Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended Jun 2017

31 Jul 2017

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of Rs 5.8 billion for Q1FY18, +58% YoY. PAT was Rs 1 billion for Q1FY18, +28% YoY. Broking-related revenue was Rs 1.9 billion in Q1FY18, +45% YoY. Asset management revenue was Rs 1.6 billion in Q1FY18, +102% YoY.. Housing finance-related revenue was Rs 1.6 billion in Q1FY18, +60% YoY. Investment banking income was Rs 0.2 billion in Q1FY18, +180% YoY. Fund-based revenue was Rs .4 billion in Q1FY18

For a deeper insight into the company's performance and the management's expectations, we present extracts from the post-results conference call. We have edited and rearranged the transcript for greater lucidity. We have also included exhibits from the company's presentation on its performance for the quarter ended Jun 2017. This presentation is available at www.motilaloswalgroup.com

Corporate Participants

Mr Motilal Oswal

Chairman

Mr Raamdeo Agrawal

Joint Managing Director

Mr Navin Agarwal

Managing Director

Mr Shalibhadra Shah

Chief Financial Officer

Mr Rakesh Shinde

Investor Relations

Welcome to the 1st Quarter of FY18 Earnings Conference Call for Motilal Oswal Financial Services Limited. We have with us today Mr. Motilal Oswal-Chairman, Mr. Raamdeo Agrawal-Joined Managing Director, Mr. Navin Agarwal-Managing Director, Mr. Shalibhadra Shah-Chief Financial Officer and Mr. Rakesh Shinde-Investor Relations. For the duration of the presentation all participant lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to invite Mr. Navin Agarwal to make his opening remarks. Thank you and over to you sir…

MOFSL CONSOLIDATED FINANCIALS (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Total Revenues	**5,761**	**3,650**	**58%**	**5,761**	**5,370**	**7%**	**18,183**
EBITDA	2,739	1,856	48%	2,739	2,559	7%	9,291
Exceptional items	0	112	nm	0	72	nm	613
PBT	1,386	1,063	30%	1,386	1,375	1%	5,152
PAT	**1,016**	**792**	**28%**	**1,016**	**902**	**13%**	**3,600**
EPS - Basic	7	6		7	6		25
EPS - Diluted	7	5		7	6		25
Shares O/S (mn) - FV	144	142		144	144		144

REVENUE COMPOSITION (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Brokerage & operating income	1,874	1,290	45%	1,874	1,542	22%	5,932
Investment banking fees	230	82	180%	230	423	-46%	855
Asset management fees	1,601	794.56388	102%	1,601	1513.2086	6%	4,434
Fund based income	422	458	-8%	422	172	146%	1,174
Housing finance related	1,600	1,002	60%	1,600	1,696	-6%	5,705
Other income	35	24	47%	35	24	42%	82
Total Revenues	**5,761**	**3,650**	**58%**	**5,761**	**5,370**	**7%**	**18,183**

Opening remarks

Good morning. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services earnings call for the 1st quarter of FY18. During the quarter, we continue to witness positive outcomes from the changes we made in our business model few years back. Each of our chosen area of business has built scale and improved profitability. The overall business model is continued to move towards annuity revenue sources. Our overall operating metrics remain robust. We have achieved highest ever quarterly revenue and profit during the quarter. We achieved an ROE of 20%+ and believe this is sustainable. All our businesses offer huge headroom for growth, and many of them offer significant benefits of operating leverage. During this call, I will share the performance of each of our businesses. Our consolidated revenues in Q1FY18 stood at Rs 5.76bn, +58% YoY. Asset management business topline was +102% YoY, Housing finance +60% YoY and capital markets +53% YoY. 56% of revenue in Q1FY18 came from linear sources like asset & wealth management and housing finance vs. 49% last year same period. While the share of Capital Markets reduced (37% against 38% in Q1FY17), it continues to grow in absolute terms. Both asset management and housing finance businesses clocked rapid growth in assets and the asset management business improved in profitability despite significant investments in manpower, network and marketing. Broking business has clocked its highest ever quarterly revenue led by increase in volume coupled with stable market share, while the distribution arm clocked strong growth in mobilization. Investment banking saw a continued strong traction with 5 ECM transactions done during the quarter.

PBT was up by 30% YoY at Rs 1.38bn despite the impact of change in accounting policy for ESOP valuation from intrinsic value to fair value method. Excluding this impact, PBT would have been higher by 46% YoY to Rs 1.52bn.

Consolidated PAT was Rs 1 bn in Q1FY18, +28% YoY, despite the impact of change in accounting policy of ESOP. This incremental PAT growth was contributed by Asset & wealth management (exc. PE) business, +168% YoY, followed by fund based business, +156% YoY and Capital Market business, +63% YoY.

Significant investments have been made into headcount in Retail broking (+31% YoY) and Housing finance (HFC) business (+87% YoY). Ad expenses are +128% YoY in Asset Management business. In case of HFC, branches are up by 94% YoY, Manpower cost +80% YoY. The full effect of operating leverage from these investments is yet to unfold.

Consolidated net worth was Rs 19bn, gross borrowing was Rs 52 bn and net borrowing was Rs 50 bn (including Aspire). Excluding Aspire, gross and net borrowings were Rs 14 bn and Rs 12 bn respectively. Against this borrowing, balance sheet has strong liquidity, with ~Rs 10 bn in near-liquid investments as of June 2017 to fund any future investment needs of operating businesses.

In line with our strategy to deliver a sustainable 20%+ ROE, our ROE for Q1FY18 was 22% on the reported PAT. However, this does not include unrealized gains on investments in our mutual fund products, which was Rs 3.6 bn as of June 2017. Had this been included, ROE in Q1FY18 would have been ~26%.

1. Starting with the Capital Market businesses

Capital market revenues (broking & investment banking) were Rs 2.1 bn in Q1FY18, +53% YoY. Market ADTO grew 78% YoY in Q1FY18, with F&O +80% YoY and cash +46% YoY. Our market share in high-yield cash segment was maintained on YoY basis and overall market share was 1.8% in Q1FY18. Blended yield improved from 3.1bps in Q1FY17 to 3.2bps in Q1FY18. Some of the operating leverage from the investment in manpower (+31% YoY), brand & technology is visible, as MOSL's PAT margin is at 16% in Q1FY18. However, the full benefit of operating leverage is yet to unfold.

In Retail Broking & Distribution, our strategy to bring in linearity through the trail-based distribution business is showing results. Distribution Net Sales were Rs 4.3 bn in Q1FY18, +147% YoY, and AUM was Rs 52 billion, +147% YoY. With only 20% of the distribution network tapped as of now, we expect a meaningful increase in AUM and fee income as cross-selling increases. Our efforts to improve sales productivity is bearing fruit, with over 60% of leads generated online. Online business continues to grow, reaching 44% of retail volumes in Q1FY18. Our ongoing campaign of TIP (Target Investment Plan), which is an investment product that helps in meeting an individual's personal & financial goals, is receiving strong response among all customers.

In Institutional Broking, blocks continued to gain solid traction within our volumes. Our empanelled trend remains strong with 8 new client additions during the quarter. Focus has been on making the most of the market tailwind while building sustained areas of competitive advantage.

Investment Banking continues to have a strong pipeline. IB fee were Rs 240 mn in Q1FY18, +165% YoY. Our IB was among the top 10 investment banks in primary market equity deal ranking in H1CY17. It has completed 5 ECM transactions in Q1FY18.

Capital markets businesses contributed ~37% of revenues in Q1FY18. The contribution of capital markets in the PAT mix was ~28% in Q1FY18.

2. **Asset and Wealth management**

Asset Management business across MF, PMS & AIF reached the milestone Rs 250 bn AUM mark this year, comprising of Rs 113 bn MF AUM and Rs 128bn PMS AUM. Our AMC now ranks among the Top-10 players by total equity assets with leadership position in PMS business. Net Sales were Rs 29 bn in Q1FY18, +231% YoY and compares with Rs 57 bn in all of FY17. AUM was Rs 250 bn, +104% YoY. Net yield was close to ~1% in Q1FY18. Revenues were Rs 1.35 bn in Q1FY18, +131% YoY and PAT is Rs 232 mn, +176% YoY despite significant investments in brand building. The asset management business offers significant operating leverage.

Our QGLP philosophy continued to deliver on investment performance this year. F-35, our biggest MF scheme with over USD 1bn in AUM, has been ranked the best India Equity Fund globally by Citywire ratings London. The scheme has delivered absolute returns of 31.4% and alpha over benchmark of 16.2%, since inception. Our longest-running Value PMS delivered absolute returns of ~25% CAGR in 14 years. Our 3 flagship mutual funds schemes completed their 3-year performance track record, leading to increased participation from distributors. As of June 2017, ~14% of non-mutual fund AUM or ~ Rs 20 bn is performance-fee linked, and our target is to increase this further.

Our market share in Equity MF Net Sales has scaled up in Q1FY18 to ~4.6% compared to 3% in FY17. Due to our recent vintage, our market share in Equity MF AUM is ~2.2% and should rise given the strong performance of products and traction in Net Sales. Ad & marketing spends were Rs 46 mn in Q1FY18, +128% YoY, forming 8% of net revenue. Our ongoing ad campaign “Think Equity Think Motilal Oswal” is reiterating our positioning as equity specialist. These branding exercise and strong performance of our products coupled with higher equity inflows in market are helping us to garner higher market share.

Financial savings to total savings in India has increased drastically in recent past which has started benefitting our AMC business. In offshore asset management, which is 2x of institutionally managed equity assets in India, we are seeing initial interest in our offshore products.

Private Equity manages an AUM of Rs 32 bn across 2 growth capital PE funds & 3 real estate funds. This business has delivered on profitability and scalability fronts. The 1st growth fund has returned ~209% capital so far, and it is estimated to deliver a gross multiple of ~3.7x. This implies that nearly half of the estimated profits are yet to be booked. IBEF III has been launched during the quarter and expected to close its first tranche by end of H1FY18 with corpus of Rs 6-7 bn. The 3rd real estate fund raised commitments of ~Rs 9.8 bn so far.

Asset Management fee (asset management and private equity) were Rs 1.4 bn in Q1FY18, +131% YoY. This now contributes to ~25% of consolidated revenues in Q1FY18 vs. 18% back in Q1FY17. Contribution of Asset & Wealth Management in the Profit mix was ~29% in Q1FY18.

Wealth Management business AUM grew by 53% YoY at Rs 113 bn. Net Sales were sequentially stable at Rs 4 bn. RM productivity has increased in line with their vintage, overall RM recruitment was strong during the quarter.

3. **Housing Finance business:-**

Aspire Home Finance continues to deliver on growth, our loan book grew by +73% YoY at Rs 43 bn.

Our branch network stood at 120 branches across 9 states likely to see further expansion in coming quarters which will further aid loan book growth.

We have maintained steady operating metrics with average ticket-size of Rs 0.90 million, LTV of ~59% and FOIR of ~46%.We have maintained our margins at 4% level.

Profit for AHFL stood at Rs 141mn, +5% YoY, muted profit growth impacted by higher employee cost, +80% YoY and other opex, +74% YoY during the quarter.

Disbursements in Q1FY18 were at Rs 3.3 bn, impacted partly by external factors in economy such as RERA, GST causing postponement of customer decision and builders adopting wait and watch approach. Also, as Aspire scales up, certain internal housekeeping, investments in support functions and tweaking the organisation structure were overdue, to prepare the organisation for handling a larger scale with improved productivity. This was not possible in Q3 due to de-monetisation and in Q4 due to focus on disbursements and is partly reflected in ~10% manpower addition QoQ without any increase in branch network. Hence, disbursements took a back seat for the quarter, reflecting in a decline. Pick up in July disbursement is strong and this should be reflected in Q2 numbers.

GNPA increased from 0.6% in Q4FY17 to 1.6% in Q1FY18 on account of seasonality in expenditure of the customers in affordable housing segment besides seasoning of Aspire’s loan book.

ROA for Q1FY18 was 1.3% impacted by lower profitability during the quarter, while ROE was 8.2% which was impacted by lower profitability coupled with equity dilution led by promoter capital infusion of Rs 1bn during the quarter.

The cumulative capital infusion from the sponsor is Rs 6 bn and net worth is Rs 7.5bn as of June 2017.

Our liability profile is well diversified. ~55% of borrowings were from NCDs and ~45% from bank loans.

Average cost of borrowings was at ~10% in Q1FY18 against 9.4% in Q4FY17 and 10.3% in Q1FY17. This spurt in cost of fund was mainly on account of no incremental funding raised via CP instruments during the quarter. However, its impact on margin was limited as incremental net borrowing was significantly lower than Q4FY17.

We have invested into our state outreach in Q1FY18 also and increased in employees (605 to 1,130 YoY), due to which our Cost-Income ratio is at ~51% in Q1FY18 vs. ~43% in Q1FY17. These investments into network expansion are expected to yield results in coming quarters.

We invested into Digitization to reduce opex and TAT, and improve customer convenience, and we expect majority of the transactions to be covered by our digital initiatives

Our credit ratings are CRISIL A+ Stable and ICRA AA-. We have kept gearing conservative, with the Debt/Equity ratio at 5.1X

Under PMAY CLSS we have received subsidy on more than ~4000 customers amounting to Rs 850mn till date out of which Rs 490 mn we have received in this quarter alone.

We have been awarded with second prize for "Best Performing PLI (prime lending institution) under PMAY by MHUPA (Ministry of Housing and Urban Poverty Alleviation)"

4. **Fund based Business focuses on enhancing Return on Equity**

Fund Based activities like commitments to our asset management products, not only helped seed these new businesses by investing in highly scalable opportunities, but they also represent liquid resources for future opportunities

Fund Based Income was Rs 422mn in Q1FY18.

Our investments in our mutual fund products stood at Rs 6.4 bn (at cost). The unrealized gain on these as of June 2017 was Rs 3.6 bn vs. Rs 1.8 bn as of Jun 2016. Additionally, unrealised gain in AU Small Finance bank Investment was Rs 1.8 bn after its recent listing. All these are not reflected in the reported PAT. The post-tax XIRR of these MF investments (since inception) is ~24%, which is in line with the long term performance track-record of our QGLP investment philosophy.

Our investments in our alternative investment products are Rs 2.5 bn.

The NBFC LAS book was Rs 2.5 bn as of June 2017, which is now run as a spread business.

Outlook

To sum up, our strategy of diversified business model towards linear sources of earnings is showing definite results. The annuity nature of the new businesses has brought in visibility of our earnings. Our businesses continue to build scale in Q1FY18 and offer operating leverage. Our brand is now being recognized in each of our businesses. We will continue to achieve a sustainable 20%+ ROE over the long-term. The size of opportunity in all our business segments is huge and MOFS is well placed to benefit from the growth potential they offer. We are now open for Q&A!

1. Capital Market Businesses

Retail Broking & Distribution, Institutional Broking

KEY FINANCIALS: MOSL (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Total Revenues	2,409	1,505	60%	2,409	1,981	22%	7,197
EBITDA	725	499	45%	725	460	58%	2,275
PBT	489	316	55%	489	244	101%	1,429
PAT	386	241	61%	386	184	110%	1,088

How should we think about operating leverage out in broking, the EBITDA ratio per se has not really kind of moved this quarter?

Broking business entity also holds some of the treasury investment which need to be liquidated from time to time for investing in turn in the home finance business. So this number includes some of those again but the manpower cost is more than 30%, so significant investments continued to be made by us. As there is lot of nonlinearity as far as market volumes are concerned and in the past we have seen meaningful operating leverage coming out as the employee cost which is the largest cost element do not grow in sync with the top line as and when you have an upturn in the overall market volume. So we would still expect sizable operating leverage from this business going forward.

In brokerage and operating income, what is the breakup of retail, institution, distribution income?

We do not split out our broking revenues between institution and retail. We have highlighted in the past that roughly 2/3rd of our income is retail broking and 1/3rd is institutional broking. Within the retail business, the distribution income is rising rapidly due to the build out of assets and is already at a double-digit percentage of our total retail revenues as we speak. Although only 20% of the broking distribution network is involved in distribution of financial products as of now, so the buildup of the distribution income within retail broking revenues should be strong going forward.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Total Revenues	240	91	165%	240	429	-44%	872
EBITDA	167	38	343%	167	309	-46%	561
PBT	167	37	352%	167	307	-46%	554
PAT	148	32	362%	148	202	-27%	372

2. Asset & Wealth Management Businesses

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
AUM (Bn)	250	123	104%	250	203	61%	203
Net Inflows (Bn)	29	9	231%	29	19	50%	57
Total Revenues	1,347	584	131%	1,347	1,205	12%	3,413
EBITDA	348	132	164%	348	272	28%	765
PBT	347	130	166%	347	270	28%	759
PAT	232	84	176%	232	177	31%	498

How much is the share of offshore side in equity AUMs and what are targets as we know it could be a very significant opportunity, particularly when there is established leadership and scale domestically?

Our overseas effort has started but AUMs have not been built in. We are talking about $10-15 million which is of no significance. Bulk of the current holding, we are talking about Rs 250 bn-260 bn, they are all HNIs from India and some NRI. We don't have exact number for that but they are more like part of the domestic effort rather than overseas effort. So overseas effort has started in a very organized way from last 12-18 months and we are yet to see any meaningful traction in terms of inflow in the past. But we are hopeful that this quarter, so we are meeting lot of people. We think in next 6 to 8 months we will have a better number to show.

What is the estimation of proportion of the AUM by the end of FY18 to come from the offshore side?

This is a $4 billion base now, in that even if we do 100 million that will not move the needle. So we will have not more than 100 million by March. But these things cannot be predicted. When it comes it comes like a torrent, absolutely because we have touched the entire US and Middle East and some portion of Far east also. There is lot of effort on the ground, we have meetings after meetings and there are lots of potentials. One of the hurdles we are facing is the current levels of the market which is not allowing them to start very quickly. But it's a process. We think in the 6 to 8 months' time, we will have a better experience and hopefully better numbers.

How are you proposing to increase the performance fee component which as per your presentation stands at 14% right now? Is there a plan to raise that up and are we facing some resistance from the channels?

There is no resistance from anywhere. It is our own product innovation and marketing capability. So we have to put right products in the like we have done in two AIFs. Third is on and will be launched soon. So we are putting up Alternative Investment Fund, so there we have a product clearly based on performance. Since we have seeded to funds, we are looking at how these things move and the third one is also in progress, so that's one source of it. But we will come out with many more proposals. One of the efforts for going abroad, our overseas initiative is also to sell only performance-based product. But in next 5-6 years definitely we should see 2/3rd Performance; 1/3rd Regular kind of situation. In rising markets, normally client did not prefer to carry structure. They would be very happy to pay in EMI especially because last time when the markets were falling people go more for kind of carry structure less up front. Right now, we are into very different phase.

Given our style and philosophy of concentration at 14,000-15,000 crores, is there any execution challenge of getting meaningful allocation in such a market without changing prices?

We have never managed 150-160 billions, so we don't know what challenges will be when we manage that. But right now we have more ideas in money that much I can tell you. So managing across six products 250 billion it's a learning experience and this market is very different right now, market is very trended and we're actually buying larger companies a lot more. Even a company like HDFC which is of Rs 5 trillion company or a Maruti which is Rs 2.5 trillion company, they also behave like a mid-cap company. In those kind of companies to put Rs 10 bn or Rs 12 bn and since we don't trade one of the easier way to manage a lot more money than a normal system is that what we buy it goes into warehouse, it's like a onetime buy. So HDFC Bank we have been buying from Rs.1000-1200, Rs. 1300-1400, 1600-1700. For every price, we have been buying so we are not disturbing the market. We have bought the stock and our buy is very incremental. Even if we get a flow of 5 bn in a month, in 5bn if we put even 10% in HDFC Bank only ,this is the max one can do so how much will go, .5 bn. If we buy .5 bn in a 30 days in a Rs 5000 bn company, we don't think that it is going to move the stock. For us, also there is no difficulty in buying and selling. If we sell Rs .50 bn also, there should not be any problem. So of course in a very smaller companies like Rs 10 bn- Rs 12 bn, that challenge is there. But we have to find other modes of acquiring those companies getting into pre-IPO or asking the company to do provisional issuance, getting to the companies and buy them far have the time rather than bidding for the company to perform. So we think that thing is not that challenging right now but right now it is a trended market even difficulties will not be felt. But as the market becomes weak, once market goes in bear phase, it will be much more easier to pump money but money will not come. In stagnant market, how do we invest money, make money and create alpha, so those challenges will come but we think that no there is no pain.

What would be direct plan’s contribution to our MFs as of now, have they been trending upwards over the last few quarters?

It is better. Right now we don't have a very specific number. But if it will be more than 30%

Now that funds have a three year track record hopefully can get them better distribution, revenue share arrangements etc. How should we think about operating leverage in AMC?

Operating leverage is building up, we can see very clearly. EBITDA margin is shooting up. It has shot up for the first quarter also, so the expenditure because in the design of the company itself or design of the QGLP practicing in AMC itself, we had at least in mind very clearly that our focus will be a lot on the investment management and the distribution is completely outsourced. So we don't have much of a distribution led employee cost. So our costs are much more focused on to the number of managers and the analysts and that is very-very what we would say with lot of leverage. One manager can manage 50 bn, the same manager can manage 200 bn. So we are scaling up very rapidly and in this kind of environment even if the yield doesn't go up just the scale itself gets us operating leverage. But of course our product mix will become better and hopefully our own intake should be better. So combination of products mix, combination of direct and indirect, then mix between the PMS and mutual fund, we think there is lot of scope for operating leverage.

The AUM quarter-on-quarter has risen roughly about 25% but the revenue has risen only 12% from 1205 million to 1347 million, so any specific reason for this?

Our aspiration is to operate with higher yields YoY for the next 2-3 years. So revenue growth should always be higher than AUM growth. Just one last point, bear in mind always that the fourth quarter for the asset management business also has carry so should be careful in making a fourth-quarter comparison because that accrues in the fourth quarter and zero in the first quarter.

Private Equity

KEY FINANCIALS: PRIVATE EQUITY* (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Total Revenues	109	87	25%	109	85	28%	401
EBITDA	47	29	59%	47	-1	nm	97
Exceptional Item	0	103	nm	0	48	nm	551
PBT	41	131	-69%	41	42	-3%	637
PAT	29	117	-75%	29	26	13%	483

Exceptional Item includes revenue from share in profit on sale of investments (carry share) made in the 1st PE growth fund

Wealth Management

KEY FINANCIALS: PRIVATE WEALTH MANAGEMENT (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
AUM (Bn)	113	74	53%	113	101	24%	101
Net Inflows (Bn)	4	5	-28%	4	4	-16%	18
Total Revenues	179	154	17%	179	242	-26%	720
EBITDA	59	36	66%	59	85	-31%	223
PBT	57	28	103%	57	83	-32%	205
PAT	40	19	112%	40	51	-21%	132

3. Housing Finance Business

Aspire Home Finance

KEY FINANCIALS: ASPIRE HOME FINANCE (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Loan Book (Bn)	43	25	73%	43	41	4%	43
Disbursements (Bn)	3	5	-32%	3	9	-65%	24
Gross NPL%	0	0		0	0		0
Net Interest Income	425	217	96%	425	417	2%	1,259
Other Income	155	175	-12%	155	334	-54%	951
Total Income	580	393	48%	580	751	-23%	2,209
Operating Profit	284	225	26%	284	481	-41%	1,379
PBT	213	206	3%	213	436	-51%	1,257
PAT	141	134	5%	141	286	-51%	821

What will be the impact of increasing competition intensity in the housing finance business will it have on ASpire and what is the note or USP for Aspire in this particular business?

First thing, this business is a very rapidly growing business so it is having large opportunity. The competitive advantage comes like at any part of the bank of banking. Competitive advantages comes from 3-4 sources. One is cost of funding, second is your yield, third comes in operating cost, fourth comes in credit cost. Most important way to gain advantage is the scale, so when you have the scale and quality of underwriting so 90% principle of this business is to get the underwriting right. So lot of competition is coming but getting high-quality underwriting and keeping credit cost lower because your margins are thin. If credit cost is high then net profit will be very low. So it is very important to have the credit cost absolutely minimum. We have seen HDFC and Gruh finance, they have reduced their credit cost to 10-20 bps 30 bps . It is most important and most difficult to do. So the competitive advantage of any housing finance company going forward is going to be keeping the credit cost under leash because as the scale comes as the profit increases. We will get a higher rating and credit cost will become very competitive. So the whole effort is to scale up as early as possible, scale up nicely and keep the underwriting quality at highest level so that our credit cost remains low. And it's a three-year journey; it's a work in progress. It takes 5-6 years for any company to realize what they are doing good and what doing badly and we are also in the same process.

How do we keep our credit cost low There is lot of process issue in keeping credit cost low. We have to take care of entire process like collateral security, quality of houses taken as a guarantee or security that has to be of highest order, there should not be any fraud. But it is not about the house, it is about the repayment ability of the people who are taking the loan. So how do you get the good quality asset and good borrower who has a good repayment ability that is extremely important. And that's why that is being done by a very experienced leadership of Anil Sachidanand and his team. We have about upwards of maybe few hundred years of mortgage experience in the team and that team is what is our core strength in starting the business and quickly building up good underwriting capability across the 120 branches we have, so that’s a main thing.

What is your view on the financialization of the saving scenario in India?

We have seen that the financialization is happening and the biggest trigger is the lower inflation, lower interest rate. Also fixed income part which is 6%-7% not acceptable to Indians and actually the mindset of people are at least close to double-digit or 9%-10% kind of a return. Only equity asset class going well is the equity and hence lot of people who were just running away from equities they are finally relooking at this particular segment. So it is some amount of redirection of the flows from fixed income to equities and some real estate oriented guys, they looking at equity. So all sorts of guys are coming from all sides, the new guys, the old guys, HNIs, retail, etc... Demonetization has been further booster to this financialization of savings.

In Aspire, we are already in the fourth year of the business so what have been our learnings and where are we not up to the mark compared to peers?

There are learnings almost every day; it's a work in progress. Even in AMC or broking which is 30 years old business, we are learning always. The markets are evolving, investors are evolving, systems are evolving so there are always newer ways of committing mistakes and that creates newer ways of making money also. So, as far as this thing is concerned, everything is new, how can we tackle the credit cost and collection. Initially, we thought it is about liability management. When we got in the business, we thought mustering liability will be a problem but we have done a decent job. The team did a wonderful job of realizing money. Later on, we realized that after giving the money, most important thing is efficient collection. So we are learning what it takes and particularly the demonetization shock which came. Ship was going at particular pace but demonetization on affordable segment has the biggest blow. So in first quarter, lot of energy of the entire team went to see that quality of the book remains intact and hence the collection took lot more time. So now, we are building up a parallel complete collection organization. So these are the lot of learnings which we have learned. But demonetization has definitely taught us lot of things about this particular segment. So this segment looks very simple but it's not very easy to execute with the scale and high-quality underwriting. Low credit cost in this business is very tough. It will take no time for the credit cost to go out of hand, so one has to have a good balance between credit cost and the growth.

Where do you think credit cost should normalize going forward? What do you think should be our comfort zone?

This quarter obviously is seasonally impacted. Also, typically for most of the affordable housing finance companies, the outstanding gross NPL as of June would be two times or more compared to the March quarter. So, this credit cost would not see as a sustainable level and it should trend lower than this number.

As far as gross NPAs are concerned, they should be at least in the band of around 1% to 1.5%. As the book seasons, we will have a better understanding of where these numbers will stabilize over the long-term. Also, whole economy is just coming out of the demonetization effect and now GST. After Diwali, at least we will have nothing to complain from the economy side then we have to handle everything from inside what process has to set up.

Why there was a decline in Disbursement?

This was a quarter, where substantial investments in terms of rejigging the organization structure, in terms of investment processes were overdue. Third quarter did not allow to do that due to demonetization and fourth quarter was a big focus on Disbursement. We thought that this first quarter being the leanest is the best time to do so. During this quarter, without any increase in branches we had nearly 10% increase in manpower base quarter-on-quarter (on about 120 branch count, about 100 people addition). So basically, the support organization that has been supplemented across branches is what the predominant focus for the team was and disbursements effectively took a backseat. As we mentioned, July has seen a reasonably strong pickup in the disbursement numbers. So in the coming quarters we should see normalization of these disbursement numbers.

On the CLSS, roughly 30% of your customers are the ones who are availing the scheme?

We have given you the number at 4000 on outstanding customer base of 48,000, so which is 8%. Basically, eligibility would be a much bigger number. This is already disbursed to us. About 40% of our loan book is eligible to get the subsidy.

What percentage of origination coming from the DSA route or outside of the company?

22% of the origination is DSA, in that about 5% to 6% and over 70% is through our own relationship managers, relationship officers, RMs and ROs.

What is a long-term assessment of credit cost in housing finance?

We have to allow the book to season. We think that the current quarter gross NPL number is obviously a seasonal high and the number should fall in the subsequent quarters. We should wait and watch but taking any number around a percent or so in that ballpark may not be a bad estimate in our view as of now .

How do we see loan book growing through and the loan book targets for the three years?

We do not give out any forward-looking statement. However, as we discussed with about three states operating last year or a bulk of the year we had a disbursement of Rs. 24 billion and now present in nine states. The number of branches at the close of last year was about 60, at the close of FY17 that number is gone up to 120. So the increased state footprint and the doubling of branch network should show up in higher disbursements for the current year. So those are the broad indications in terms of the outlook for housing finance business. We are obviously trying to be a national housing finance company and not a regional player. We are still in 9 states out of 29 states in India.

What are your aspirational targets for the ROA of this business?

In last year reported numbers, the cost to income ratio benefits are yet to come through as the balance sheet matures. The cost of funds benefit due to any rating upgrade is also yet to get reflected. However, the fee income to total income should come down, so we can ballpark model around the same levels going forward.

Gross NPAs have increased from 0.6% to 1.6% Q-on-Q, so is there any worry or this is just seasonality?

Any increase in NPL is always going to be a worry. However, we have highlighted that for a 13% yield, affordable housing finance company, the seasoning of the book will lead to an NPL number higher than the 60 basis points that in last quarter. This got exaggerated by the seasonality associated with Q1FY18. Need to look at the gross NPL number Q-o-Q for the other affordable housing finance companies in June versus March. On an average, they are between 2x to 2.5x Q-o-Q in absolute rupees crores term and those companies have already reported their numbers.

What is a long-term ROE on the Aspire Home Finance that we are looking at?

Our goal for the company as a whole is to have (+20%) ROEs, it will be no different for any single business that we operate in. It applies as much to Aspire but this will only be achieved once you have a little more mature balance sheet, better cost-to-income ratio and credit rating in the years to come. So this is not something that we expect will happen currently because we are operating with a very low gearing. That gearing right now is 5x.

4. Fund-based Business

KEY FINANCIALS: MOFSL Standalone (Rs Mn)

	Q1 FY18	Q1 FY17	CHG. YoY	Q1 FY18	Q4 FY17	CHG. QoQ	FY17
Total Revenues	226	370	-39%	226	180	25%	1,424
EBITDA	176	314	-44%	176	130	35%	1,229
Exceptional Item	0	8	nm	0	24	nm	61
PBT	71	203	-65%	71	60	18%	857
PAT	49	179	-72%	49	58	-16%	863

Others

Brokerage in operating income in this presentation the number is 593.2 crores and the last quarter the presentation its 661.7 crores. There is some mismatch, so could why there is a mismatch, any cost income line add up there or deducted?

That is on account of regrouping, so actually the wealth business is being regrouped with the asset management and advisory business. So wealth business used to get reported along with the brokerage revenue, it's now put along with asset management advisory revenue.

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q1FY18 Consolidated Revenues of Rs 5.8 billion, +58% YoY; and PAT of Rs 1 billion, +28% YoY

Mumbai, July 27, 2017: Motilal Oswal Financial Services Ltd. announced its results for the quarter ended June 30, 2017 post approval by the Board of Directors at a meeting held in Mumbai on July 27, 2017.

Performance Highlights

Rs Million	Q1FY18	Q1FY17	YoY Chg	Q4FY17	QoQ Chg
Revenues	5,761	3,650	↑58%	5,370	↑7%
PBT	1,386	1,063	↑30%	1,375	↑1%
PAT	1,016	792	↑28%	902	↑13%
EPS (FV-1)	7	6		6	

Performance for the quarter ended June 30, 2017

- Consolidated revenues were Rs 5.8 billion in Q1FY18, +58% YoY.
- Strong growth in Q1FY18 across businesses. Asset management business +102% YoY, housing finance was +60% YoY, and capital market businesses +53% YoY. The revenue mix is seeing healthy diversification, as 56% of the revenue came from linear sources like asset & wealth management and housing finance vs. 49% 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 businesses saw rapid growth in assets, and improved in profitability despite significant investments in areas like manpower, network and marketing. Broking business registered highest ever quarterly revenue led by increase in volume coupled with stable market share. Further, distribution piece has also registered solid growth in mobilization. Investment banking saw a continued traction with 5 ECM transactions done during the quarter.
- PBT was up by 30% YoY at Rs 1.38bn despite the impact of change in accounting policy of ESOP. Excluding this impact, PBT would have been higher by 46% YoY.
- Consolidated PAT was Rs 1 billion in Q1FY18, +28% YoY. This incremental PAT growth was contributed by Asset & wealth management (exc. PE) business, +168% YoY, followed by fund based business, +156% YoY and Capital Market business, +63% YoY.
- Significant investments have been made into manpower in broking (+31% YoY) and housing finance (+87% YoY). Ad expenses are +128% YoY in Asset Management business. In case of housing, branches are up by 94% YoY, Manpower cost +80% YoY. These up-fronted investments will translate into operating leverage in the coming year. Some of this was visible, with PAT Margin of 18% in Q1FY18. However, the full effect of operating leverage is yet to unfold in our businesses.
- As of June 2017, net worth was Rs 19bn, gross borrowing was Rs 52 bn and net borrowing was Rs 50 bn (including Aspire). Excluding Aspire, gross and net borrowings were Rs 14 bn and Rs 12 bn respectively.

- In line with our strategy to deliver sustainable 20%+ ROE in the long term, ROE for Q1FY18 was 22% on

reported PAT. However, this does not include unrealized gains on investments in Motilal Oswal's mutual fund products (Rs 3.6 billion, as of June 2017). Including this, the ROE in Q1FY18 would have been ~26%.
- Balance sheet has strong liquidity, with ~Rs 10 billion as of June in near-liquid investments to fund any future investment needs of operating businesses

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 continued to show results, with over half of the revenue pie now coming from these new businesses. These businesses continue to build scale, while maintaining critical operating parameters along with profitability. Our traditional businesses also saw decisive uptick during the quarter by registering record revenues. With this strategy we have achieved highest ever quarterly revenue and profit during Q1FY18. Our brand is now being recognized in each of our businesses. Our ROE was 22% this quarter, 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 quarter ended June 30, 2017

- **Capital markets Businesses (broking & investment banking)**
  - **Capital market revenues** in Q1FY18 were Rs 2.1 billion, +53% YoY. Market ADTO grew 78% YoY in Q1FY18, with F&O +80% YoY and cash +46% YoY. Our market share in high-yield cash segment was maintained on YoY basis and overall market share was 1.8% in Q1FY18. Blended yield has improved from 3.1bps in Q1FY17 to 3.2bps in Q1FY18. Some of the operating leverage from the investments in manpower (+31% YoY), brand & technology is visible, as MOSL's PAT margin is at 16% in Q1FY18. However, the full benefit of operating leverage is yet to unfold.
  - In **retail broking & distribution**, distribution business saw significant traction in Q1FY18. Distribution net sales were Rs 4.3 billion, +147% YoY. AUM was Rs 52 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 60%+ leads generated from online sources. Online business continued to grow. It was 44% of retail volumes in Q1FY18. Mobile app formed an increasing share within this. Our ongoing campaign of TIP (Target Investment Plan) which is an investment product which helps in meeting an individual's personal & financial goals, this is receiving positive initial response among all distributors and branches.
  - In **institutional broking**, blocks continued to gain solid traction within our volumes. Our empanelled trend remains strong with 8 new client additions during the quarter. Focus has been on making the most of the market tailwind while building sustained areas of competitive advantage.
  - **Investment banking** continues to have a strong pipeline. IB fee were Rs 240 mn in Q1FY18, +165% YoY. Our IB was among the top 10 investment banks in primary market equity deal ranking in H1CY17. It has completed 5 ECM transactions in Q1FY18.
  - Capital markets businesses contributed ~37% of revenues in Q1FY18. The contribution of capital markets in the PAT mix was ~28% in Q1FY18.

- **Asset Management Businesses near critical mass**
  - **Asset Management** business across MF, PMS & AIF reached the milestone Rs 250 bn AUM mark this year, comprising of Rs 113 bn MF AUM and Rs 128bn PMS AUM. Our AMC among the Top-10

players by total equity assets. Net Sales were Rs 29 bn in Q1FY18, +231% YoY and compares with Rs 57 bn in all of FY17. AUM was Rs 250 bn, +104% YoY. Net yield was close to ~1% in Q1FY18. Our QGLP philosophy continued to deliver on investment performance this year. Our 3 flagship mutual funds schemes completed their 3-year performance track record, leading to increased participation from distributors. As of June 2017, ~14% of non-mutual fund AUM was performance-fee linked, and our target is to increase this further. As we scale up further, our ~2.2% market share in Equity MF AUM and ~4.6% market share in Equity MF Net Sales should likely converge. Ad & marketing spends were Rs 46 mn in Q1FY18, +128% YoY, forming 8% of net revenue. Our ongoing ad campaign "Think Equity Think Motilal Oswal" is reiterating our positioning as equity specialist. These branding exercise and strong performance of our products coupled with higher equity inflows in market are helping us to garner higher market share.

  - Total costs ex-distribution sharing were Rs 202 mn in Q1FY18, +96% YoY. Significant investments in manpower (+30% YoY) and advertising have been up-fronted, which could result in a meaningful operating leverage in the future. With increase in financial savings to total savings, 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 32 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 ~3.7x. This implies that nearly half of the estimated profits are yet to be booked. IBEF III has been launched during the quarter and expected to close its first tranche by end of H1FY18 with corpus of Rs 6 billion to Rs 7 billion. The 3rd real estate fund raised commitments of ~Rs 9.8 billion so far.
  - Asset Management fee (asset management and private equity) were Rs 1.4b in Q1FY18, +131% YoY. This now contributes to ~25% of consolidated revenues in Q1FY18 vs. 18% back in Q1FY17. Contribution of Asset & Wealth Management in the Profit mix was ~29% in Q1FY18.

- In **Wealth management**, business AUM grew by 53% YoY at Rs 113 bn. Net Sales were sequentially stable at Rs 4 bn. RM productivity has increased in line with their vintage, overall RM recruitment was strong during the quarter.

- **Housing finance has shown traction in assets, while maintaining risk & operational parameters**
  - Housing finance loan book grew by 73% YoY at Rs 43bn. Net income was Rs 141 mn Q1FY18, +5% YoY.
  - Branch network remained at 120 branches across 9 states likely to see further expansion in coming quarters which will provide cushion in achieving our loan growth
  - We have maintained steady operating metrics. The average ticket-size was Rs 0.90 million as of June 2017. LTV was ~59% as of June 2017 and FOIR was ~46%.
  - Disbursements in Q1FY18 were at Rs 3.3 bn, impacted partly by external factors in economy such as RERA, GST causing postponement of customer decision and builders adopting wait and watch approach. Also, after a very strong Q4, management consciously decided to utilise this quarter to make investments in systems and processes that will help achieve a bigger scale. Our outlook of disbursement growth remains positive, enabled by a significantly expanded state and branch footprint.

- GNPA increased from 0.6% in Q4FY17 to 1.6% in Q1FY18 on account of seasonality in expenditure of the customers in affordable housing segment besides seasoning of Aspire's loan book.
    - Average yield held firm at ~13.4% on a YoY basis despite competition; maintained NIM at 4%
    - In liabilities, ~55% borrowings were from NCDs and ~45% from bank loans. As of June 2017, 27 Banks/NBFC had extended lines, apart from 22 institutions to whom NCDs were allotted.
    - Our credit ratings are CRISIL A+ Stable and ICRA AA-. We have kept gearing conservative, with the Debt/Equity ratio at 5.1X.
    - ROA for Q1FY18 was 1.3%, while ROE was 8.2%.
    - The cumulative capital infusion from the sponsor is Rs 1bn during the quarter to take our networth to Rs 7.5bn.
    - 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
    - Under PMAY CLSS we have received subsidy on more than ~4000 customers amounting to Rs 850mn till date out of which Rs 490 mn we have received in this quarter alone.
    - We have been awarded with second prize for "Best Performing PLI (prime lending institution) under PMAY by MHUPA (Ministry of Housing and Urban Poverty Alleviation)"
- **Fund Based Business** includes sponsor commitments to our AMC & PE funds, and the NBFC LAS book.
    - **Fund based** income was Rs 422 mn in Q1FY18.
    - Our investments in our mutual fund products stood at Rs 6.4billion (at cost). The unrealized gain on these as of June 2017 was Rs 3.6 billion vs. Rs 1.8 billion as of Jun 2016. This is not reflected in the reported PAT. The post-tax XIRR of these MF investments (since inception) is ~24%, which is in line with the long term performance track-record of our QGLP investment philosophy.
    - Our investments in Motilal Oswal's alternative investment funds stood at Rs 2.5 billion.
    - 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
    - Unrealised gain in AU Small Finance bank Investment was Rs 1.8 bn (based on last closing price)
    - NBFC LAS lending book was Rs 2.5 billion as of June 2017, which is run as a spread business
- **Other income** was Rs 35 mn in Q1FY18 vs Rs 24mn in Q1FY17.
- In line with the goal to achieve a sustainable 20%+ ROE, **consolidated ROE** for the Group for Q1FY18 was 22% (without including unrealized gains on mutual funds investments of Rs 3.6 billion). Within this, Housing Finance RoE was 8%, Asset and Wealth Management RoE was 155%, Capital Markets RoE was 72% and Fund based RoE was 13% annualized (without considering unrealized gains on mutual funds).

About Motilal Oswal Financial Services Limited

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 6th 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 Asia Money 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.

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STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2017

(Rs. In Lakhs)

Particulars	FOR THE QUARTER ENDED			FOR THE YEAR ENDED
	30-Jun-17	31-Mar-17	30-Jun-16	31-Mar-17
	(Unaudited)	(Audited) (Refer Note 9)	(Unaudited)	(Audited)
Revenue				
Revenue from operations	56,135	51,678	35,093	1,72,603
Other income	938	1,776	1,086	8,268
Total Revenue (A)	**57,073**	**53,454**	**36,179**	**1,80,871**
Expenses				
Employee benefits expenses	11,962	11,066	6,868	34,098
Finance cost	12,755	11,646	8,318	44,226
Depreciation and amortization	768	911	732	3,284
Other expenses (including operating & administrative expenses)	18,264	17,047	11,069	54,826
Total Expenses (B)	**43,749**	**40,670**	**26,987**	**1,36,434**
Profit before exceptional items and tax (C) = (A) - (B)	**13,324**	**12,784**	**9,192**	**44,437**
Exceptional items - income	-	723	1,116	6,125
Profit before tax	**13,324**	**13,507**	**10,308**	**50,562**
Less: Tax expense/(credit)				
Current tax	3,197	3,507	2,447	13,611
Deferred tax liability	232	1,399	720	3,097
Minimum alternate tax credit	(234)	(426)	(458)	(1,458)
Short/(Excess) provision for earlier year(s)	215	50	(346)	(1,141)
Total tax expenses	**3,410**	**4,530**	**2,363**	**14,109**
Profit after tax before minority interests	**9,914**	**8,977**	**7,945**	**36,453**
(Less) : Minority interests (Profit)	(96)	(118)	(234)	(1,060)
Add: Share of Profit from associate	341	156	206	604
Profit after tax & minority interests	**10,159**	**9,015**	**7,917**	**35,997**
Earnings Per Share (EPS) (of Re. 1/- each) (Not Annualized)				
Basic EPS	**7.02**	**6.28**	**5.54**	**25.14**
Diluted DPS	**6.95**	**6.22**	**5.48**	**24.79**

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2017

Rs. In Lakhs

Currency : Indian Rupees	CONSOLIDATED AS AT 30-Jun-17	CONSOLIDATED AS AT 31-Mar-17
	(Rs in Lakhs)	(Rs in Lakhs)
EQUITY & LIABILITIES		
1.Sources & Funds :		
Share Holders' Funds :		
Share Capital	14,46,77,483	14,44,57,476
Reserves and Surplus	18,91,86,09,500	17,71,57,94,432
TOTAL SHARE HOLDERS FUND	**19,06,32,86,983**	**17,86,02,51,908**
2. Share Application Money Pending for Allotment	73,20,000	-
3. Minority Interest	30,90,17,147	28,53,24,157
4. Non-Current Liabilities :		
(a) Long-term borrowings	34,81,16,00,838	37,03,40,83,045
(b) Deferred tax liabilities (Net)	39,29,19,591	36,97,06,269
(c) Other long term liabilities	1,65,42,090	1,65,42,090
(d) Long term provisions	40,40,76,256	32,48,52,203
TOTAL NON-CURRENT LIABILITIES	**35,62,51,38,775**	**37,74,51,83,607**
5. Current Liabilities :		
(a) Short-term borrowings	11,26,51,31,815	9,43,02,75,161
(b) Trade payables	9,39,01,76,370	10,39,83,60,856
(c) Other current liabilities	11,26,18,27,913	7,62,21,03,849
(d) Short-term provisions	85,68,74,487	1,04,79,30,693
TOTAL CURRENT LIABILITIES	**32,77,40,10,585**	**28,49,86,70,559**
TOTAL SOURCES OF FUNDS	**87,77,87,73,490**	**84,38,94,30,233**
II.ASSETS :		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	2,50,69,16,642	2,49,79,74,896
(ii) Intangible assets	9,93,63,725	9,55,97,258
(iii) Capital Work-in-Progress		-
		-
		-
		-
		-
(iii) Capital work-in-progress		-
(iv) Intangible assets under development	-	-
(b) Non-current investments	13,51,69,37,902	13,56,38,15,764
(c) Deferred tax assets (net)	-	-
(c) Long term loans and advances	42,76,81,36,053	41,14,69,29,581
(d) Other non-current assets	3,65,47,694	3,64,10,097
TOTAL NON-CURRENT ASSETS	**58,92,79,02,017**	**57,34,07,27,596**
(2) Current assets		
(a) Current investments	5,81,21,06,041	4,44,82,67,917
(b) Inventories	44,116	44,116
(c) Trade receivables	12,57,66,39,923	12,60,04,15,230
(d) Cash and bank balances	4,48,17,67,229	4,62,51,98,170
(e) Short-term loans and advances	5,56,03,27,469	5,05,63,37,319
(f) Other current assets	40,56,60,363	31,84,39,883
TOTAL CURRENT ASSETS	**28,83,65,45,141**	**27,04,87,02,635**
TOTAL APPLICATION OF FUNDS	**87,76,44,47,158**	**84,38,94,30,232**

Consolidated Notes:

1) The above results were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its meeting held on Thursday, 27th July, 2017. The results for the quarter ended 30th June, 2017 have been reviewed by the statutory auditors of the Company.

2) Pursuant to the exercise of Employee Stock Options under various Employee Stock Options Scheme, Motilal Oswal Financial Services Limited, Motilal Oswal Asset Management Company Limited and Aspire Home Finance Corporation Limited has allotted 2,20,007, 5,00,000 and 86,10,000 equity shares respectively to the employees during the quarter ended 30th June, 2017.

3) The consolidated results of the Company include the results of the subsidiaries – Motilal Oswal Securities Limited (100%), Motilal Oswal Investment Advisors Limited (formerly known as Motilal Oswal Investment Advisors Private Limited) (100%), MOPE Investment Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (100%), Motilal Oswal Capital Markets Private Limited (100%), Motilal Oswal Wealth Management Limited (100%) , Motilal Oswal Insurance Brokers Private Limited (100%), Motilal Oswal Asset Management Company Limited (99.92%), Motilal Oswal Trustee Company Limited (100%), Motilal Oswal Securities International Private Limited (100%), Motilal Oswal Capital Markets (Singapore) Pte. Ltd (100%), Motilal Oswal Capital Markets (Hongkong) Private Limited (100%), Motilal Oswal Real Estate Investment Advisors Private Limited (85%), Motilal Oswal Real Estate Investment Advisors II Private Limited (76.50%), Aspire Home Finance Corporation Ltd (96.49%), India Business Excellence Management Co (85.00%), Motilal Oswal Asset Management (Mauritius) Pvt. Ltd (99.92%), Motilal Oswal Capital Limited (99.92%) and an Associate India Realty Excellence Fund II - (i.e. IREF II).

4) The Group's long term investments in Motilal Oswal's mutual fund products stands at Rs. 64,152 Lakhs as of 30th June, 2017 as against Rs. 64,315 Lakhs as of 31st March, 2017. The unrealized gain on these investments is Rs. 35,663 Lakhs as of 30th June, 2017 as against Rs. 33,393 Lakhs as of 31st March 2017. The long term investments are valued at cost and hence the unrealised gain is not reflected in the statement of profit and loss account for the quarter ended 30th June 2017 and and year ended 31st March, 2017 respectively.

5) The Group has long term investment in AU Small Finance Bank Limited of Rs. 1,887 lakhs as of 30th June, 2017. The unrealized gain on this investment is Rs. 17,640 lakhs as of 26th July, 2017 (derived based on Rs. 595 per share i.e. closing price on NSE as on 26th July 2017). The long term investment is valued at cost and hence the unrealised gain is not reflected in the statement of profit and loss account for the quarter ended 30th June 2017.

6) During the quarter, CRISIL Limited reaffirmed the credit rating of "CRISIL A1+"to the Commercial Paper Programme of Rs. 25,000 Lakhs of Motilal Oswal Financial Services Limited and enhanced the size to Rs. 85,000 Lakhs (Rs. 70,000 in the quarter ended 31st March, 2017) of Motilal Oswal Securities Limited.
ICRA has re-affirmed the rating of ICRA AA rating with stable outlook (pronounced ICRA double A rating with Stable Outlook') to the Long Term Debt Programme of the company for Rs. 15,000 lakhs of Motilal Oswal Financial Services Limited and Rs. 20,000 Lakhs of Motilal Oswal Securities Limited. The ratings indicate a very strong degree of safety regarding timely servicing of financial obligations.

7) Effective 1st April 2017, the Group has changed its accounting policy for ESOPs valuation from intrinsic value method to fair value method for more appropriate presentation of financial statements. The change is applied retrospectively, accordingly accumulated expense of Rs. 1,613 Lakhs has been debited to the statement of profit and loss of the current quarter. Had the Company continued to use the earlier method of accounting profit before tax would have been higher by Rs. 1,600 lakhs for the quarter ended 30th June 2017.

8) During the current quarter, Motilal Oswal Financial Services Limited, Motilal Oswal Securities Limited and Motilal Oswal Investment Advisors Limited (formerly known as Motilal Oswal Investment Advisors Private Limited), has invested Rs. 3,500 lakhs, 3,000 lakhs and 3,500 lakhs respectively in one of the subsidiary company Aspire Home Finance Corporation Limited for which allotment of share is pending.

9) Consolidated segment results for the quarter and year ended 30th June 2017.