now in place

Fund Based business

- Sponsor commitments to our AMC & PE funds
- NBFC LAS book

Rising pool of realised and unrealised gain

Cumulative post-tax XIRR: ~30% on equity investment

Capital Market – Highest-ever broking revenue

Highest-ever quarterly broking revenue

Healthy volume growth; gained share in high-yield cash segment

Distribution AUM picked up strongly to Rs 75 bn, +112% YoY

Unrealised gain on liquid investments in MOSL at Rs 550 mn

MOSL Standalone

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Total Revenues	**2,889**	**1,834**	**58%**	**2,463**	**17%**	**7,761**	**5,216**	**49%**	**7,197**
EBITDA	922	747	24%	805	15%	2,453	1,815	35%	2,275
EBITDA Margin	*32%*	*41%*	-	*33%*	-	*32%*	*35%*	-	*32%*
PBT	602	520	16%	528	14%	1,619	1,185	37%	1,429
PAT	**382**	**429**	**-11%**	**349**	**9%**	**1,117**	**904**	**24%**	**1,088**

- Core operating profit of broking business grew by 88% YoY in Q3FY18. Reported PBT of +16% YoY is muted due to zero fund based income booked in Q3FY18 vs Rs 215 mn in Q3FY17. Higher tax rate of 37% (+19% YoY) resulted in PAT decline of 11%.
- Distribution continues to witness strong traction, with net sales of Rs 9.6 bn, +170% YoY, led by higher sales of equity-focused captive products. AUM was Rs 75 bn, +112% YoY. With only ~9% of our client base and ~20% of our distribution network tapped, we expect meaningful increase in distribution AUM, as cross-sell increases.
- MOSL's overall ADTO grew 73% YoY to Rs 146 bn in Q3FY18. Market share in high-yield cash segment has improved strongly on QoQ and YoY basis, resulting into improvement in overall market share to 2.1% in Q3FY18. Blended yield improved 10bps sequentially to ~2.9bps in 9MFY18.
- MOSL also runs a margin trading funding (MTF) business, with book size of ~Rs 6.9 bn. This business can benefit from new regulation on margin funding.

Broking & Distribution – Strong revenue and profit growth

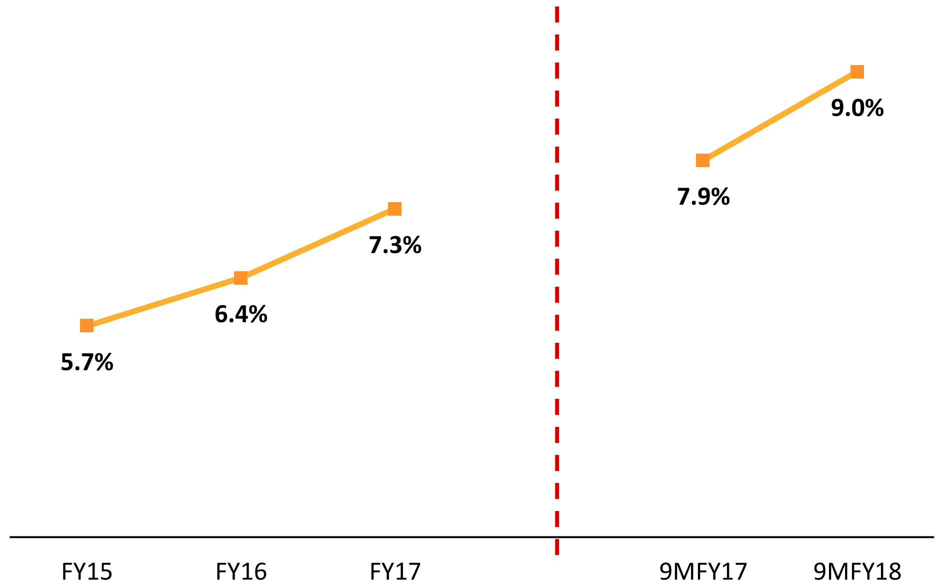
Retail Broking & Distribution

- 40,206 new accounts added in Q3FY18, the highest ever in a quarter, taking total clients to 0.94 mn
- Highest ever online accounts opened via e-KYC in a quarter
- 200+ new franchisees / channel partners, taking total count to ~2,000
- Online penetration improved on brokerage (27%) and turnover side (49%)
- Highest-ever online and mobile-trading clients. Also, daily downloads at a lifetime high of 1,500+
- Distribution income at 17% of retail broking gross revenues, with just 9% of cross-sell penetration
- Gained traction in SIP, with ~18,000 SIPs done during the quarter with average ticket size of Rs 5,000

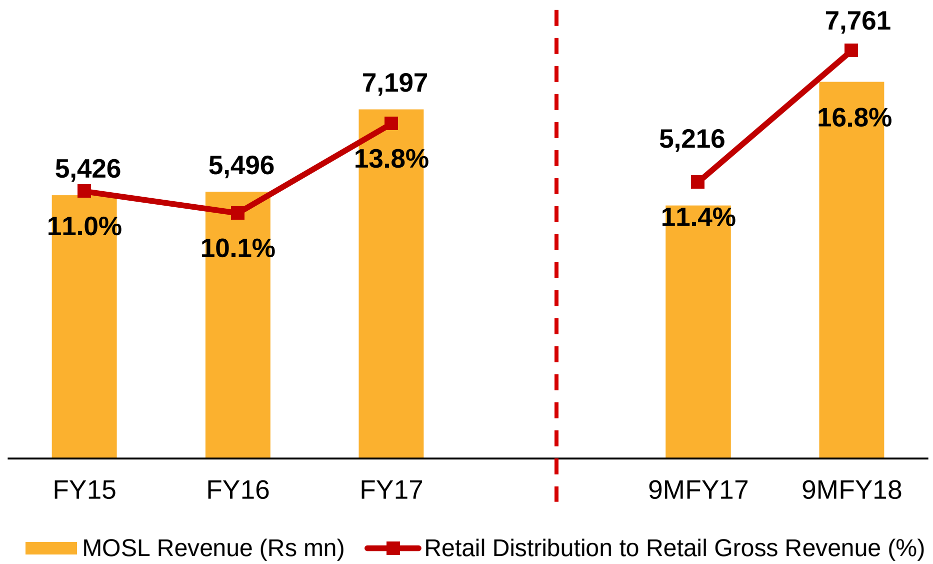
Institutional Broking

- Strong quarter, led by domestic and offshore business and blocks
- We have been consistently voted amongst the top brokerage firms in Asia money Polls.
- Highest-ever empanelments in a quarter, taking client base to 669, +7% YoY
- Improvement in rank in almost every account, led by focused and broad-based team servicing
- Differentiated research products (250+ coverage) evincing client interest
- Blocks continue to gain traction within institutional volumes
- MIFID-II a big boost, helping to strengthen our position as a reliable trading counterpart

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

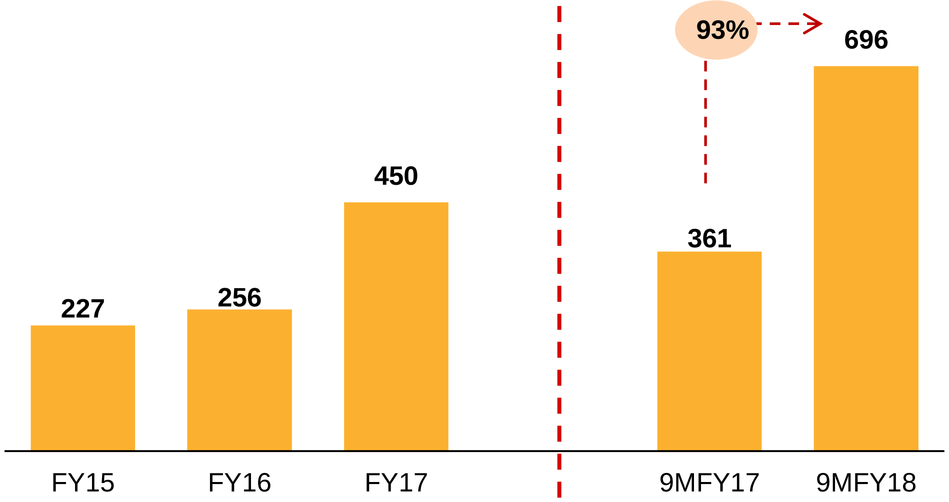


Trail-based annuity income picking up

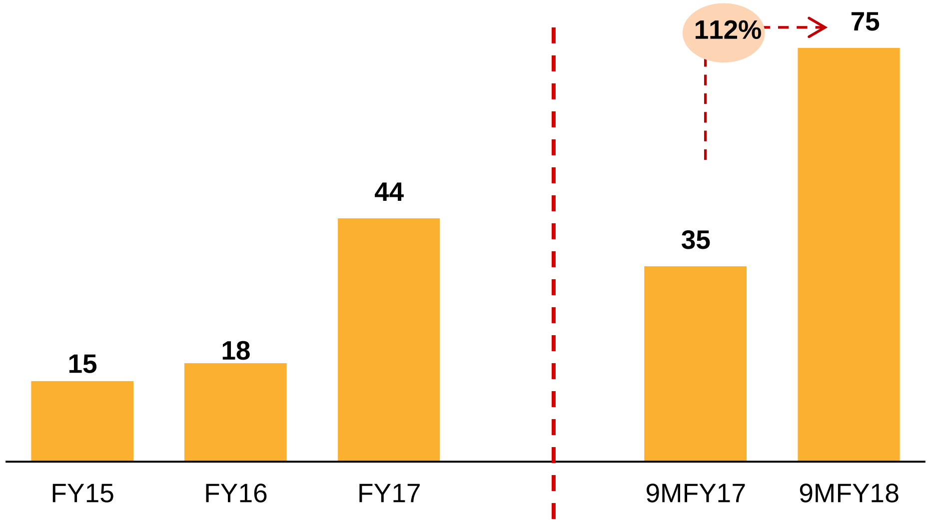


Broking & Distribution – Strong growth in Volume and Distribution AUM

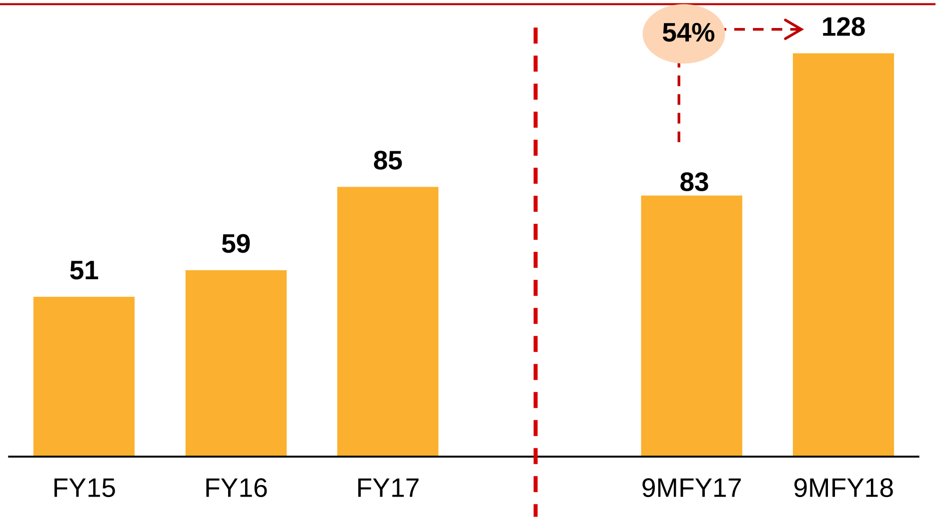
DP AUM growth trend (Rs bn)



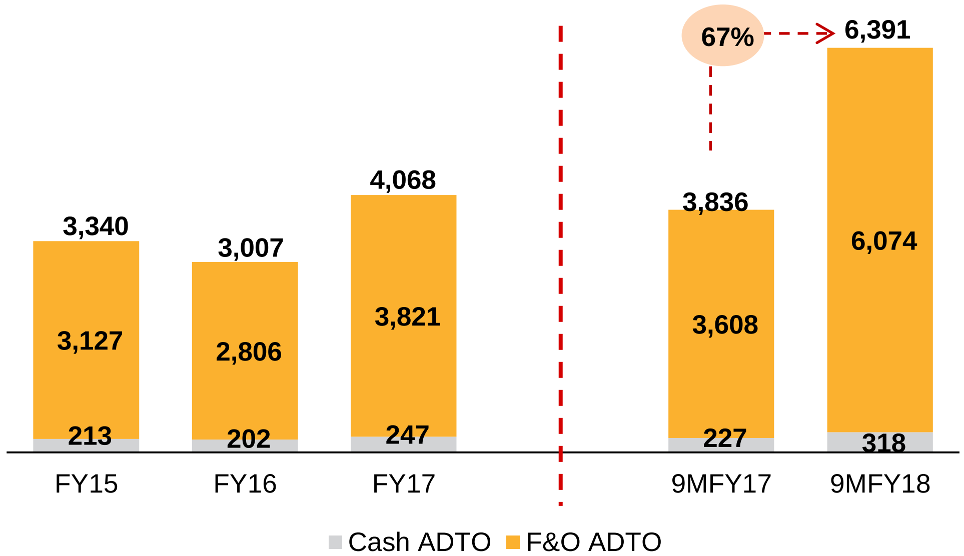
Rising Distribution AUM (Rs bn)



MOSL Broking ADTO (Rs bn)

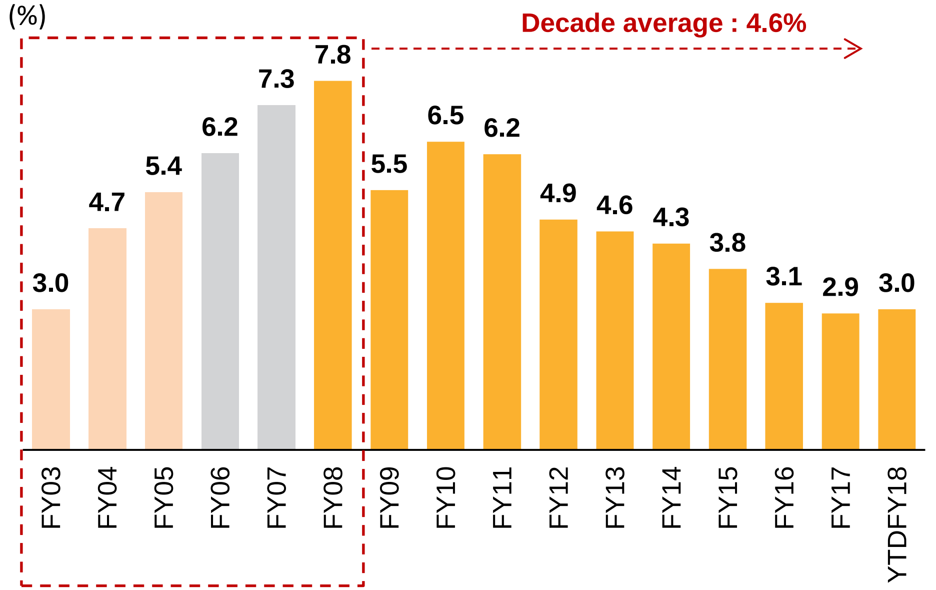


Market ADTO (Rs bn) – Cash and F&O

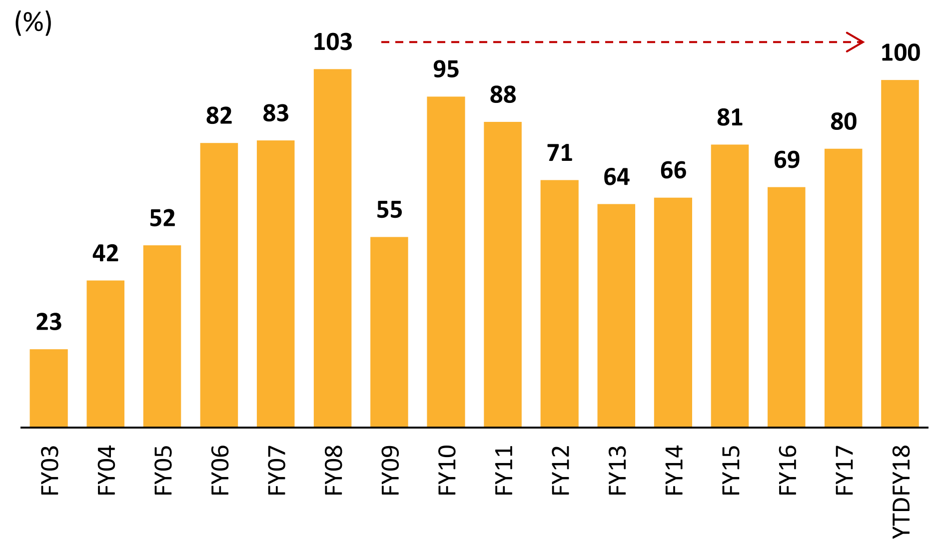


Broking & Distribution – Potential levers

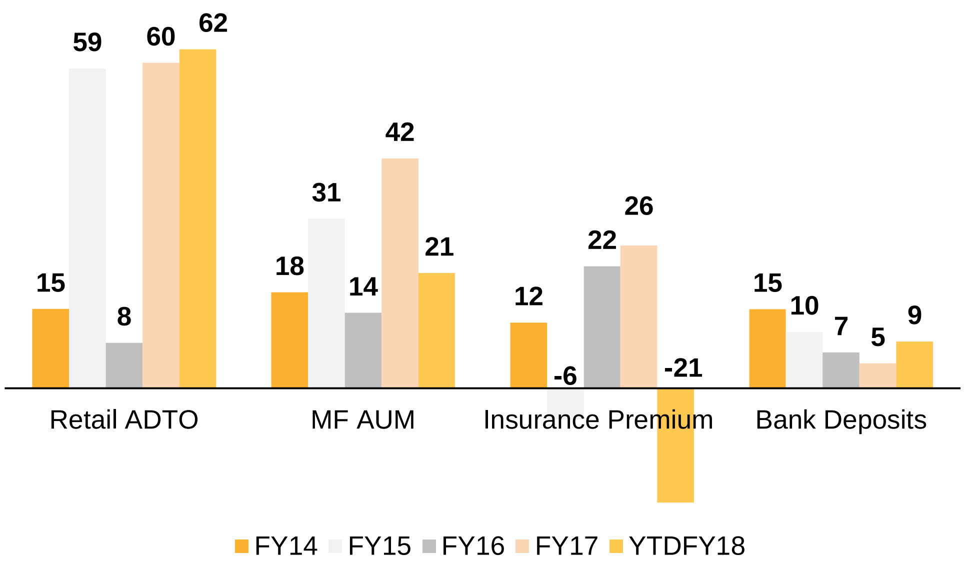
Corporate profit to GDP trend



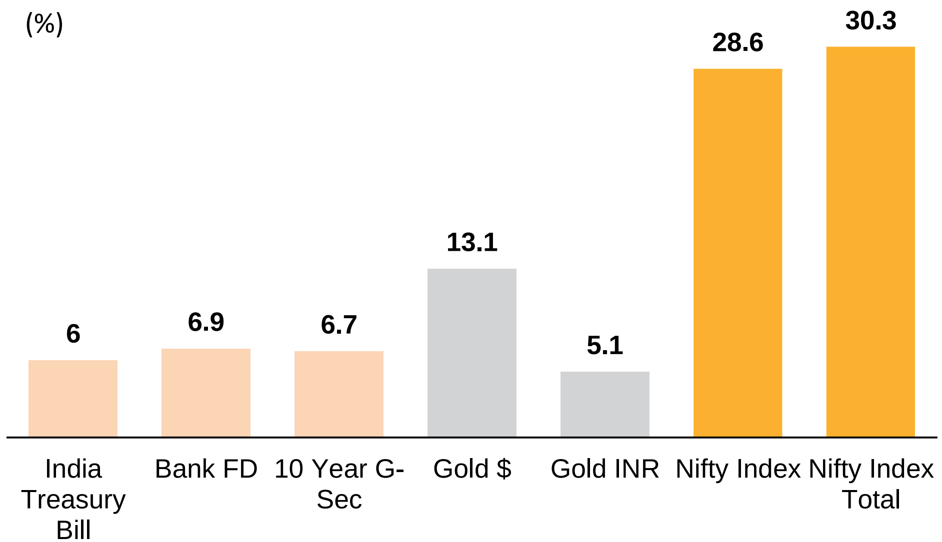
Market cap to GDP trend



Retail ADTO registered faster growth (%)



Higher returns in equity asset class in CY17



Source: NSE, BSE, AMFI, IRDA, RBI

Investment Banking – Robust growth; healthy pipeline

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Total Revenues	**456**	**151**	**202%**	**225**	**103%**	**921**	**444**	**108%**	**872**
EBITDA	289	131	121%	180	60%	637	252	153%	561
EBITDA Margin	*63%*	*87%*	-	*80%*	-	*69%*	*57%*	-	*64%*
PBT	288	130	123%	179	61%	635	247	157%	554
PAT	**177**	**87**	**104%**	**128**	**38%**	**454**	**170**	**167%**	**372**

- Total investment banking revenues reached Rs 921 mn in 9MFY18, exceeding the level achieved in full year FY17. Similarly, profit of Rs 454 mn in 9MFY18 has exceeded the level achieved in full year FY17.
- Fee income generation from closed transactions remained strong in Q3FY18, driven by outstanding performance in the capital markets business.
- We completed several marquee transactions in Q3FY18 – QIPs for Piramal Enterprises (Rs 49.9 bn), Dena Bank (Rs 4,013 mn) and LT Foods (Rs 3,993 mn, as Sole BRLM), and the IPO of MAS Financial (Rs 4,600 mn, as Sole BRLM).

QIP - Rs 49.9 bn

IPO - Rs 19.1 bn

IPO - Rs 4.6 bn (√ Sole)

QIP - Rs 4 bn (√ Sole)

QIP - Rs 3 bn

QIP - Rs 4.0 bn

Investment Banking – Robust growth; healthy pipeline

Preferential Issue - Rs 16.8 bn (✓ Sole)

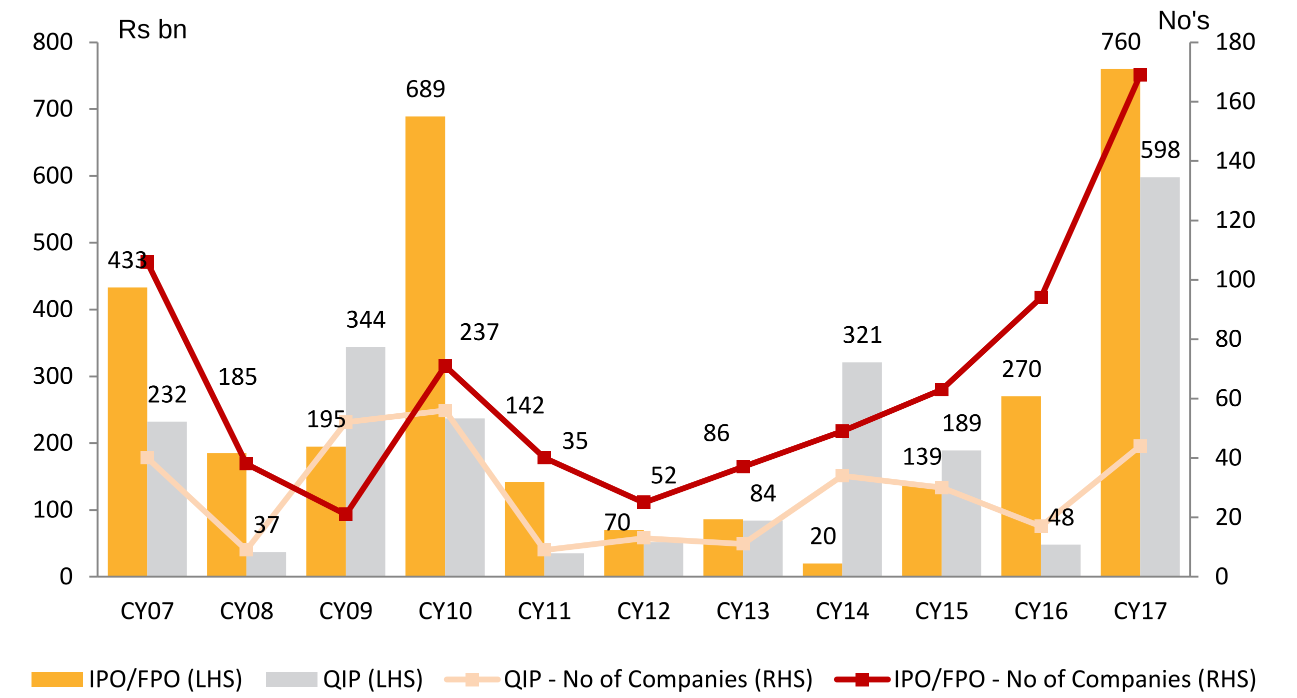
IPO - Rs 7.2 bn

QIP - Rs 5.5 bn

IPO - Rs 4.8 bn

IPO - Rs 2.1 bn

Industry trend in ECM transactions



Source: NSE, Prime database

- We have been ranked no.1 in the QIP League Table, both in terms of number of issues and volume of funds raised in FY17.
- Going into 2018, our pipeline of transactions remains strong and we continue to enjoy strong support of our clients as a preferred advisor for fund raising and strategic finance transactions.

Capital Markets

- Retail Broking & Distn
- Institutional Equity
- Investment Banking

Highest-ever quarterly revenue

Strong operating leverage

Robust growth in distribution AUM

Asset Management

- Asset Management
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- Wealth Management

Highest-ever net sales

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MOTILAL OSWAL

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Fund Based Business

- Sponsor commitments to our AMC & PE funds
- NBFC LAS book

Rising pool of realised and unrealised gain

Cumulative post-tax XIRR: ~30% on equity investment

Asset Management – Gaining share; significant operating leverage

Highest quarterly Net Sales of Rs 36 bn, +119% YoY

AMC AUM Rs 350 bn in Q3FY18, 126% YoY

Rank in Equity AUM* 9 in Dec 2017

Market leader in PMS with 15.4% market share in AUM

Eq. MF Market Share ~4% in Net Flows**

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
AUM (bn)	350	155	126%	289	21%	350	155	126%	203
Net adds (bn)	36	16	119%	36	1%	97	38	156%	62
Total Revenues	**1,695**	**877**	**93%**	**1,466**	**16%**	**4,509**	**2,208**	**104%**	**3,413**
Total costs	1,215	655	86%	1,107	10%	3,322	1,715	94%	2,648
EBITDA	479	222	116%	359	33%	1,187	493	140%	765
EBITDA Margin	*28%*	*25%*	-	*25%*	-	*26%*	*22%*	-	*22%*
PBT	478	220	117%	358	34%	1,182	489	142%	759
PAT	**303**	**145**	**109%**	**233**	**30%**	**768**	**321**	**139%**	**498**

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

- AUM across MF, PMS and AIF reached milestone of Rs 350 bn (+126% YoY), with MF AUM at Rs 173 bn (+142% YoY), PMS AUM at Rs 157 bn (+96% YoY), and AIF AUM at Rs 19.9 bn (+417% YoY).
- AMC net sales grew 132% YoY in 9MFY18 to Rs 97 bn as against Rs 62 bn in all of FY17.
- In Q3FY18, Motilal Oswal Mutual Fund registered the highest AUM growth of 121% YoY in the MF industry.
- Net yield increased to 0.91% in Q3FY18, despite higher net additions in MFs than in higher-yielding alternatives. This is mainly on account of better pricing power in MF coupled with rising share of direct channel in net sales – up from 13% in Q3FY17 to 31% in Q3FY18.
- SIP inflows during the quarter remained strong – up 33% 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 continue to make investments in brand promotion – up 74% YoY to Rs 71 mn (9% of net revenue) in Q3FY18. This addresses the unique challenge of gaining materiality in a market that is witnessing staggering growth.
- We have a unique distribution strategy of systematic distribution tie-ups with wholesale distributors, which not only keeps 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 MF Equity Net Sales continued to gain traction at 4% in 9MFY18 vs 2.7% in 9MFY17 in a rising pool of equity flows. This has resulted from MOAMC's niche equity focus, process-oriented (QGLP) 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 14.3%.
- 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.
- MOAMC's Equity MF has the lowest redemption rate in the industry at 21%; the industry average is 47%.
- We have become one of the largest AIF managers in India within a span of two years, with an AUM of Rs 20 bn in 9MFY18 (Rs 3.8 bn in 9MFY17). We have a steady pipeline for fund-raising, with tie-ups already in place.
- ~17% of our non-MF AUM was performance-fee-linked as of December 2017 (13% in FY17). 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.

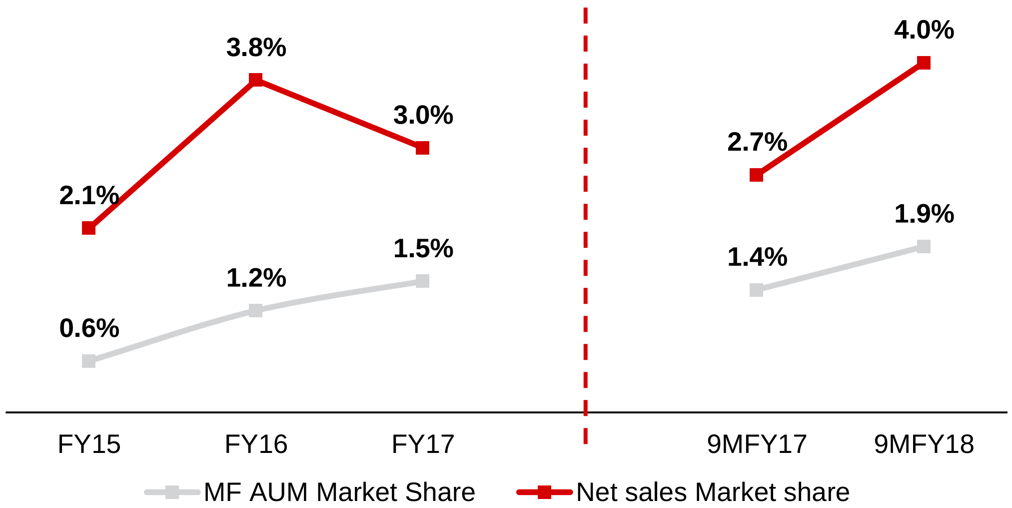
Top Notch performance across product and categories

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	20%	10%
PMS	IOP	Mid-Cap	15-Feb-10	19%	5%
Mutual Fund	F-25	Large-Cap	13-May-13	18%	5%
Mutual Fund	F-35	Multi-Cap	28-Apr-14	31%	14%
Mutual Fund	F-30	Mid-Cap	24-Feb-14	31%	1%

** 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 31st Dec 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 Dec ' 17, our AUM share is 2.1%

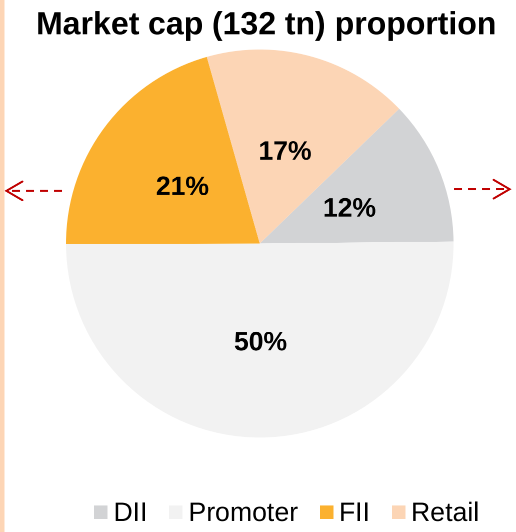
MOAMC – Potential levers to scale business

MOAMC's has "Zero" share in FII driven domestic equity market which is 1.7x of size of DII.

Total market Cap of Institutional managed equity AUM is Rs 43 trillion (33%)

FII has 21% share (Rs 27tn)

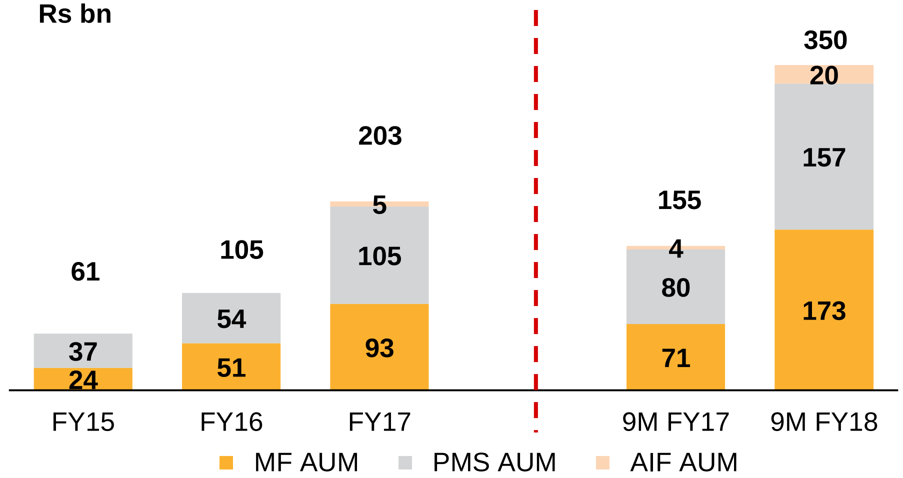
MOAMC has Zero Share in FII managed AUM



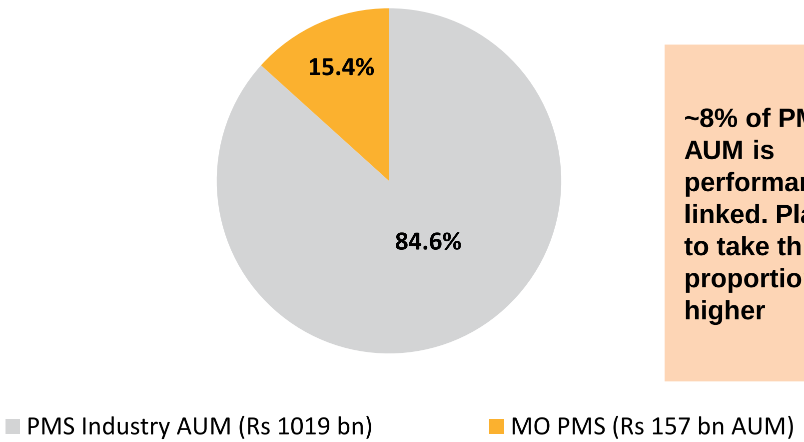
DII has 12% share i.e. Rs 16 tn

MOAMC has 2% Share in DII managed equity AUM (excluding Insurance AUM)

MOAMC AUM breakup

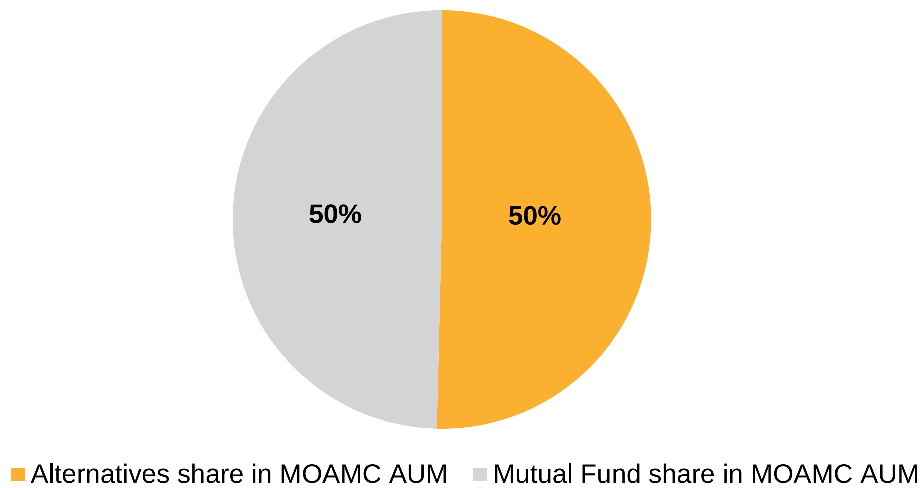


MOPMS market share in Industry's Equity AUM



~8% of PMS AUM is performance linked. Plan to take this proportion higher

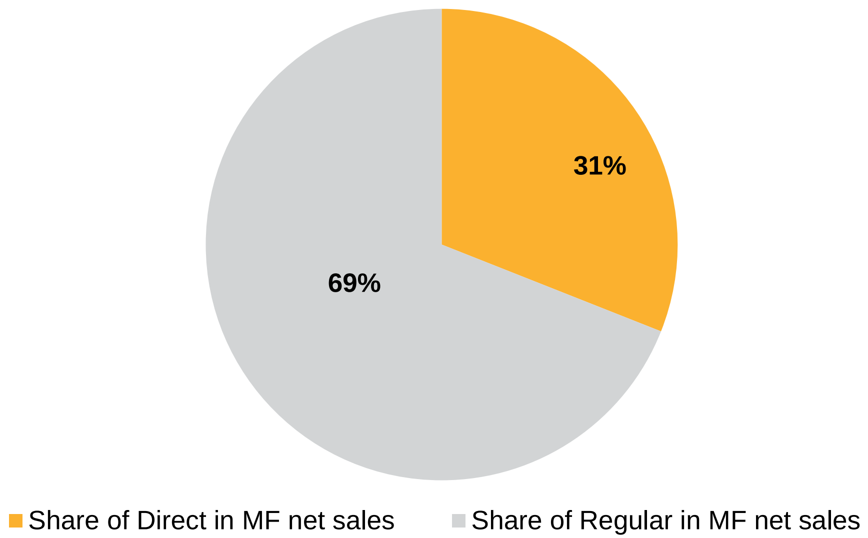
Higher Alternatives share in MOAMC AUM



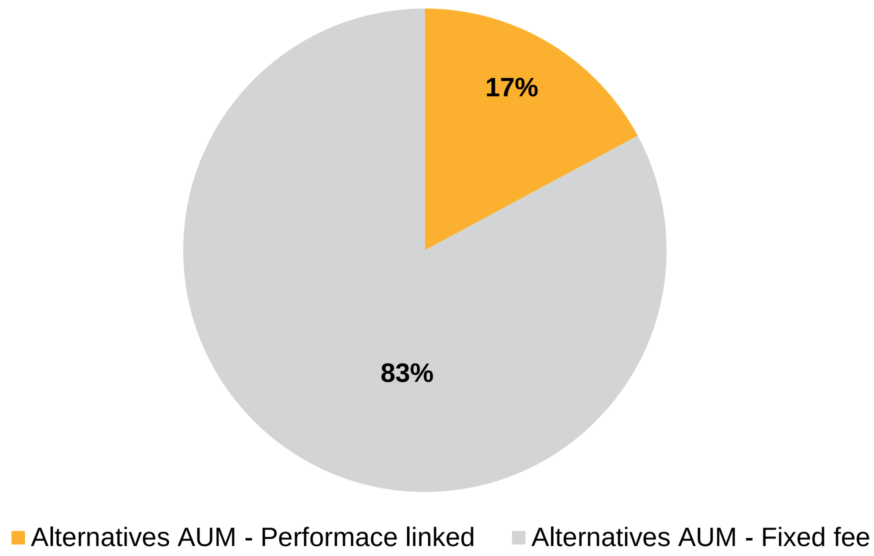
**Alternatives includes PMS and AIF*

MOAMC – Potential levers to scale profitability

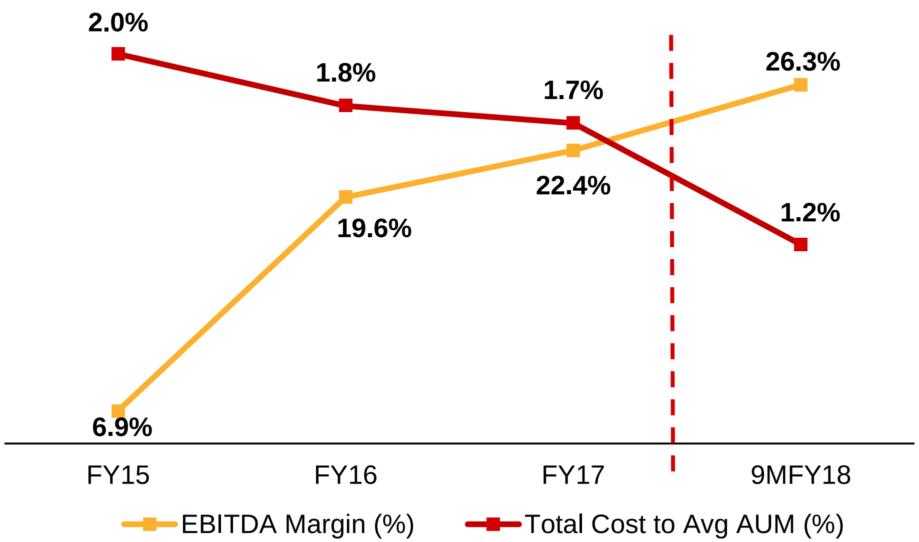
Share of Direct sales in MF net sales



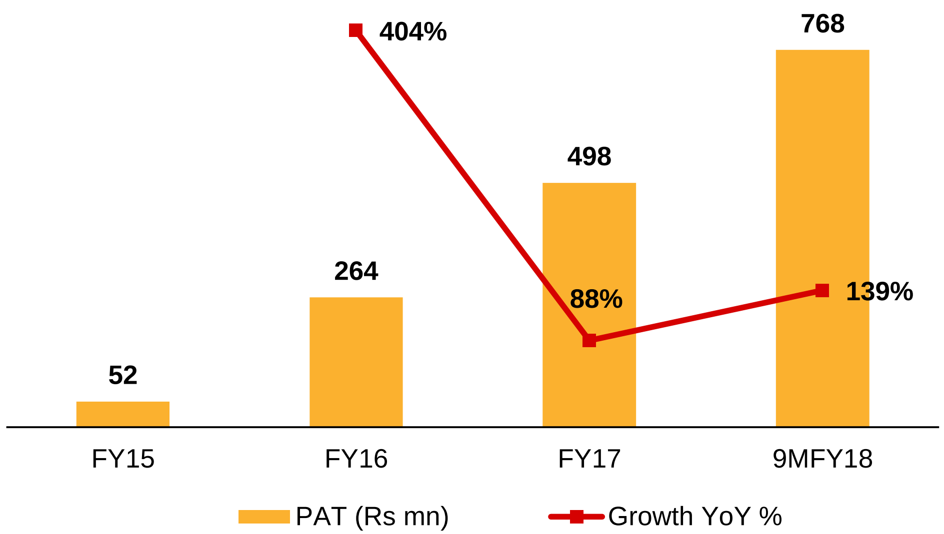
Share of performance linked AUM in Alternatives



Operating leverage playing out as cost stabilizes & AUM rises

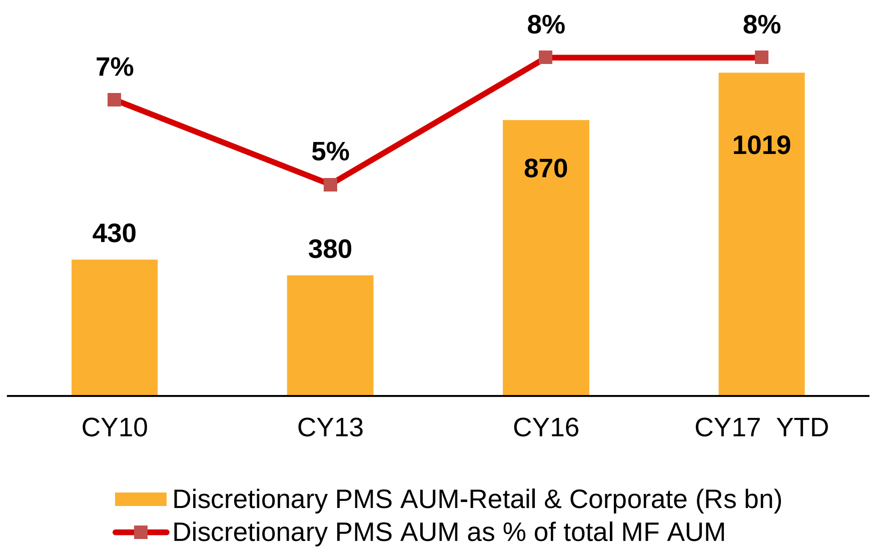


MOAMC profitability trend

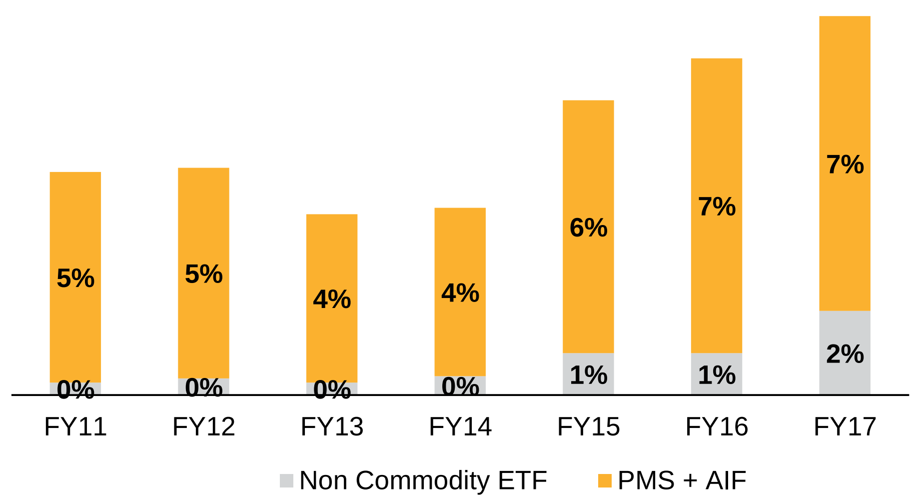


Asset Management – Rising share of Alternatives

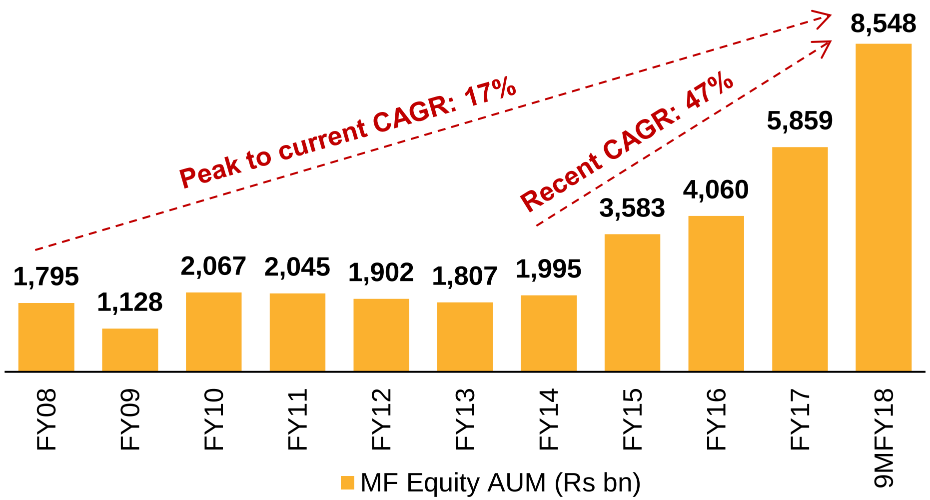
Rising share of Alternatives in Industry AUM



Rising share of Alternatives in Industry AUM



Rising MF Equity AUM (Rs bn)



India still at nascent stage in Alternatives penetration

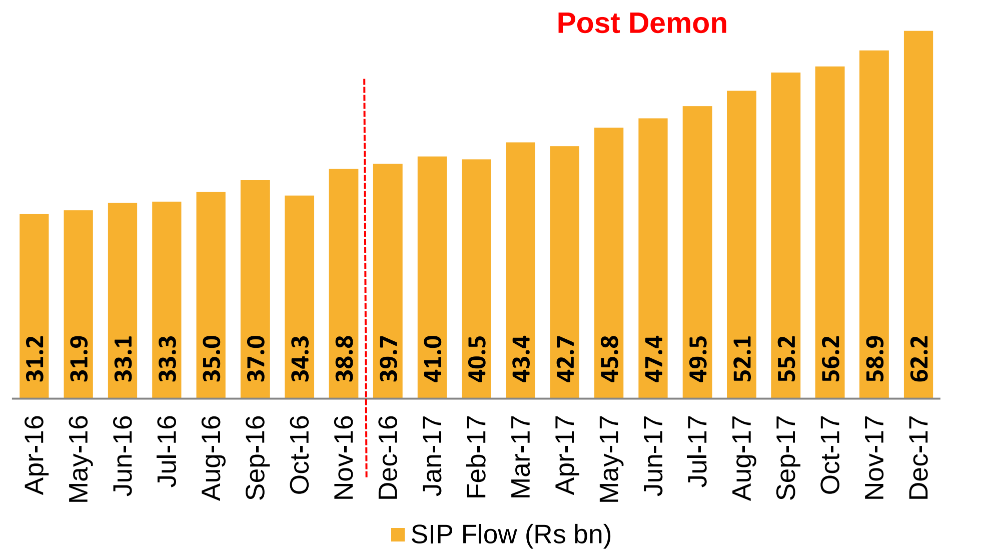
Alternatives	India	US
PMS	~8% of MF market	~10% of MF market
AIF	~2% of MF market	~30% of MF market

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

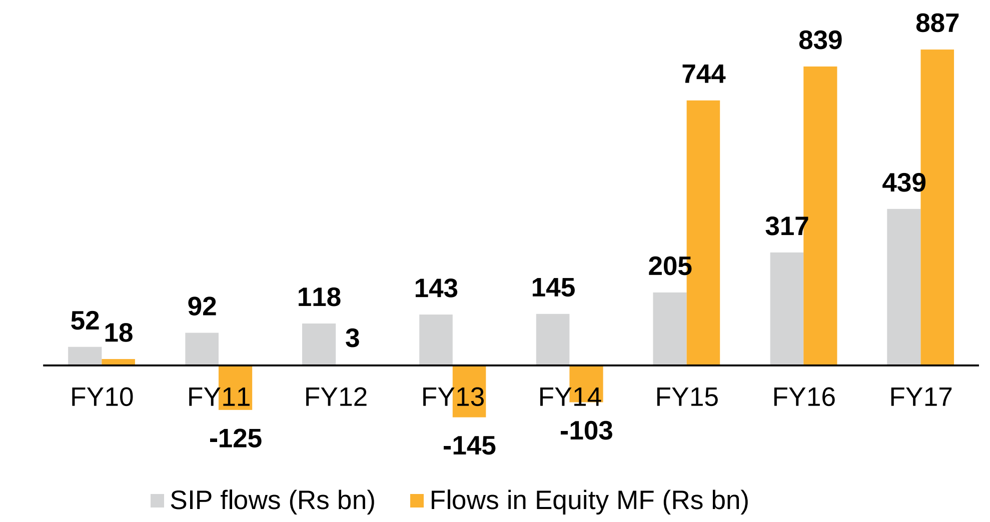
Source: AMFI, McKinsey

Asset Management – Stickiness of MF flows to continue..

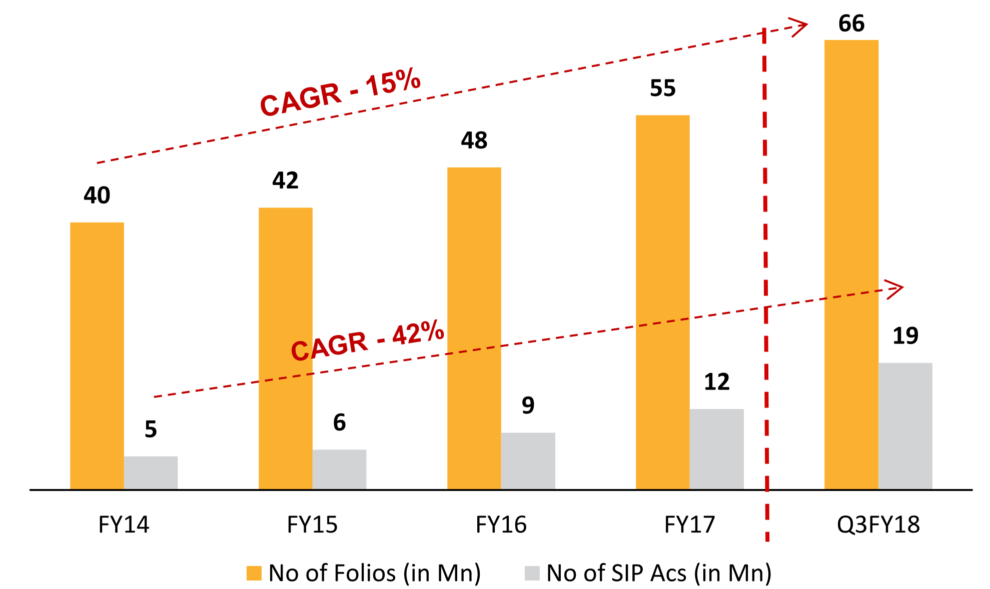
Strong traction in SIP flows continues



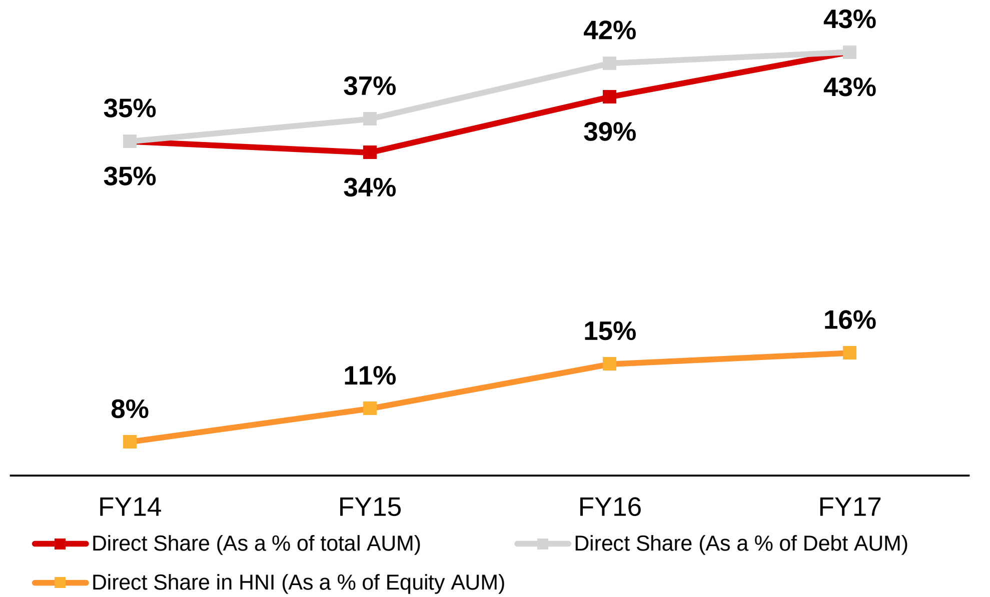
SIP gaining share in rising Equity AUM



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



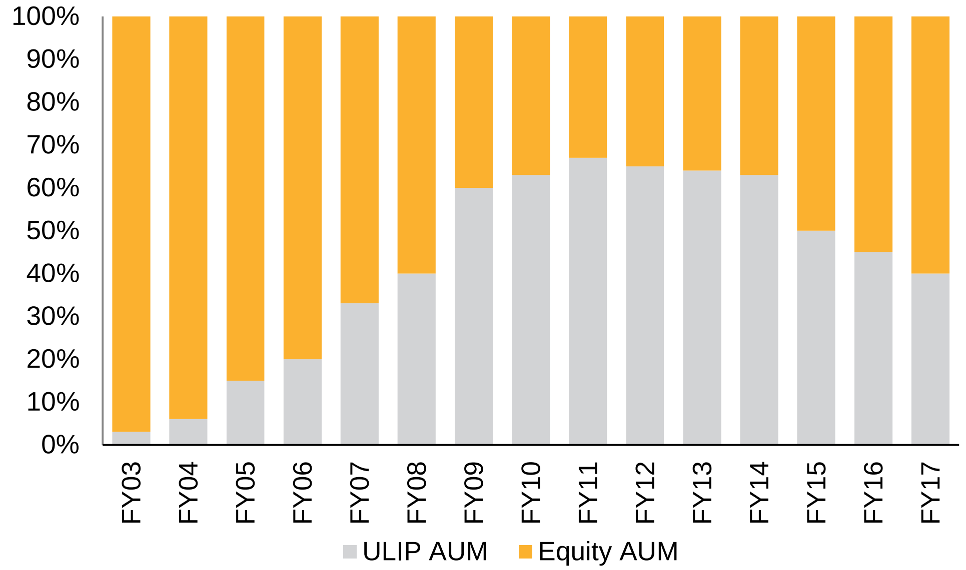
Rising share of Direct proportion in Asset management industry



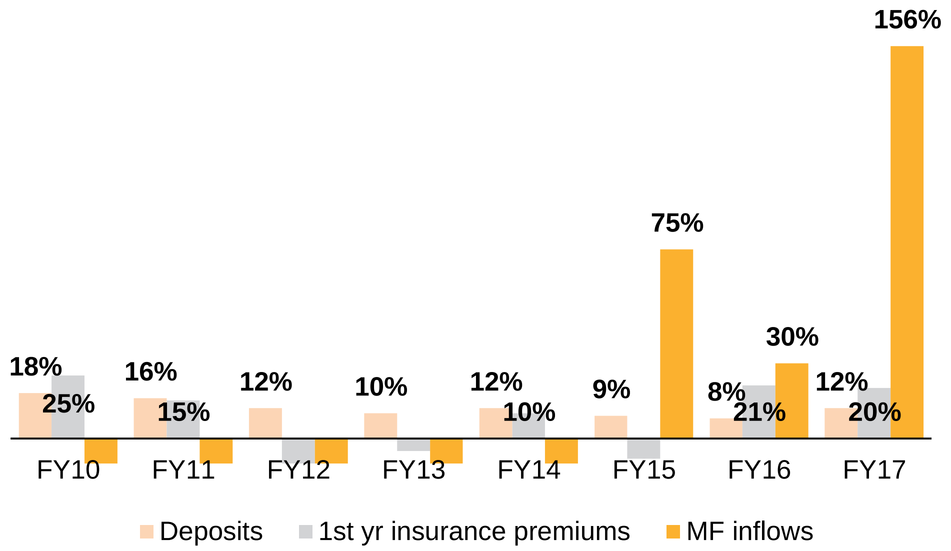
Source: AMFI

Asset Management – Rising financialization of savings

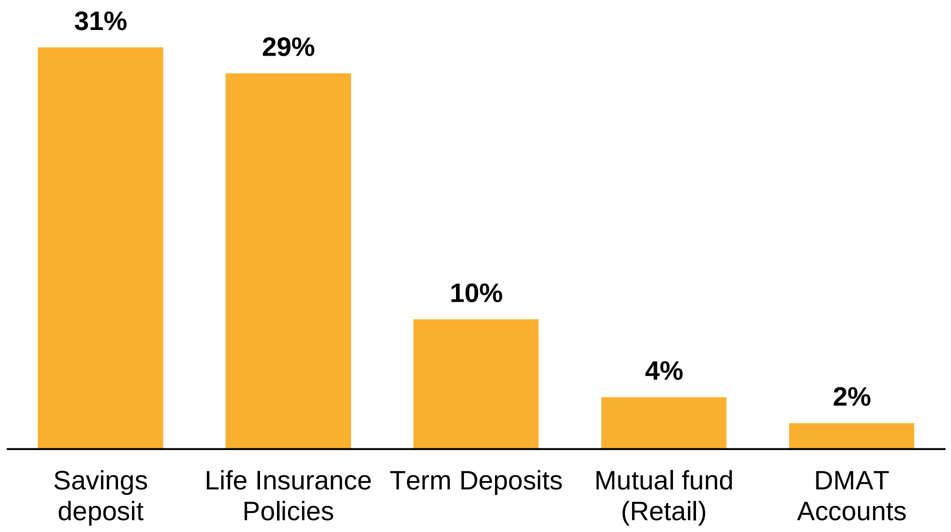
Shift of financial savings from ULIP to Equity MF



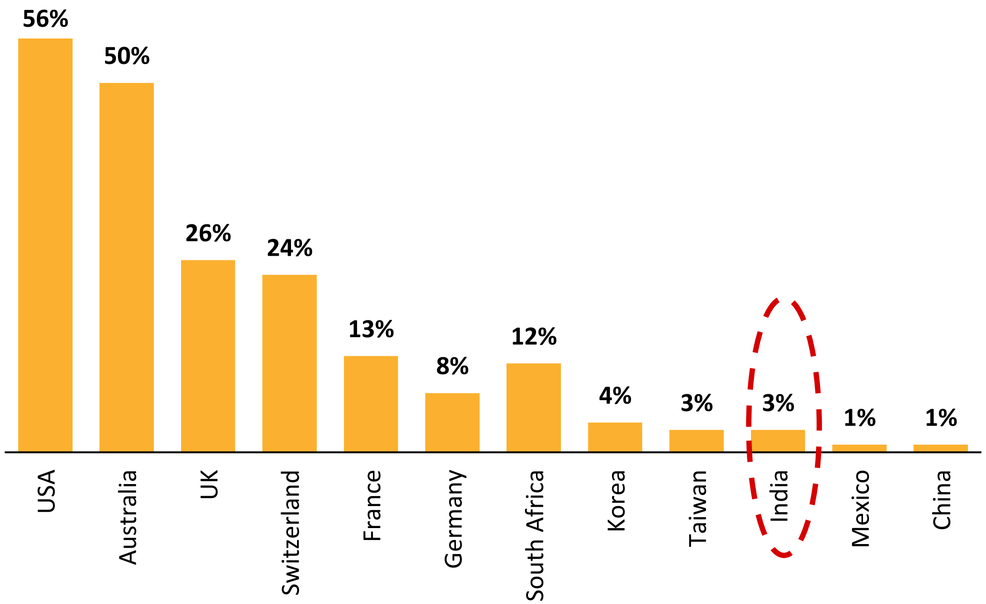
Strong traction in MF inflows (growth YoY %)



MF is the most underpenetrated savings instrument



MF Equity AUM / GDP – Headroom for growth



Source: AMFI, IRDA, RBI, World bank

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

Total AUM of PE business stands at Rs ~47 bn

Phenomenal response to IBEF III launch

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

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Total Revenues*	**168**	**100**	**69%**	**879**	**-81%**	**1,156**	**1,136**	**2%**	**1,193**
EBITDA	55	40	37%	547	-90%	648	601	8%	649
PBT	51	35	45%	543	-91%	635	594	7%	637
PAT	**48**	**22**	**115%**	**422**	**-89%**	**499**	**473**	**6%**	**502**

** Q3FY18 includes share of profits on exit of IBEF I of Rs 250 mn, which is dividend out to MOFSL (Rs 850 mn in Q2FY18).*

Growth PE Funds

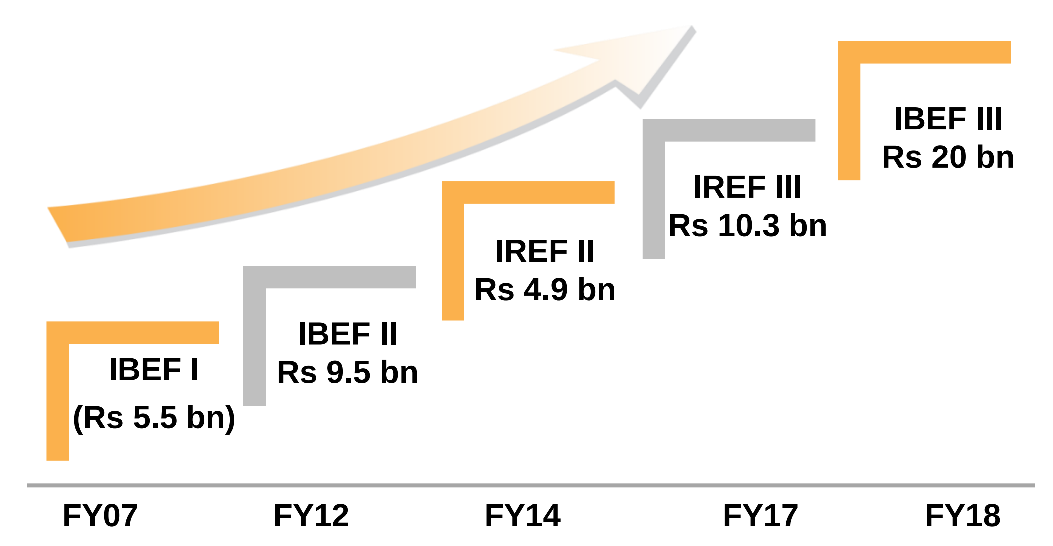
- MOPE Funds stand out with stellar performance. IBEF I has delivered an XIRR of 27% and is expected to return 5.4x MoC (Multiple of Cost). Till date, 3.3x MoC has been returned for INR investors and 2.2x for USD investors.
- Fund II has committed 100% across 11 investments so far after raising commitments from marquee institutions and exits from fund will contribute going forward.
- Strong performance and positioning is aiding new fund raising. Fund III was launched in Q2FY18 with a target size of Rs 20 bn. The fund has already raised of Rs 14.7 bn and is expected to achieve targeted size of Rs 20 bn by Q4FY18. Fund III has already made its maiden investment amounting to Rs 1.4 bn in September 2017.

Real Estate Funds

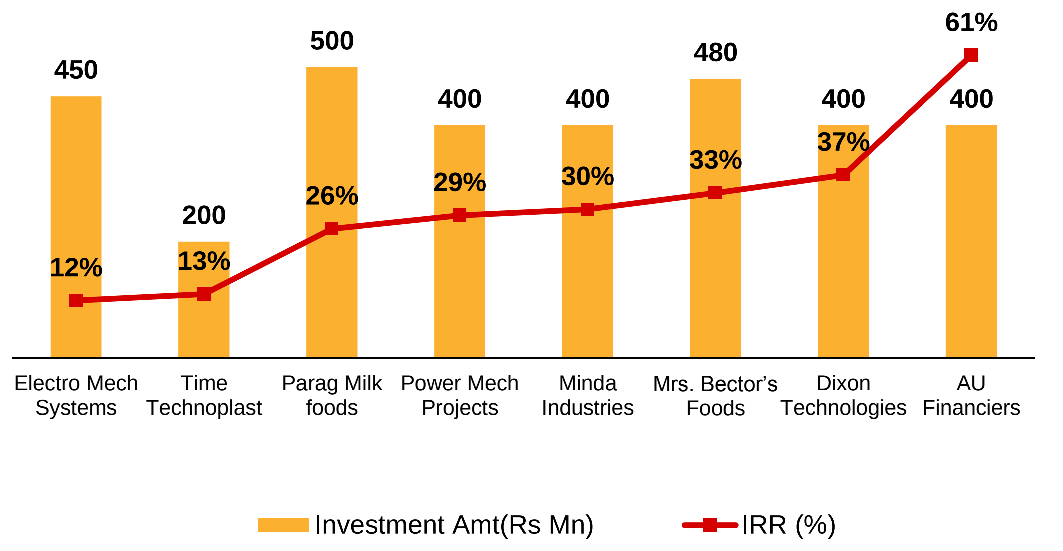
- IREF I has seen full / partial exits from 7 projects so far, translating into ~118% capital returned to investors.
- IREF II is fully deployed in 14 investments. The fund has secured 6 full exits and has returned ~64% capital to investors. Average IRR on exited investments is ~26%.
- IREF III has committed ~72% (Rs 7.4 bn) of the fund size across 12 investments and has returned ~2.2% capital to investors.

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

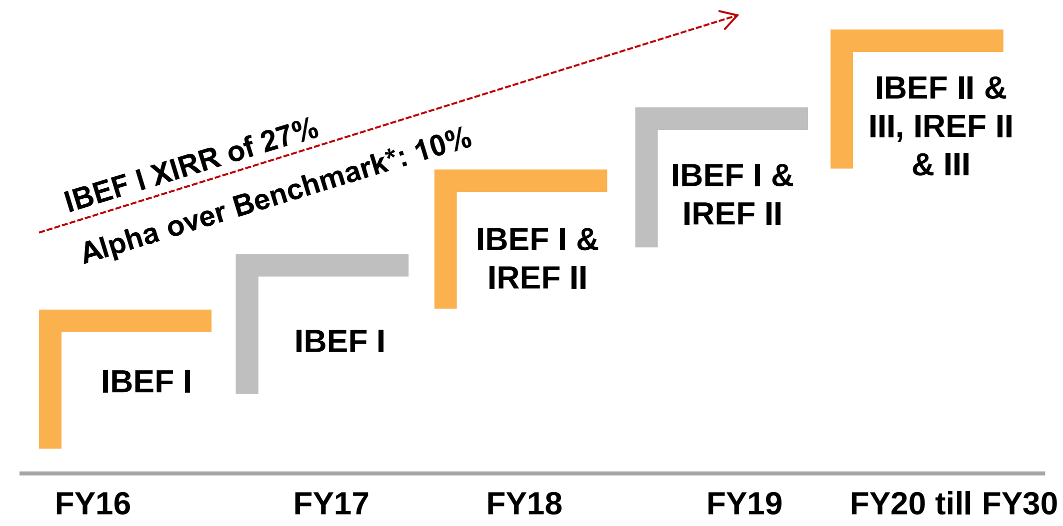
Launch period of PE Funds



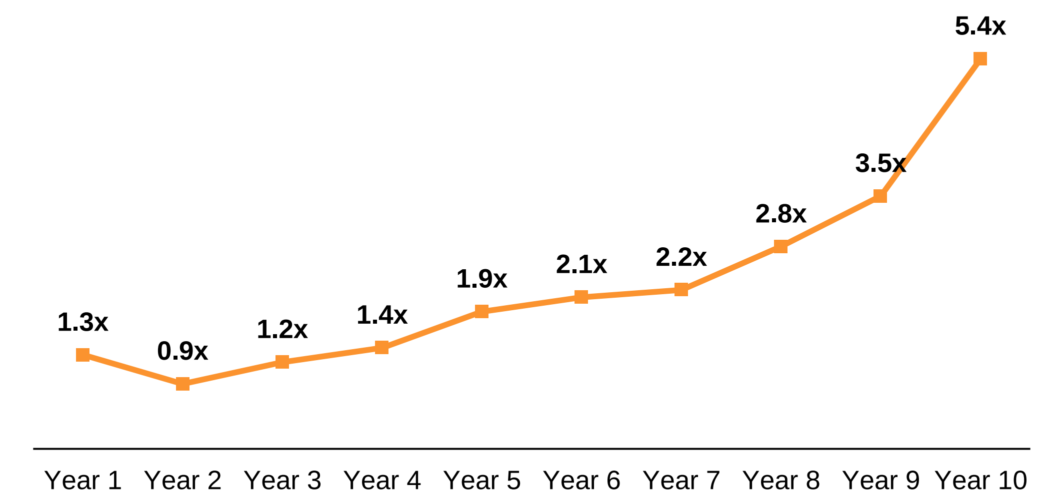
QGLP investments delivering higher IRR



Exit period of PE funds



IBEF I exits delivering 5x return



*Note : * Benchmark : Emerging Markets PE and VC (upper quartile)*

Wealth Management – Profitability inflection commenced

Highest-ever Net Sales at ~Rs 10 bn, +141% YoY

Wealth AUM Rs 153 bn in Q3FY18, +67% YoY

Rising Number of Client Families, +47% YoY

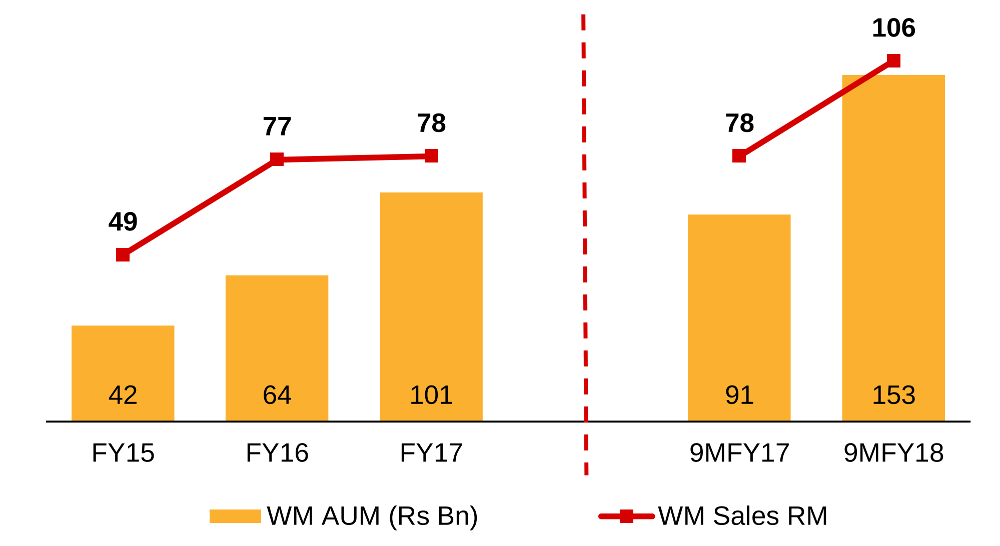
Deepening our client wallet-share & RM productivity

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
AUM (bn)	153	91	67%	129	18%	153	91	67%	101
Net adds (bn)	10	4	141%	9	14%	23	14	64%	18
Total Revenues	**248**	**150**	**65%**	**267**	**-7%**	**694**	**478**	**45%**	**720**
Total Cost	170	101	69%	156	9%	447	341	31%	498
C/I ratio	*68%*	*67%*	-	*59%*	-	*64%*	*71%*	-	*69%*
EBITDA	78	49	58%	111	-29%	248	137	80%	223
EBITDA Margin	*32%*	*33%*	-	*41%*	-	*36%*	*29%*	-	*31%*
PBT	75	48	57%	109	-31%	241	122	98%	205
PAT	**53**	**31**	**71%**	**78**	**-32%**	**172**	**81**	**112%**	**132**

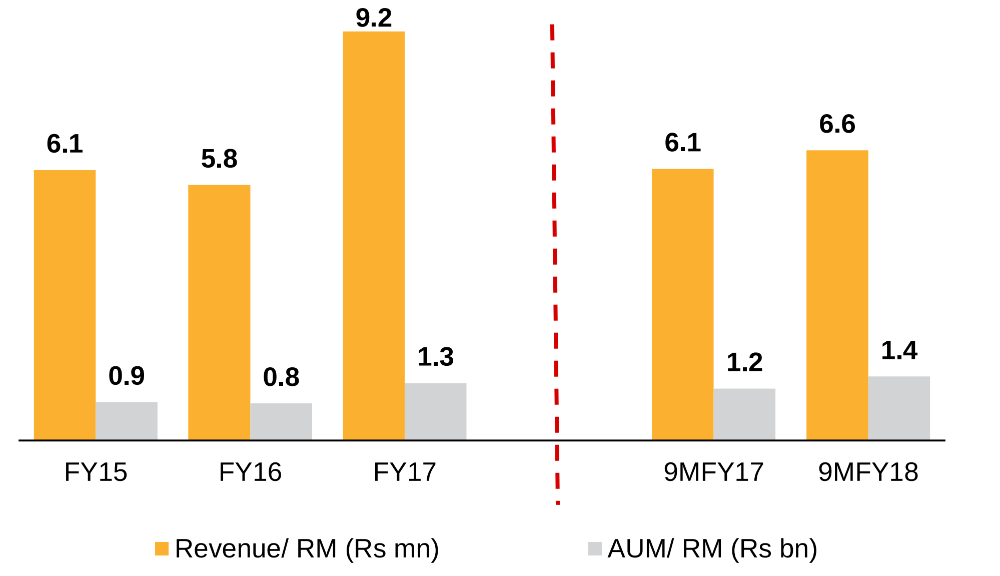
- Wealth Management registered 65% YoY revenue growth and a strong 71% YoY PAT growth in Q3FY18, despite higher expenses on account of aggressive RM addition and higher bonus provisioning in Q3FY18.
- EBITDA margin improved to 36% in 9MFY18.
- RM productivity has increased in line with rising vintage from 6.1x to 6.6x in 9MFY18.
- Capacity to hire additional RMs will increase, as existing RMs vintage increases, which will help sustain growth and drive further operating leverage.
- Yield during the quarter improved to ~81bps, as AUM mix has shifted in favour of equity (70%).
- AUM traction is largely driven by captive products and other products from strategic funds.
- 28 RMs were added in 9MFY18, taking total RM count to 106 (+ 36% YoY).
- 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

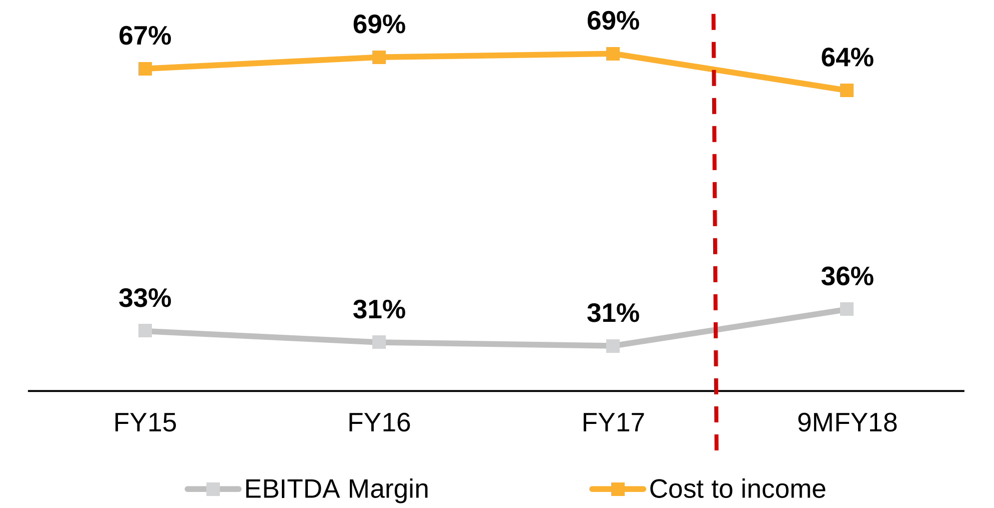
Wealth RM addition in proportion to AUM



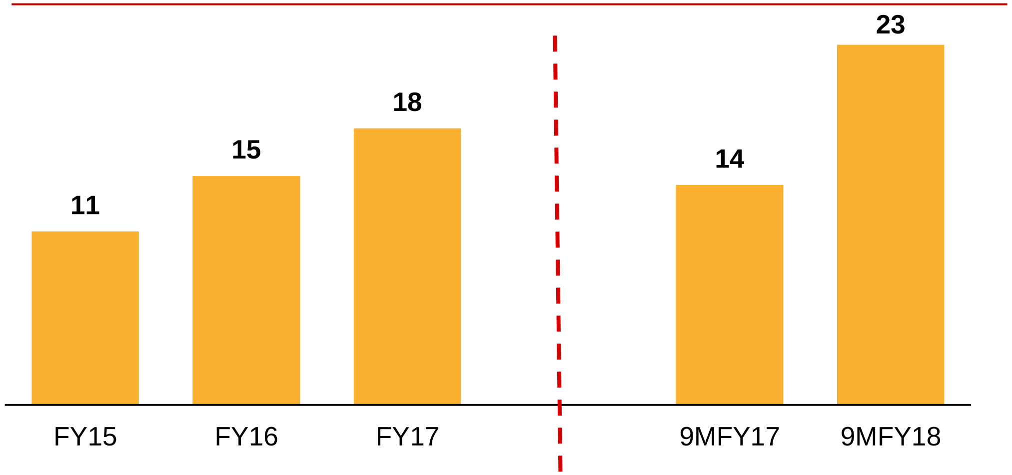
Wealth RM productivity



Wealth EBITDA margin and cost to income ratio



Wealth net sales (Rs bn)



Yield Tree – Asset and Wealth Management

Asset Management

Particulars	FY15	FY16	FY17	9MFY17	9MFY18
AUM (Rs bn)	61.0	104.8	203.0	155.1	350.2
Avg AUM (Rs bn)	40.6	82.9	153.9	129.9	276.6
Yield Tree (bps)*					
Net Yield	117	81	94	88	92
Cost	104	38	45	38	35
PBT	13	43	49	50	57
Tax	0	11	17	17	20
PAT	13	32	32	33	37

113% growth in Avg AUM

Mix change towards MF

Highest PAT yield in industry

Wealth Management

Particulars	FY15	FY16	FY17	9MFY17	9MFY18
AUM (Rs bn)	42.4	64.4	101.0	91.4	152.8
Avg AUM (Rs bn)	33.3	53.4	82.7	77.9	115.1
Yield Tree (bps)*					
Net Yield	126	89	87	81	81
Cost	98	69	62	60	56
PBT	28	20	25	21	25
Tax	9	7	9	7	7
PAT	19	13	16	14	18

48% growth in Avg AUM

Robust yield led by equity products

Aggressive RM addition (added 28 RMs)

Rise in RM Productivity in line with rising vintage

* Annualised

Capital Markets

- Retail Broking & Distn
- Institutional Equity
- Investment Banking

Highest-ever quarterly revenue

Strong operating leverage

Robust growth in Distribution AUM

Asset Management

- Asset Management
- Private Equity
- Wealth Management

Highest-ever Net Sales

Significant operating leverage

Strong carry income

Housing Finance

- Aspire Home Finance

Continues to be in investment mode

Dedicated collection engine is now in place

Fund Based business

- Sponsor commitments to our AMC & PE funds
- NBFC LAS book

Rising pool of realised and unrealised gain

Cumulative post-tax XIRR: ~30% on Equity investment

Aspire Home Finance (AHFCL)

Loan book
Rs 49.4 bn in Q3FY18, +48% YoY

Disbursements are cautiously calibrated

Asset quality deteriorates; GNPA 4.6%

Step up in provisioning; plan to continue in future

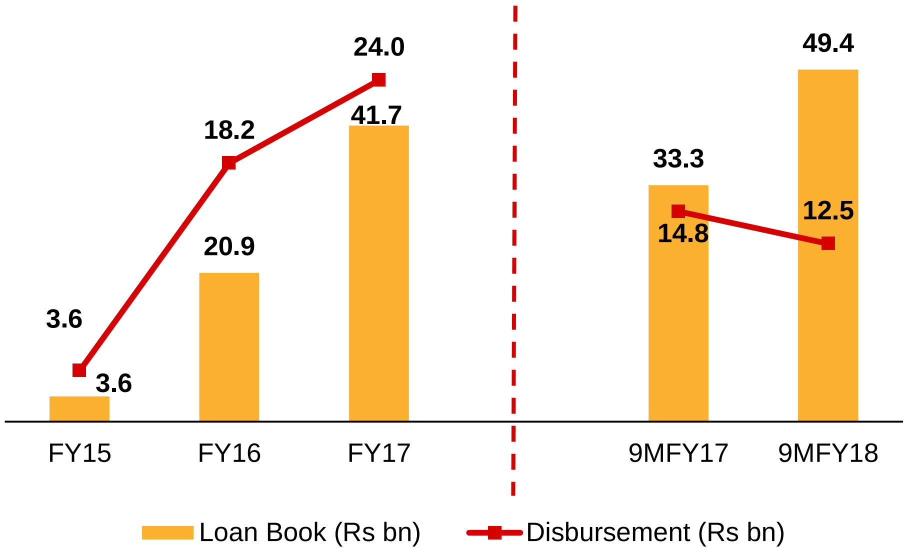
Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Loan Book (bn)	49.4	33.3	48%	48.2	3%	49.4	33.3	48%	41.4
Disbursements (bn)	2.9	3.3	-11%	6.3	-53%	12.5	14.8	-15%	24.0
Gross NPL%	4.6%	0.6%		2.8%		4.6%	0.6%		0.6%
Net Interest Income (NII)	**423**	**302**	**40%**	**563**	**-25%**	**1,412**	**842**	**68%**	**1,259**
Other Income	78	162	-52%	224	-65%	457	617	-26%	951
Total Income	501	464	8%	788	-36%	1,869	1,458	28%	2,209
Operating Profit (PPoP)	303	299	1%	468	-35%	1,055	899	17%	1,379
PBT	10	269	-96%	345	-97%	568	821	-31%	1,257
PAT	**6**	**174**	**-97%**	**223**	**-97%**	**371**	**535**	**-31%**	**821**

- In Q3FY18, profit of the company declined on account of accelerated provisioning. NII grew 40% YoY, but declined QoQ due to lower disbursements and higher interest reversals led by increase in NPA.
- Loan book grew 48% YoY to Rs 49.4 bn, despite slowing down of disbursements.
- During the quarter, AHFCL made accelerated provisions of Rs 66 mn over the regulatory requirements. PCR increased marginally to 31% from 29% in Q2FY18. Plans to take PCR higher in coming quarters.
- GNPA increased from 2.8% in Q2FY18 to 4.6% in Q3FY18 on account of seasoning of book coupled with delay in setting up collection organisation. Further, prolonged impact of external shocks in the economy also affected asset quality. Impact of collection organisation is yet to be reflected in asset quality.
- Strong ramp-up in last year has driven 44% YoY growth in manpower and 39% YoY growth in branches. Collection headcount is up 68% QoQ to 130 officers.
- Average ticket size is Rs 0.9 mn, with loans extended to more than ~57,000 families, as AHFCL is focused on the affordable housing segment. Average LTV of the book is <59%; overall FOIR remains at a comfortable level of 46%.

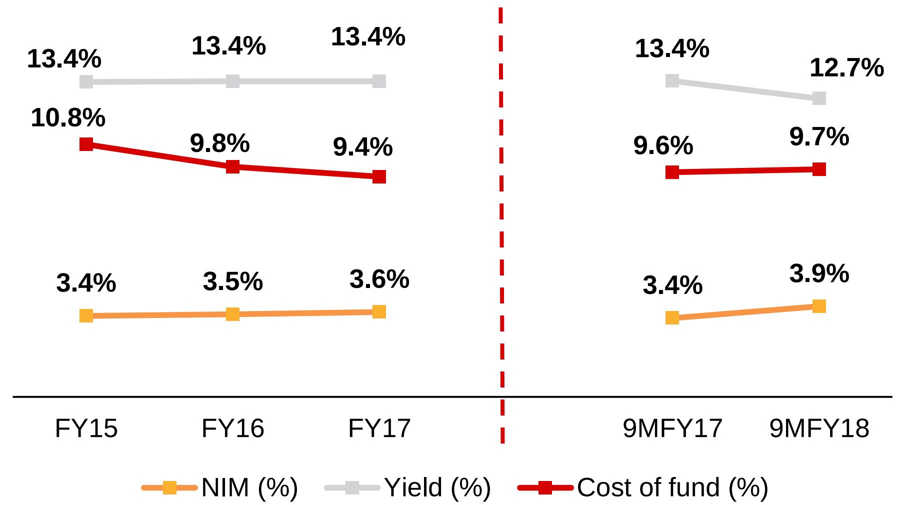
Aspire Home Finance

- Disbursements in Q3FY18 were Rs 2.9 bn versus Rs 6.3 bn in Q2FY18 and Rs 3.3 bn in Q3FY17. Disbursements were calibrated, as GNPAs continued to be higher than desired levels.
- New branches added in new states in FY17 contributed 25%+ of total disbursements in 9MFY18.
- Direct channel contributes 80%+ of loan sourcing.
- Investments have been made in building a collection and legal organisation, while calibrating growth. This will create a strong foundation for sustainable growth.
- Margins stood at 3.85% in 9MFY18 versus 3.35% in 9MFY17. However, in Q3FY18, it was impacted on account of QoQ decline in yield led by interest reversals.
- Average cost of borrowing declined from 9.8% in Q2FY18 to 9.7% in Q3FY18, despite negligible CP contribution in funding mix.
- Diversified liability profile, with ~53% from NCDs and ~47% from bank loans as of December 2017. 28 banks extended credit lines and NCDs were allotted to 24 institutions as of December 2017.

Loan book and disbursement trend (Rs bn)



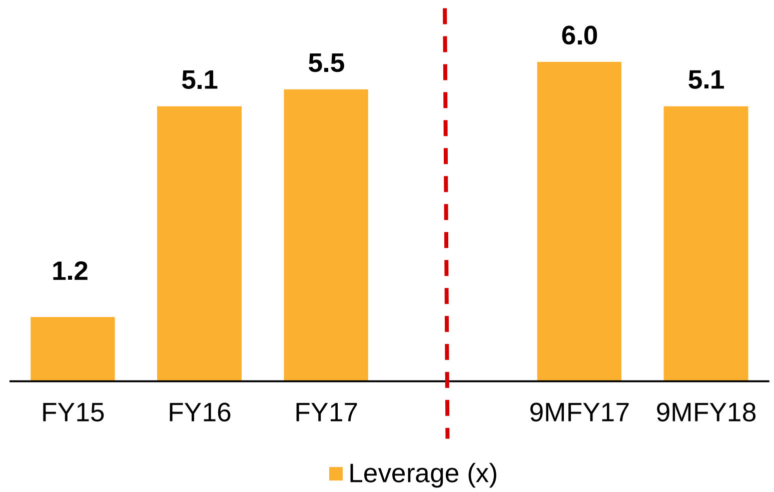
Margins trend



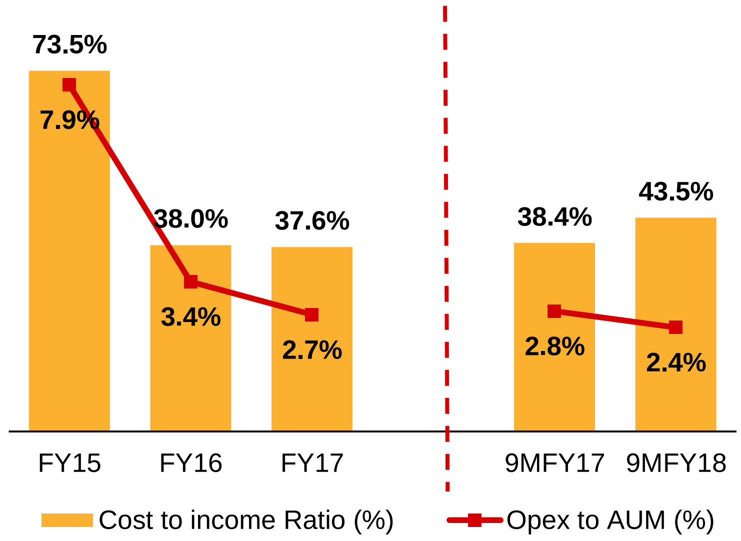
Aspire Home Finance

- Credit ratings are CRISIL A+ Stable and ICRA AA-. Gearing remains conservative, with Debt-Equity ratio at 5.1x.
- Increase in collection headcount (~130, +68% QoQ) coupled with upgradation and refurbishment of old branches resulted in a high Cost-Income ratio of ~40% in Q3FY18 and 44% in 9MFY18 versus ~36% in Q3FY17 and 38% in 9MFY17. This expansion is expected to yield results in the near future.
- Branch expansion is being pursued in the new states where we commenced operations a year ago.
- Cumulative capital infusion from sponsor is Rs 6 bn and net worth is Rs 7.7 bn, as of December 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)”.

Low gearing

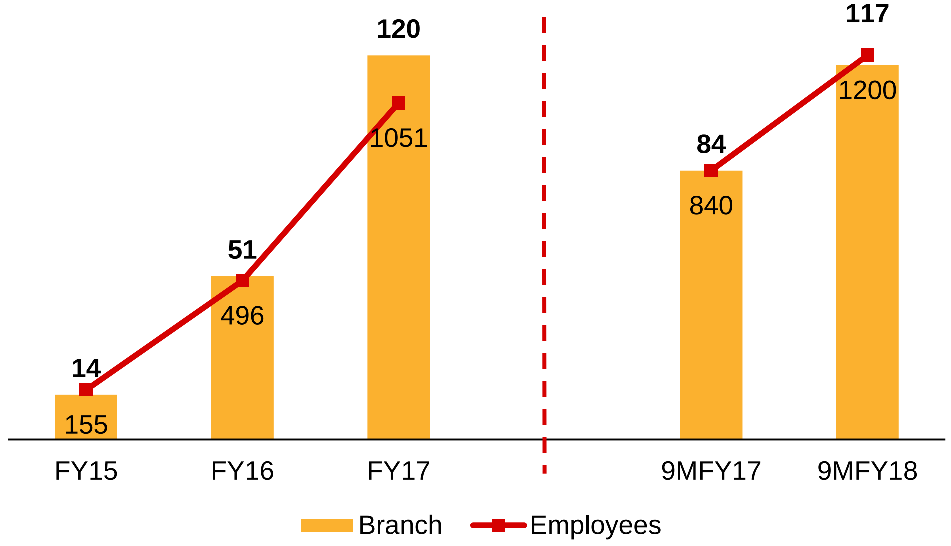


Higher opex resulting from investment mode

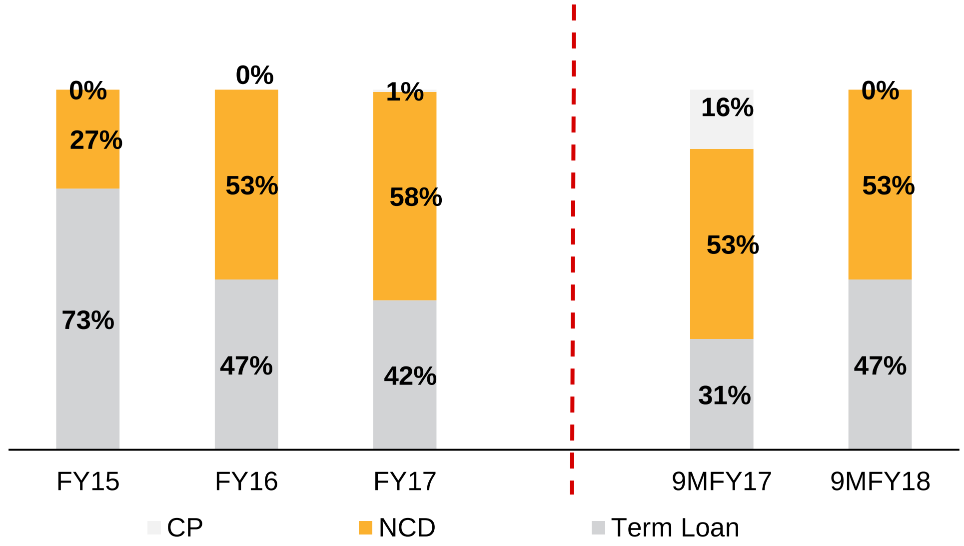


Aspire Home Finance

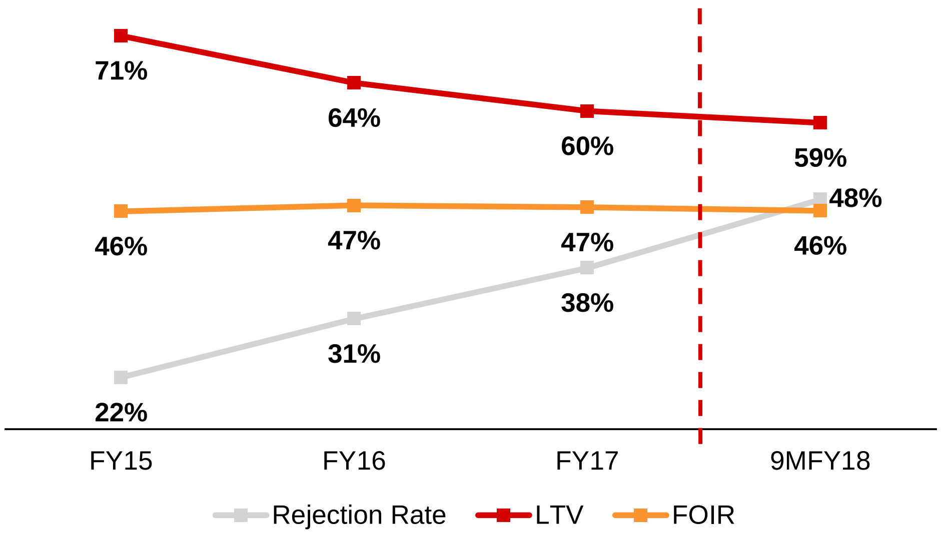
Higher investment in manpower and branch network



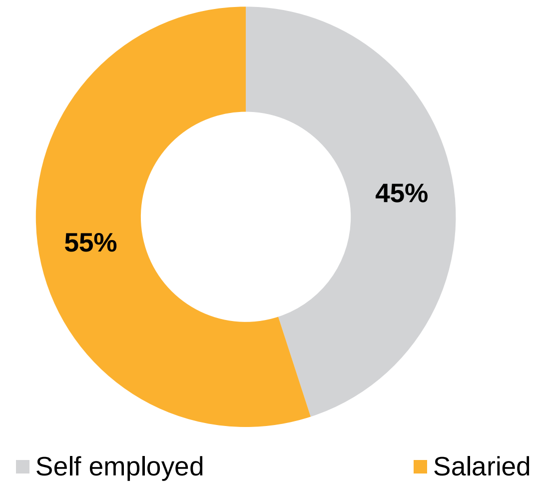
Diversified liability mix trend



LTV of 59% and FOIR of 48%



Balanced customer mix (%)



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Fund Based business

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- NBFC LAS book

Rising pool of realised and unrealised gain

Cumulative post-tax XIRR: ~30% on Equity investment

Fund Based business – Significant unrealised gains

Investments in quoted equity at cost Rs 7.7 bn

Unrealised gain on quoted equity investments: Rs 7 bn (not included in P/L)

Investments in MO PE/RE funds (at cost): Rs 2.7 bn

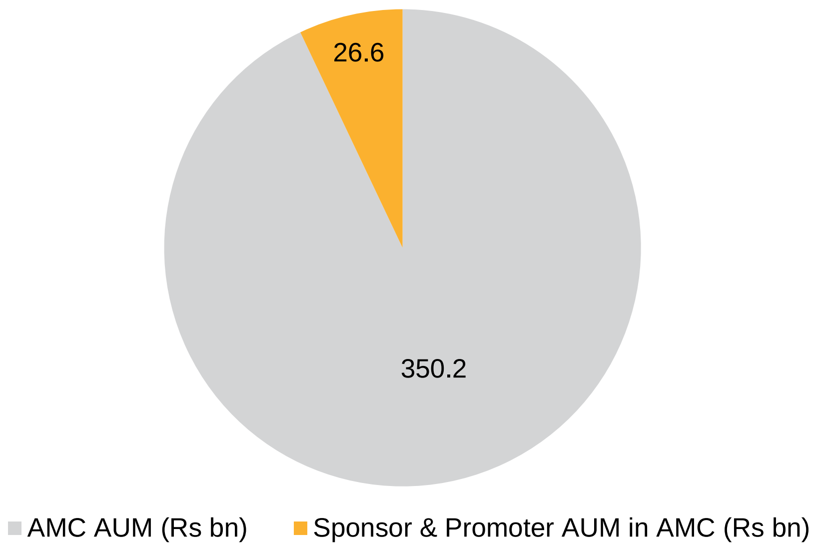
MOFSL Standalone

Particulars (Rs mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	9MFY18	9MFY17	YoY (%)	FY17
Total Revenues	**780**	**192**	**306%**	**957**	**-18%**	**1,963**	**1,559**	**26%**	**1,763**
EBITDA	723	149	385%	906	-20%	1,805	1,414	28%	1,569
PBT	633	45	1310%	798	-21%	1,501	797	88%	857
PAT	**503**	**56**	**792%**	**625**	**-19%**	**1,177**	**805**	**46%**	**863**

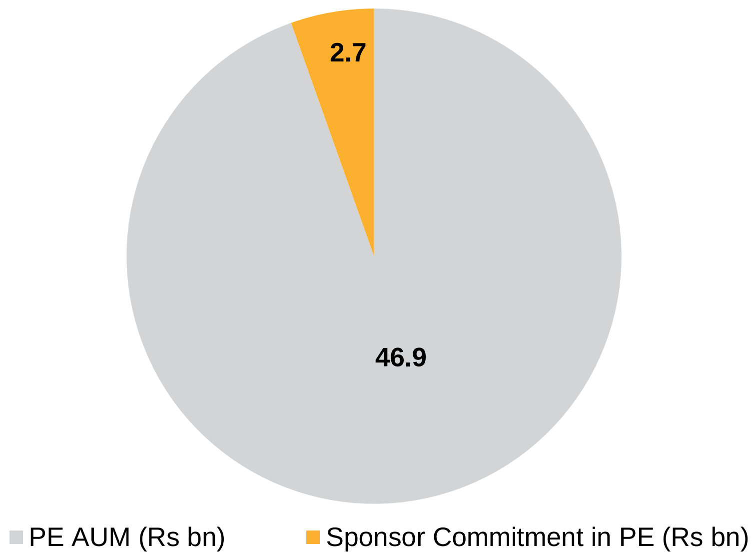
- Sharp YoY growth in PAT was led by share of profits of Rs 196 mn and sponsor gain of Rs 281 mn from PE exits. However, PAT was lower sequentially due to lumpy nature of profit from PE business.
- Unrealised gain on quoted equity investments as of December 2017 is Rs 7 bn, which is not included in earnings yet. Overall RoE is 28% excluding unrealised gains (reported) and 40% including unrealised gains.
- Reported RoE in fund based business is 12%. Post-tax cumulative XIRR on equity investments is ~30% (since inception), validating the long-term performance track record of our QGLP 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 book size of Rs 2 bn.

Fund Based business – Skin in the game

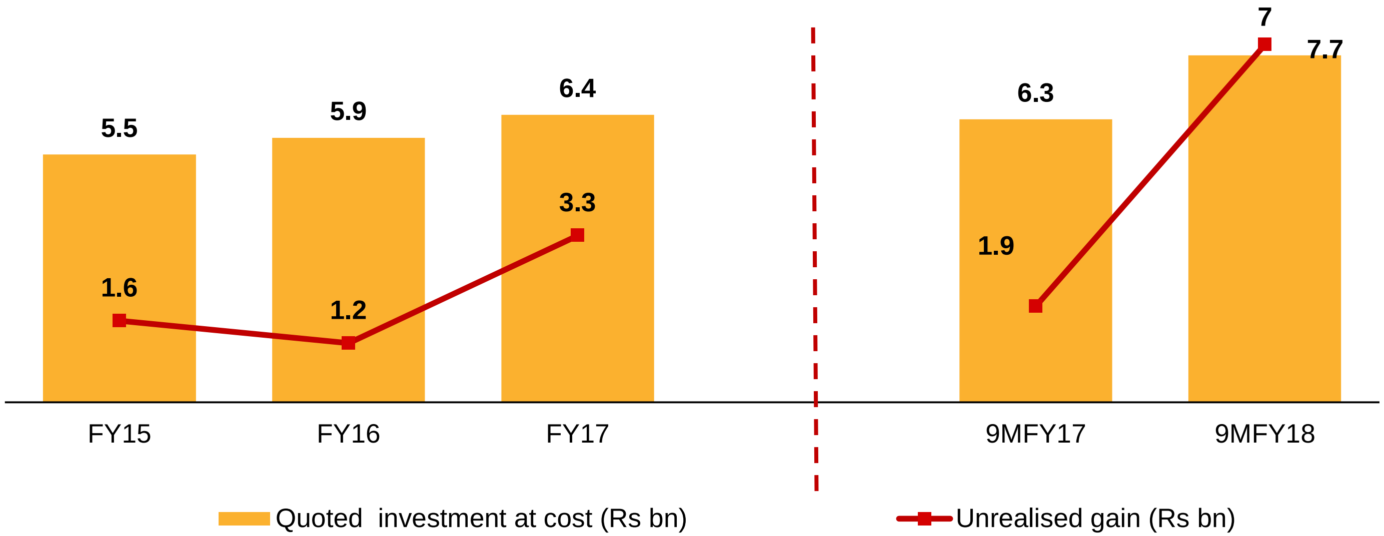
Skin in the game in AMC



Skin in the game in PE

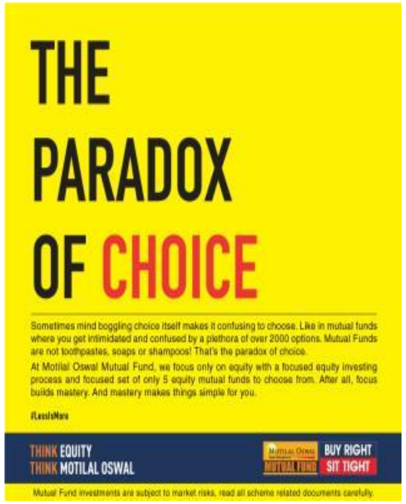


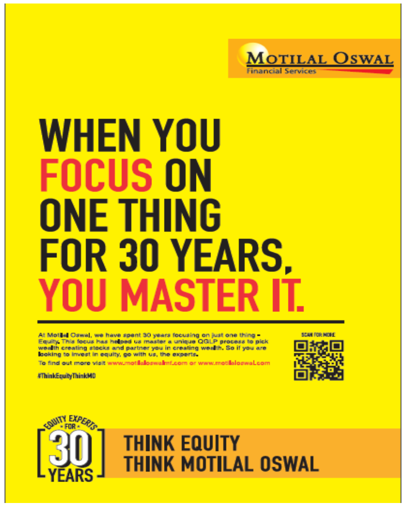
Unrealised gain from quoted equity investments (Rs bn)

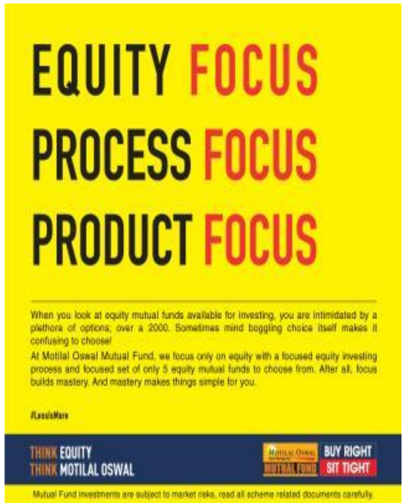


Ad Campaigns – Significant step up; well received by customers

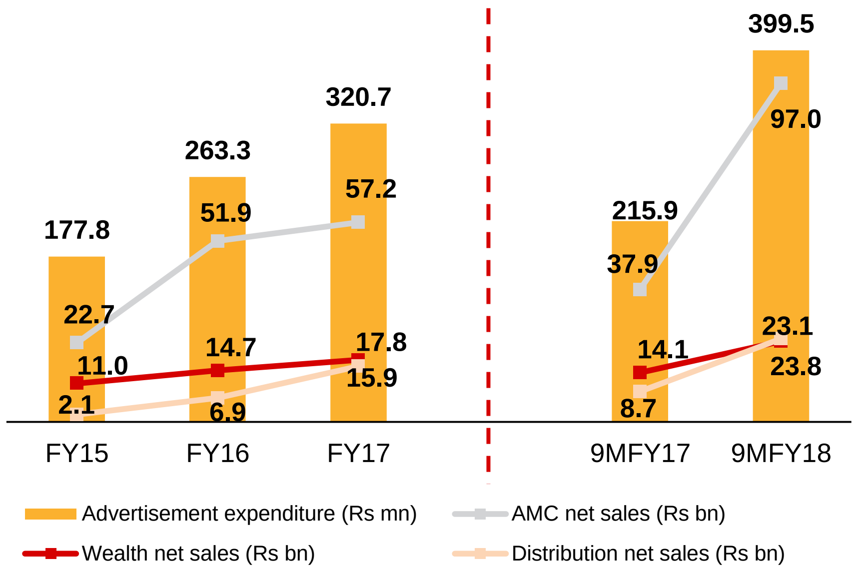
MOFSL's "[Think Equity Think Motilal Oswal]" Won Best Ad Award in BFSI space







Ad spends supporting strong growth



Key Highlights

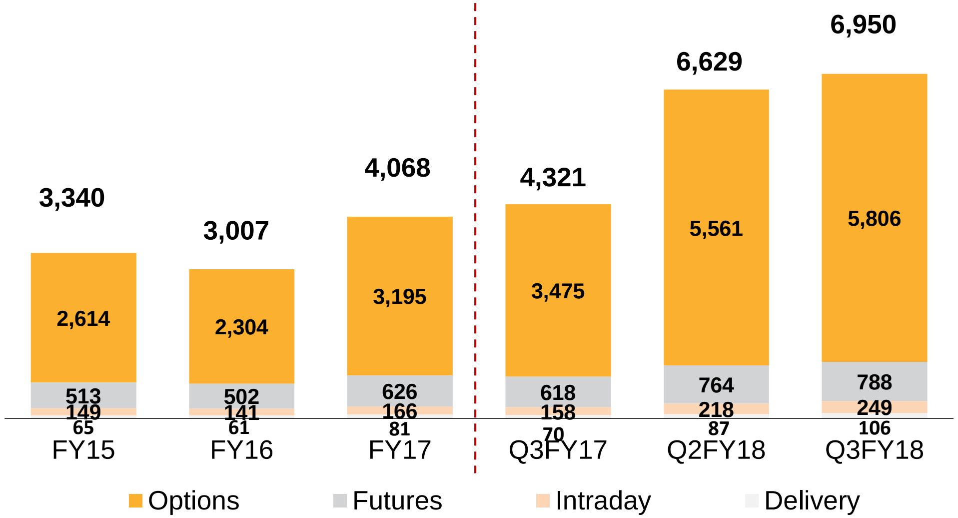
Financials

Businesses

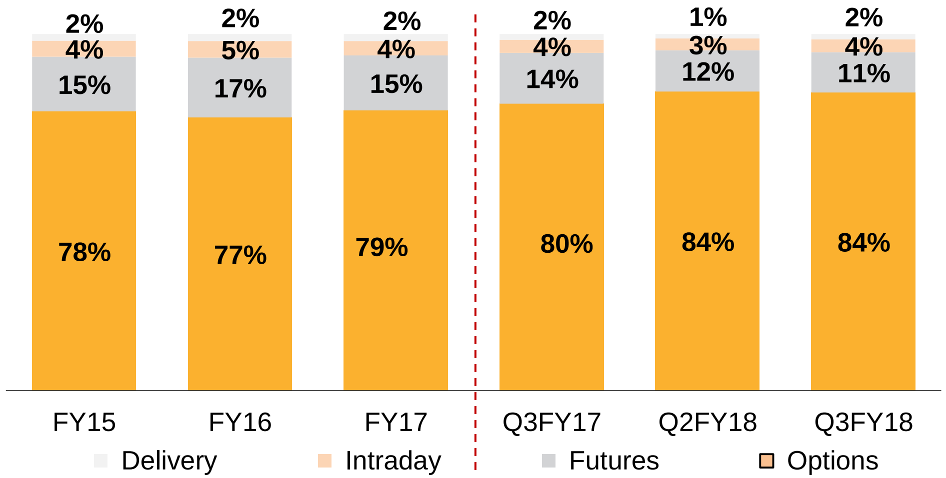
Interesting Exhibits

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

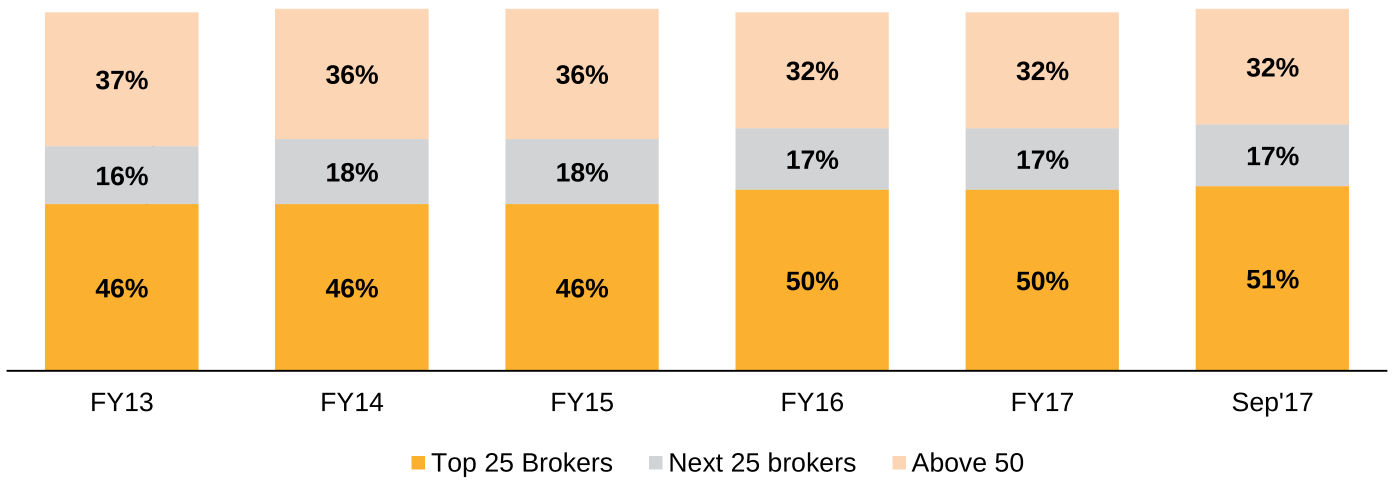
Market ADTO is on a high in Q3FY18 (Rs bn)



Proportion of retail volumes has increased in Q3FY18



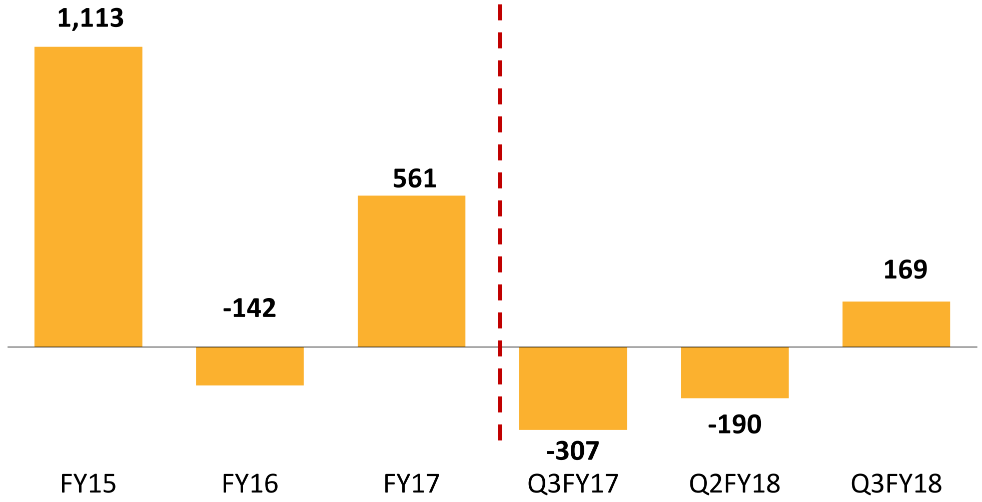
Proportion of NSE cash volumes consolidated to the largest brokers during bull-phases in the markets, not bear-periods



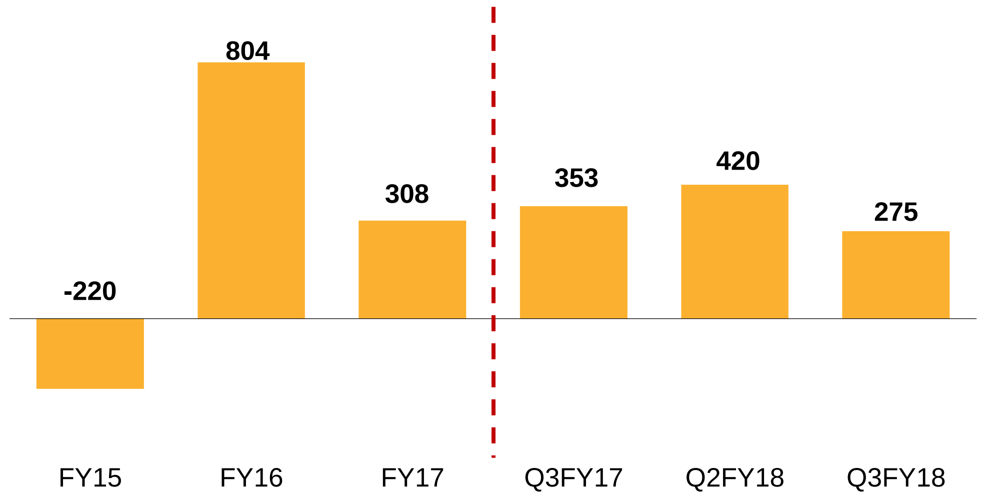
Source: NSE and BSE

DIIs clock healthy inflows; Higher-value IPOs pick up

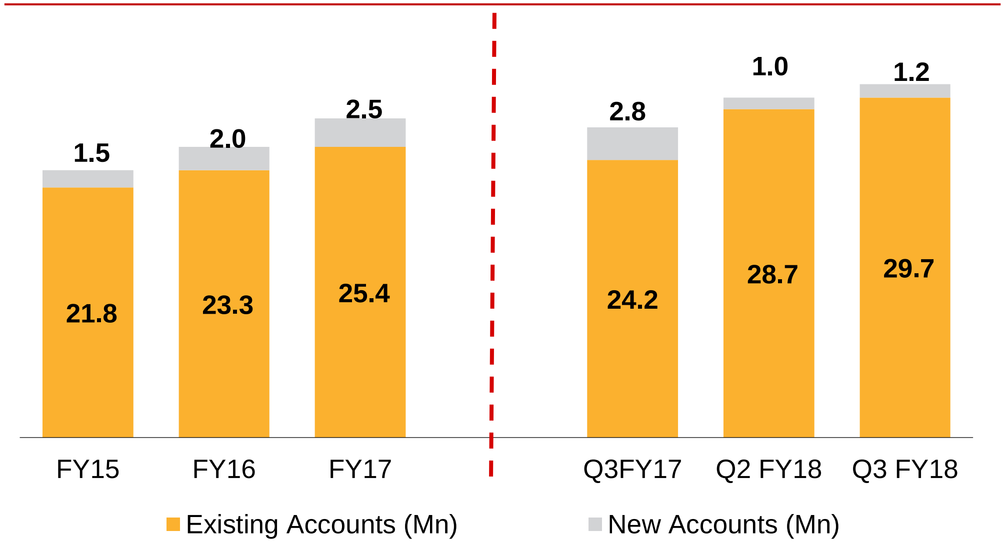
FIIs net inflows (Rs bn)



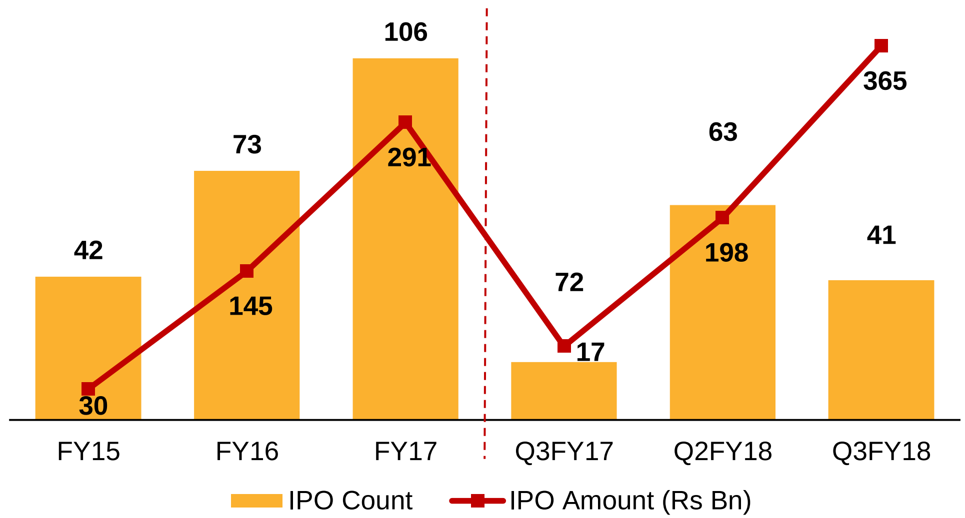
DIIs net inflows (Rs bn)



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

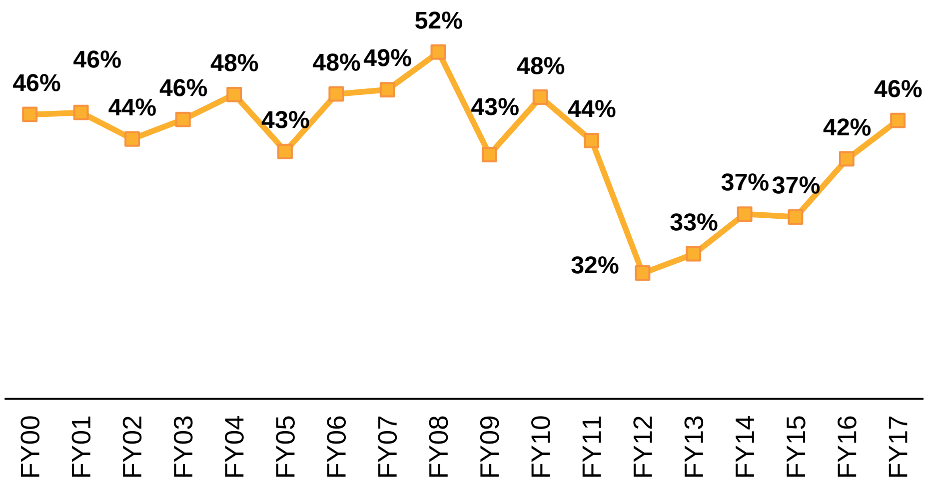


Source: NSE, BSE, CDSL, NSDL, Prime

Asset Management – Financialisation of savings wave...

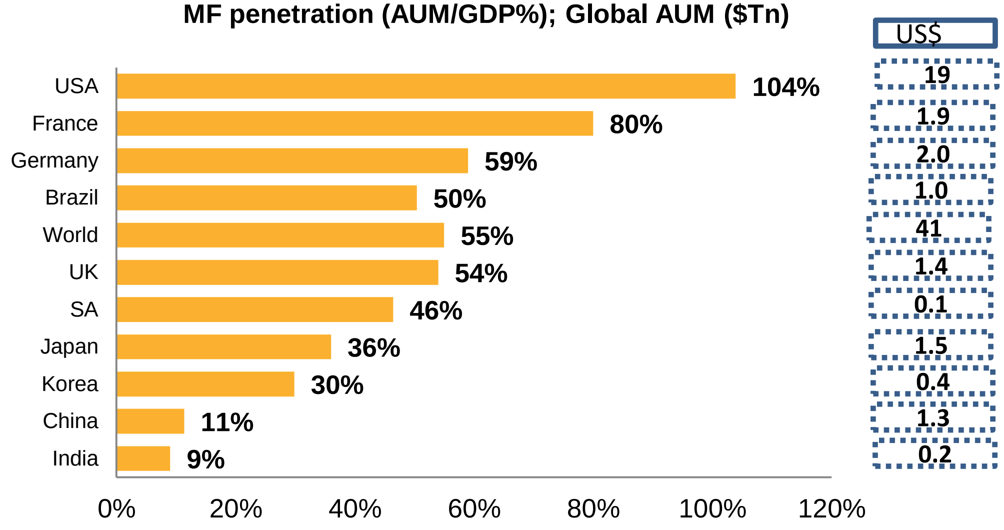
Higher financial savings signifying opportunity for MFs

(% of household savings)

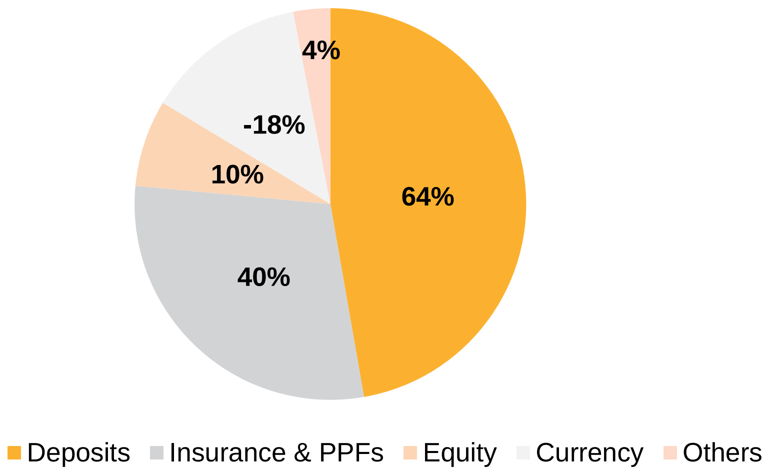


Low penetration of MFs provides headroom for growth

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

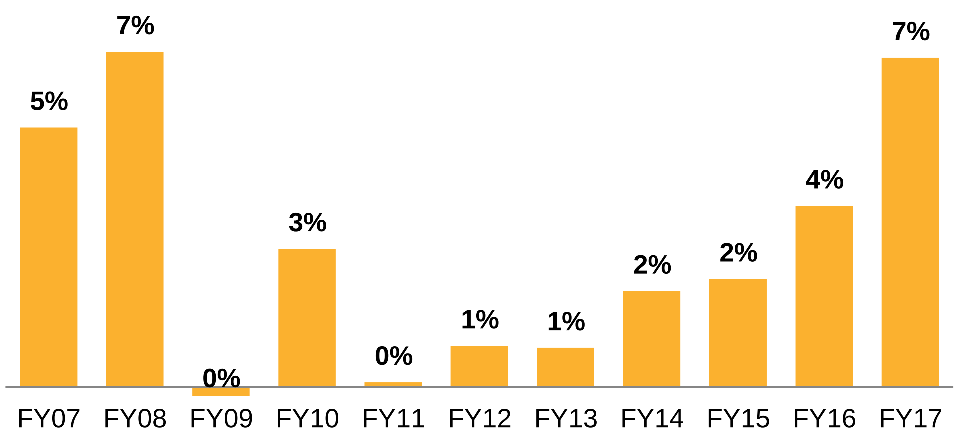


Equities are underpenetrated within Indian financial savings



Equity assets of households are rising in recent years

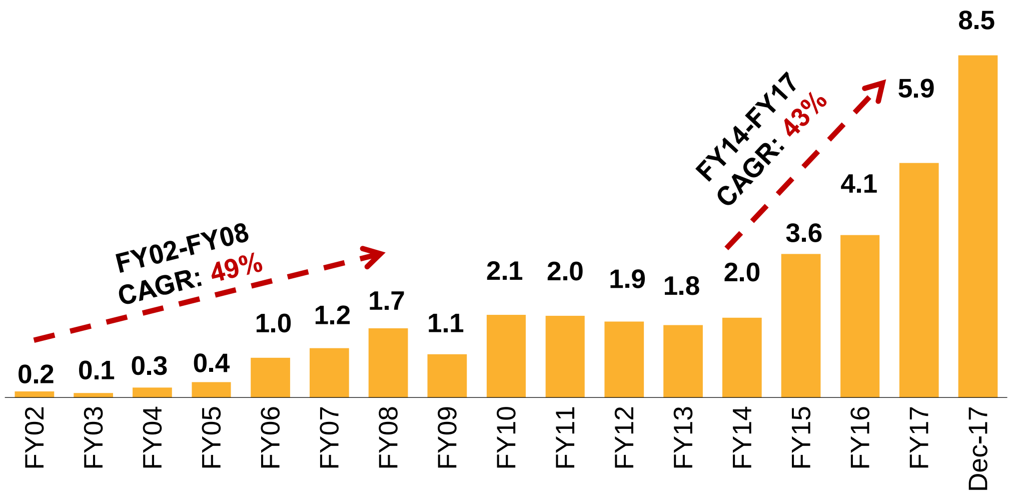
(% of household assets)



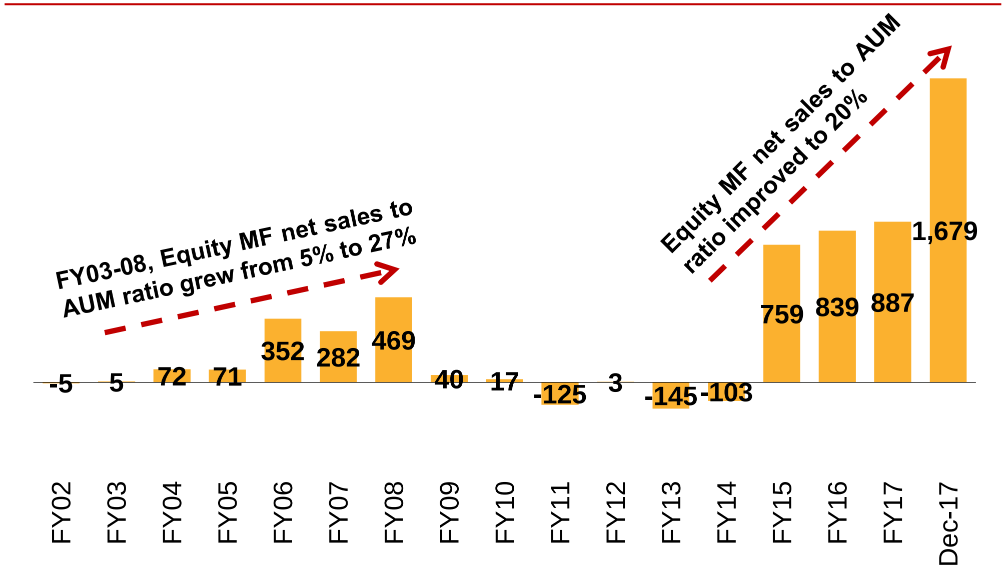
Source: RBI, Bloomberg, IIFA Report

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

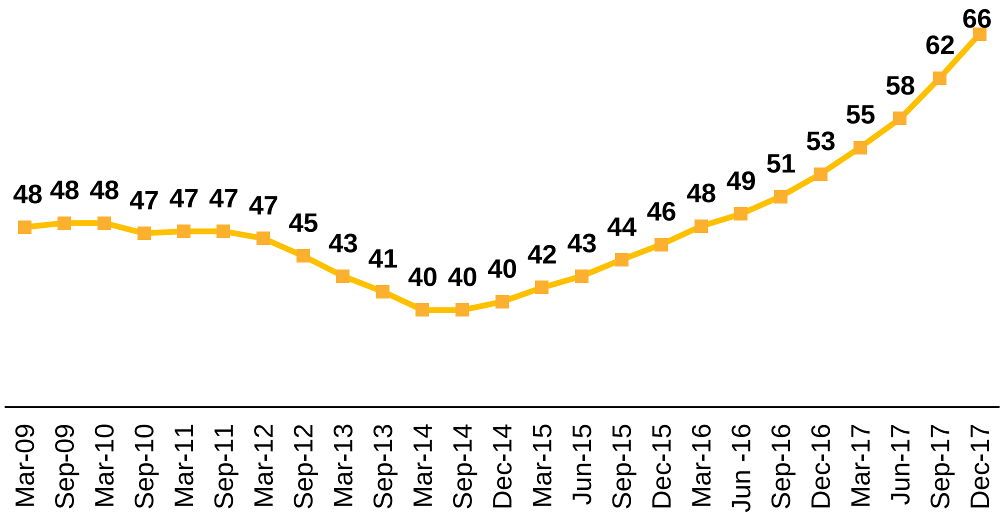
Significant inflows in Eq MF AUM in last up-cycle (FY02-08); same traction has been witnessed from FY14 onwards (Rs tn)



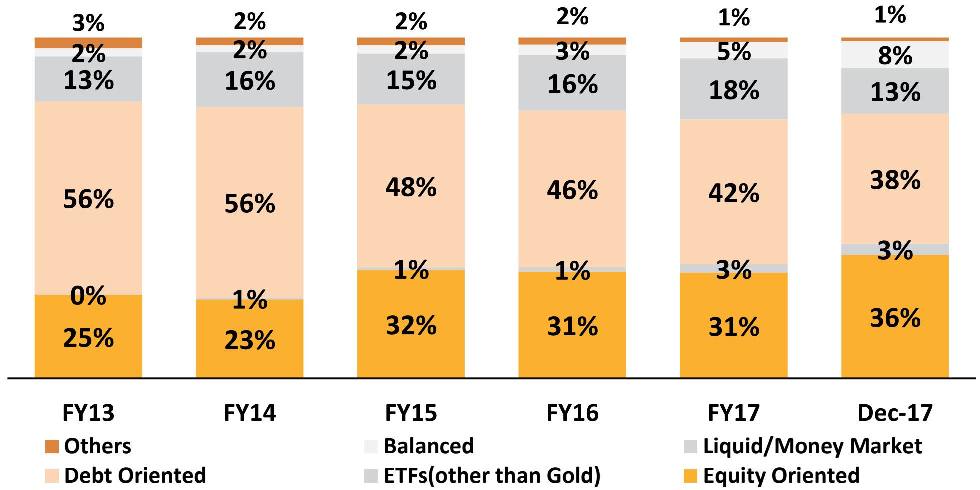
Market performance drives MF net flows, a repeat of the last cycle (Rs bn)



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



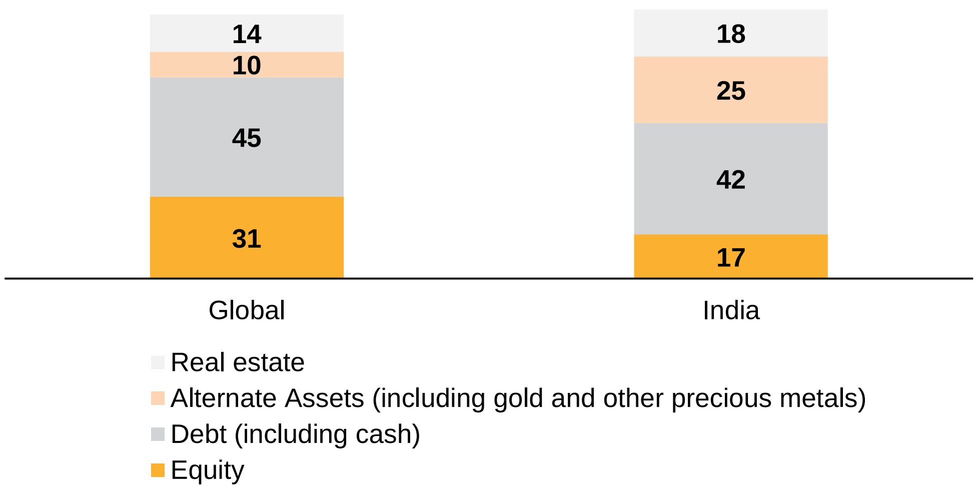
Proportion of Equity in Industry MF AUM mix went up in 5 years



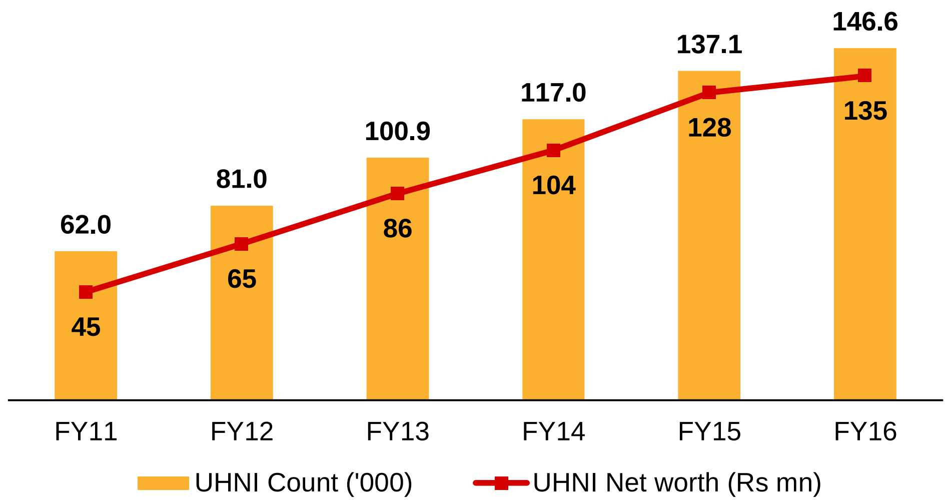
Source: AMFI

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

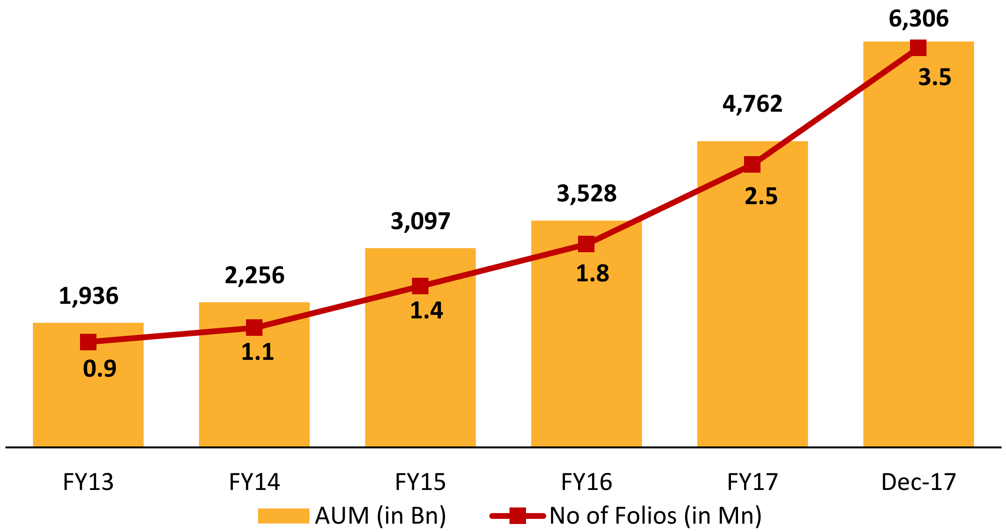
Individual Wealth distribution shows India has a higher share of Alternates, but lower share of Equity, to global averages



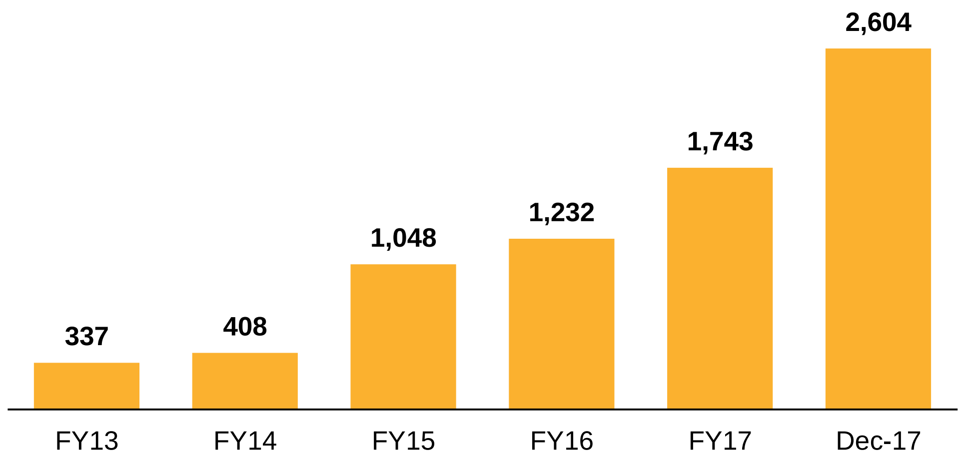
India is Home to ~0.2 mn HNIs, out of which ~0.15 mn are UHNIs; UHNI growth and count has seen steady growth last 6 years



HNI's Mutual Funds AUM grew at 25% CAGR in the last 4 years (Rs bn); Folios grew at 32% CAGR (Mn)



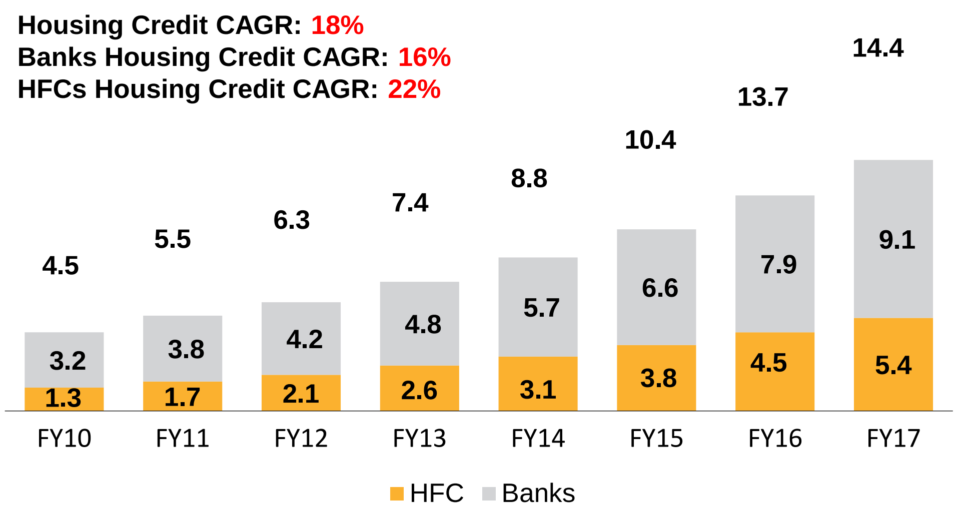
HNI's equity Mutual Funds AUM have picked up at a higher CAGR of 50% in the last 4 years (Rs bn)



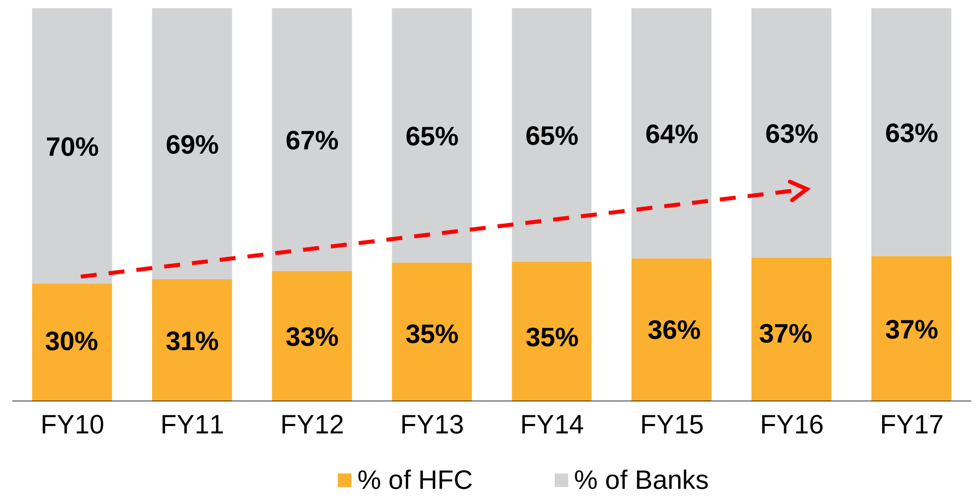
Source: AMFI, Kotak Top of Pyramid Report, arvy Wealth report, 2016

Housing Finance holds ample potential; moving from Banks to HFCs

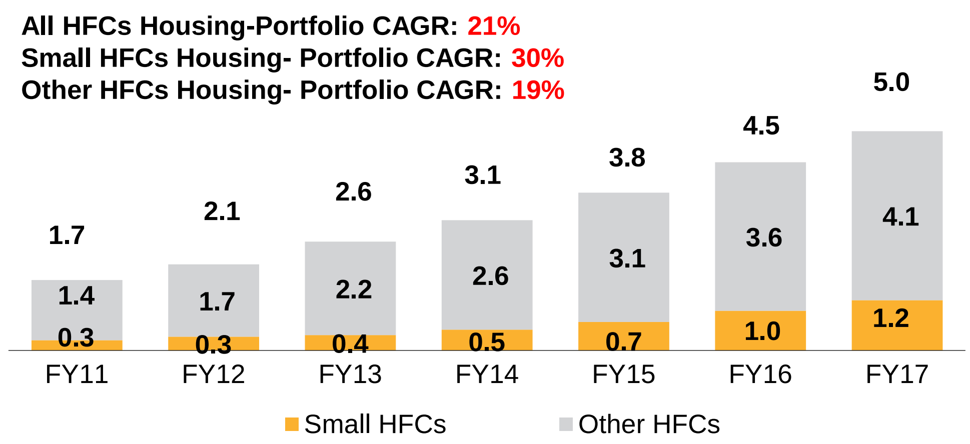
India's housing credit growing significantly (Rs tn)



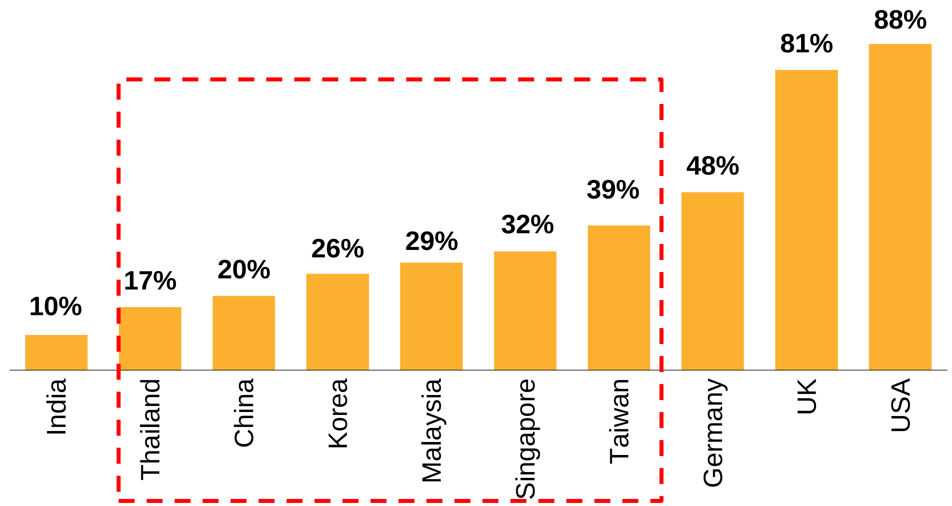
HFCs gaining share from banks



Small HFCs outpaced large HFCs (Rs tn)



Indian mortgage underpenetrated versus Asian peers (Mortgage to GDP)

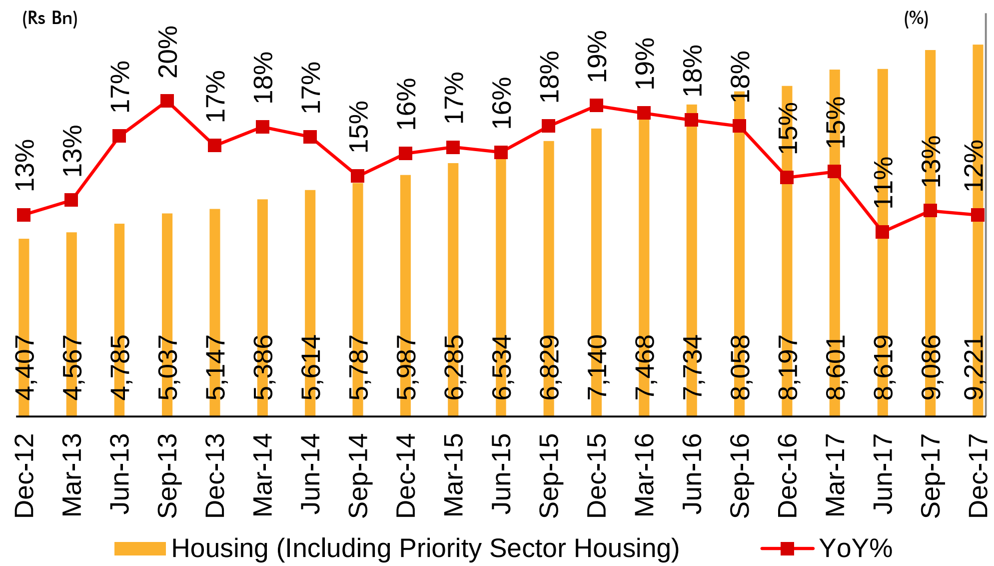


*Note : * Includes only retail mortgages; does not include LAP and Construction Finance*

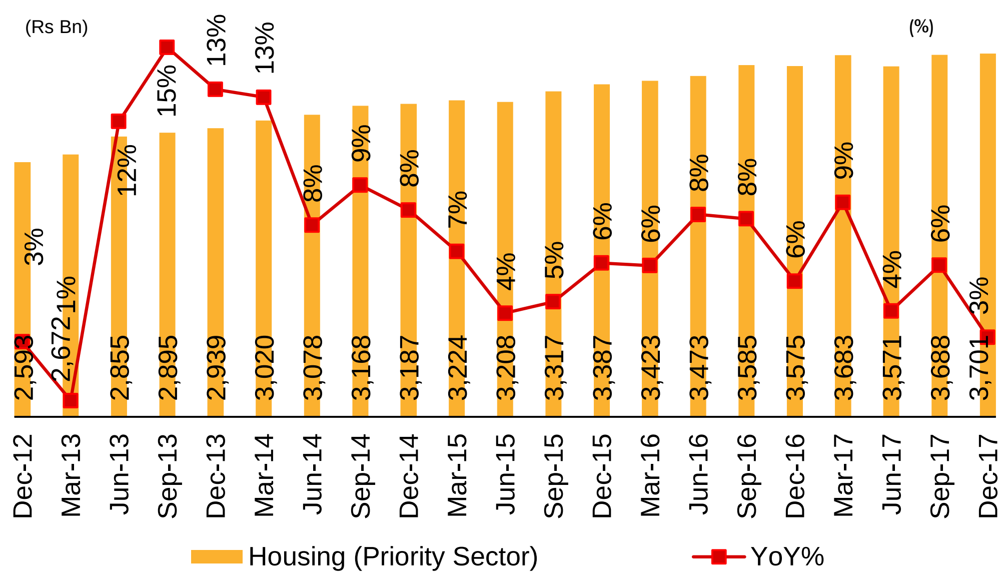
Source: ICRA, World Bank, RBI

Affordable Housing growth much faster

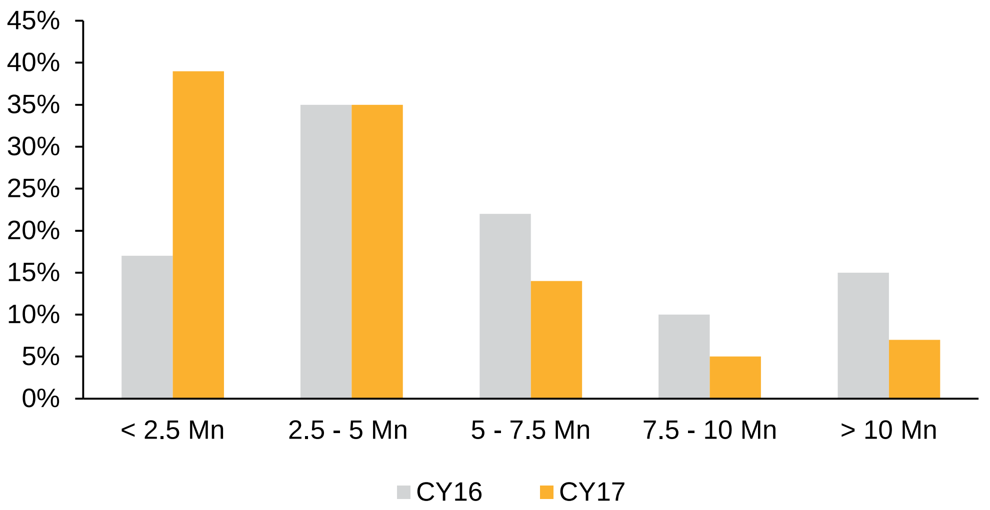
Housing credit trend (Rs bn)



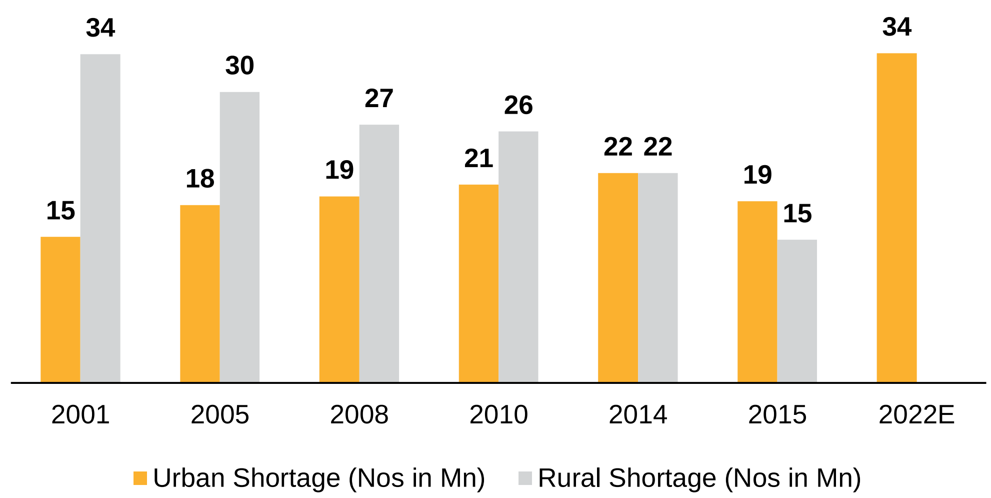
Priority Sector Housing credit trend (Rs bn)



Affordable Housing gaining traction



Affordable Housing opportunity – Shortage of urban & rural housing



Source: RBI, MHUPA, Knight Frank

Safe Harbour

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