



Motilal Oswal Financial Services Ltd

Earnings Presentation | Q2FY20 and H1FY20

BUSINESSES BUILDING SCALE

ANNUITY REVENUE DRIVING VISIBILITY

ALL BIZ OFFER HUGE HEADROOM FOR GROWTH

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Key Highlights

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Financials

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Businesses

Motilal Oswal Financial Services

ASSET MANAGEMENT

- Significant improvement in product performance leads to positive net flows for MF in Q2FY20
- AMC AUM: Rs 385 bn, +6% YoY in H1FY20
- AMC Profit grew by 22% YoY in Q2FY20
- Equity MF AUM market share remain stable at 1.9% in H1FY20
- PE & RE AUM: Rs 66 bn, +8% YoY in H1FY20. Exits in investments to lead to lumpy share of gains
- Wealth AUM: Rs 181 bn, +17% YoY in H1FY20

CAPITAL MARKETS

- Share in high yielding cash segment has increased
- Distribution AUM stood at Rs 99 bn, +16% YoY
- Persistent expansion in retail and institutional client base
- Online platform gaining traction
- Deal pipeline remains robust
- Profits remain healthy; +14% YoY and +58% QoQ in Q2FY20

HOUSING FINANCE

- NPA book sale to ARC resulted into sharp reduction in NPA to 1.8%
- Rating upgrade from CRISIL to AA- (Stable) in H1FY20
- Name change to “Motilal Oswal Home Finance” brings cultural and operational alignment with the group
- Superior quality of new book underwritten
- Disbursements likely to accelerate in coming quarters as sanction pipeline rising

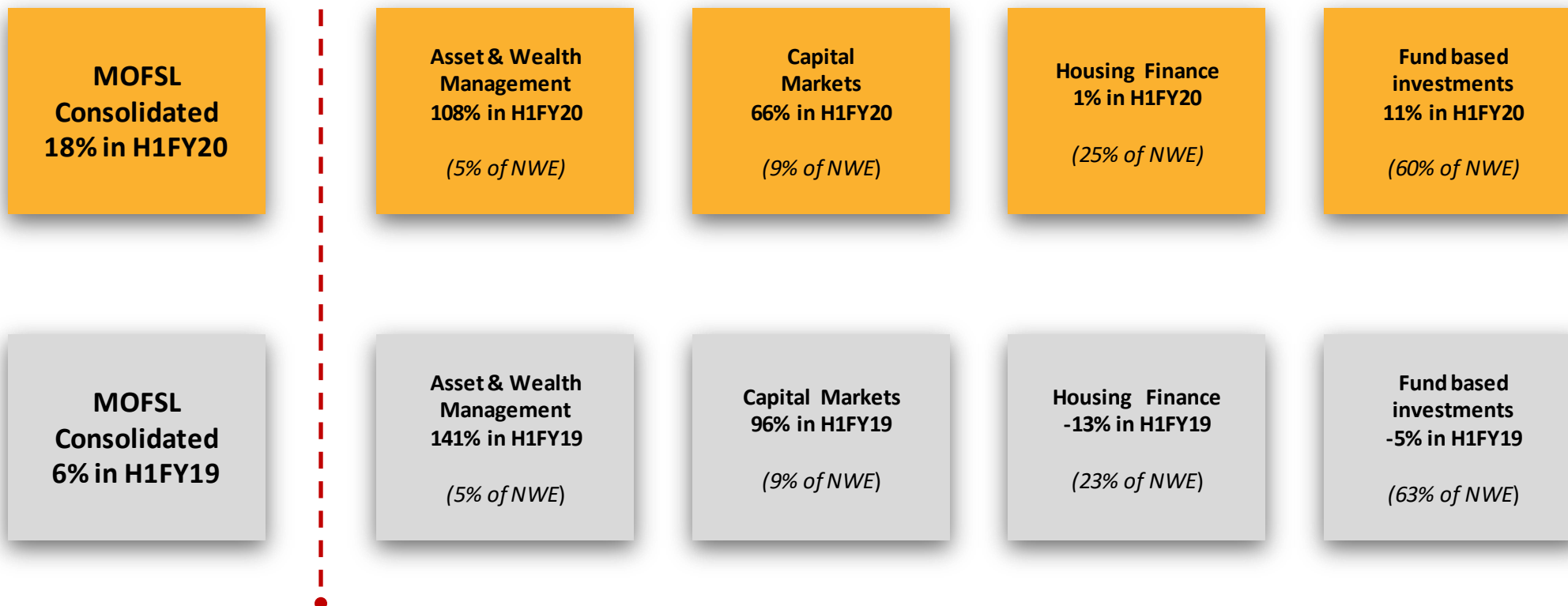
FUND BASED INVESTMENTS

- Total quoted equity investment including MTM gains was Rs 16 bn as of H1FY20
- Cumulative XIRR of ~17% on quoted equity MF investments and ~27% on exited PE growth fund investments
- Strong liquidity on Balance sheet with unutilised banking lines of Rs 11 bn

Note: All AUM figures are for Q2FY20, unless otherwise mentioned

Group RoE

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



Awards & Accolades



MOPWM wins Best Boutique Wealth Manager India for 2nd consecutive year by The Asset Triple A Awards 2019.



MOFSL gets inducted in the HALL OF FAME at the 10th Financial Advisor Awards



Motilal Oswal wins Gold Marketing Team of the Year & Grand Prix Marketing Campaign of the Year at ACEF Asian Leaders Forum & Awards



Motilal Oswal wins Health & Safety Award for excellence in workplace health and safety culture at ACEF Asian Leaders Awards



Motilal Oswal Financial Services wins award for Best Data Analytics of the Year Award at the India NBFC Excellence Awards 2019 organized by Synnex



MOFSL wins Gold for Best Use of Video for the Think Equity Think Motilal Oswal campaign at ETBrandequity Shark Award

Consolidated financials – Revenue mix

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Broking	3,019	2,939	3%	2,778	9%	5,797	5,824	0%
Investment Banking	83	34	142%	3	-	86	185	-54%
Asset Management	1,364	1,540	-11%	1,443	-5%	2,807	3,022	-7%
Wealth Management	279	319	-13%	221	26%	500	581	-14%
Private Equity	255	264	-3%	240	6%	495	457	8%
Fund Based (1)	270	-579	-	339	-20%	609	-510	-
Housing Finance	1,463	1,724	-15%	1,527	-4%	2,990	3,327	-10%
Total Revenues	6,732	6,242	8%	6,552	3%	13,284	12,887	3%
Total Revenues after Intercompany adjustments	6,182	5,718	8%	6,120	1%	12,301	11,894	3%
Operating Costs	3,575	4,064	-12%	2,997	19%	6,572	7,420	-11%
EBITDA	2,607	1,653	58%	3,122	-17%	5,729	4,473	28%
PBT	1,262	293	331%	1,788	-29%	3,049	1,747	75%
PAT	1,423	42	-	1,294	10%	2,718	1,080	152%

1 Fund based investments includes gains/loss on sponsor commitments and investments in Equity MFs, PE funds, Real estate funds, AIFs.

Consolidated financials – PAT Mix



PAT (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Broking	561	515	9%	401	40%	962	1,039	-7%
Investment Banking	10	-16	-	-39	-	-29	49	-
Capital Markets	571	499	14%	362	58%	933	1,088	-14%
Asset Management	478	391	22%	362	32%	840	795	6%
Private Equity	56	79	-29%	51	11%	107	122	-12%
Wealth Management	7	59	-88%	5	32%	12	84	-85%
Asset & Wealth	542	530	2%	418	30%	960	1,001	-4%
Fund Based (1)	495	-559	-	324	53%	819	-483	-
Home Finance	-118	-358	-	171	-	53	-458	-
Total Intercompany	-66	-69	0	19	-5	-48	-69	31%
PAT (2)	1,423	42	-	1,294	10%	2,718	1,080	152%

1 Fund based investments profit excludes Other Comprehensive Income

2 All PAT numbers are post minority.

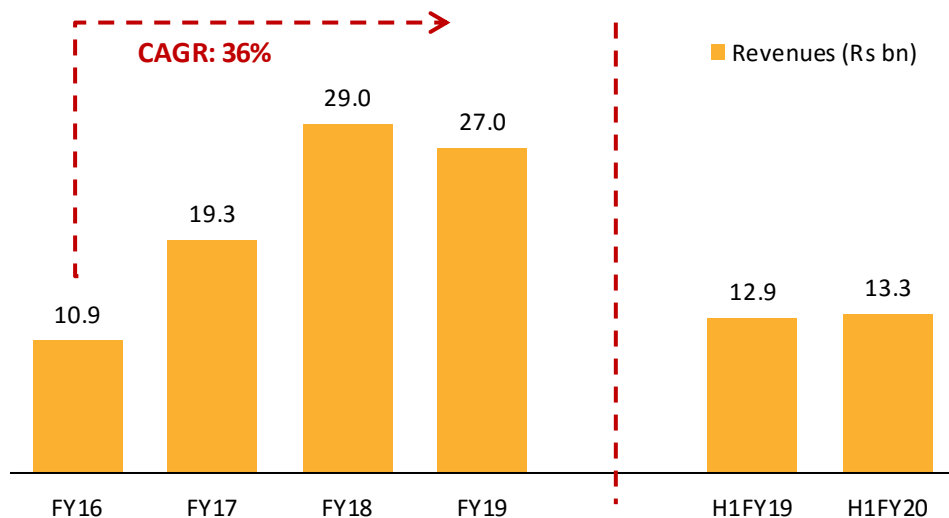
Consolidated balance sheet

Particulars (Rs bn)	H1FY20	FY19
Sources of Funds		
Net-worth	33.1	30.5
Borrowings (1)	47.2	51.6
Minority Interest	0.3	0.4
Total Liabilities	80.6	82.5
Application of Funds		
Fixed assets (net block)	3.3	3.0
Investment	26.7	26.9
Loans and Advances (2)	44.1	48.8
Net current assets	5.7	3.6
Deferred tax assets (net of liabilities)	0.6	0.2
Total Assets	80.6	82.5

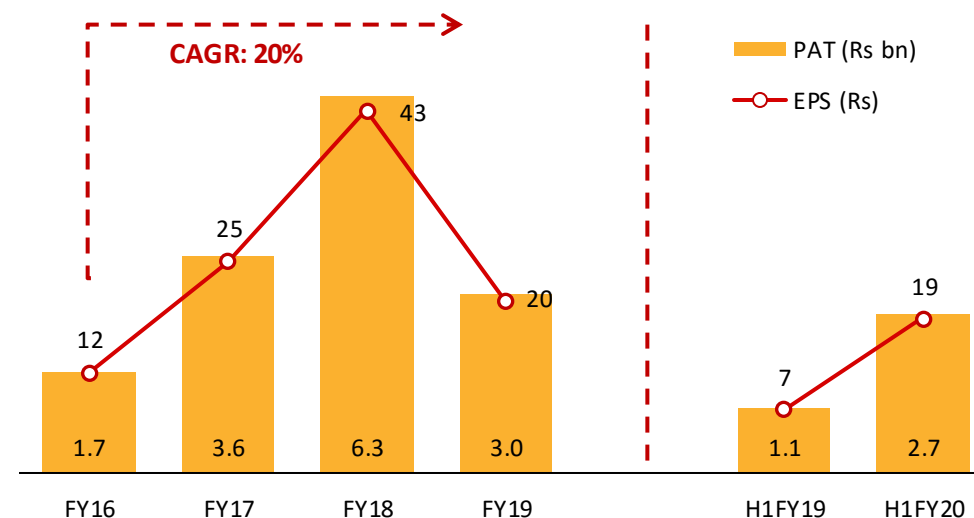
1 Borrowings are inclusive of MOHFL. Ex- MOHFL borrowings are Rs 15 bn in Sep'-19. Against this, quoted investments are Rs 16 bn.

2 Loan & Advances includes loans given by Motilal Oswal Home Finance and Margin Trading Facility book.

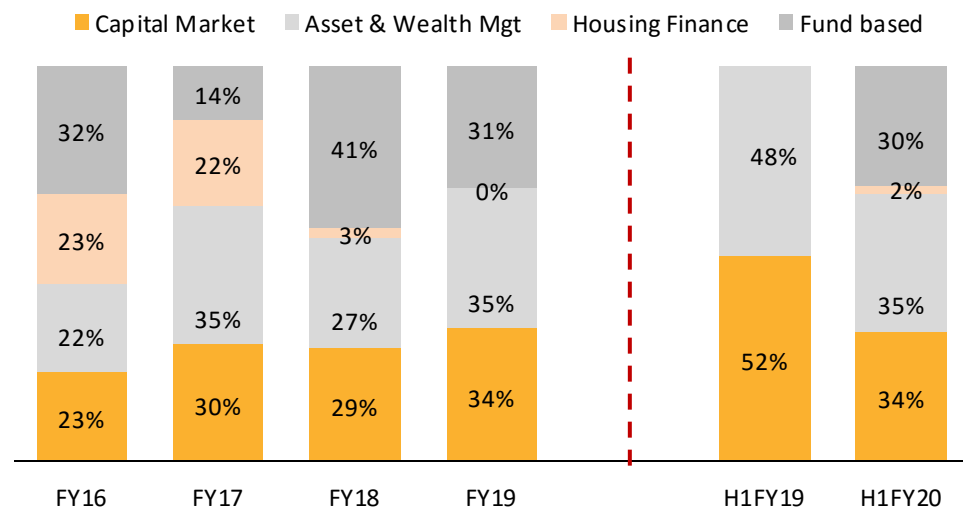
Revenue trend



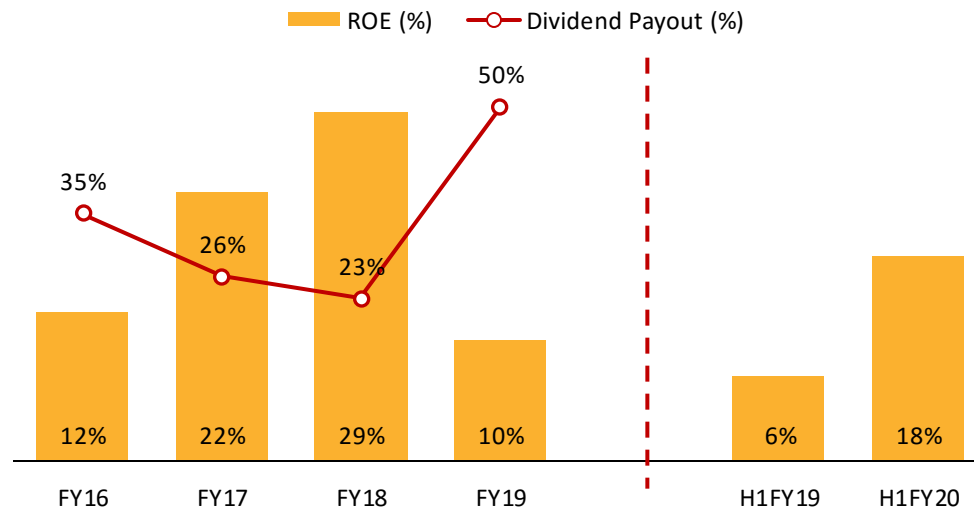
Profitability trend



Profitability mix

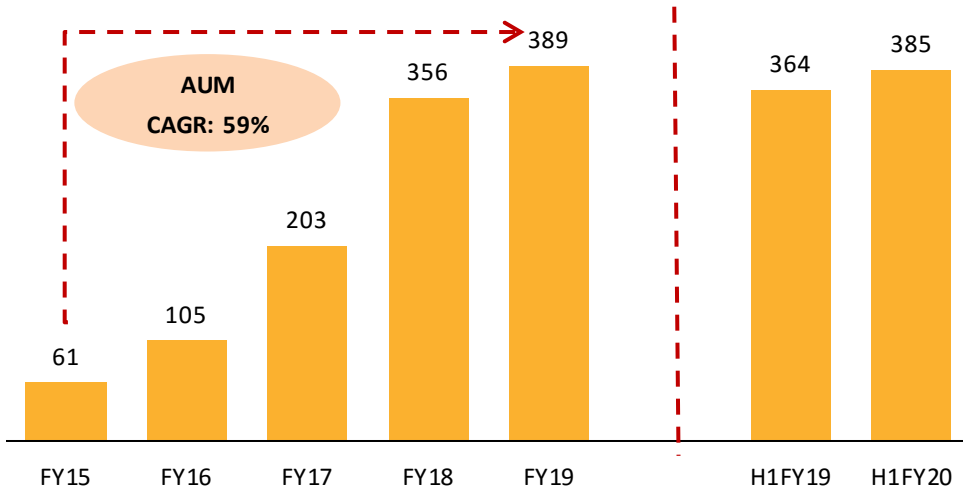


RoE trend

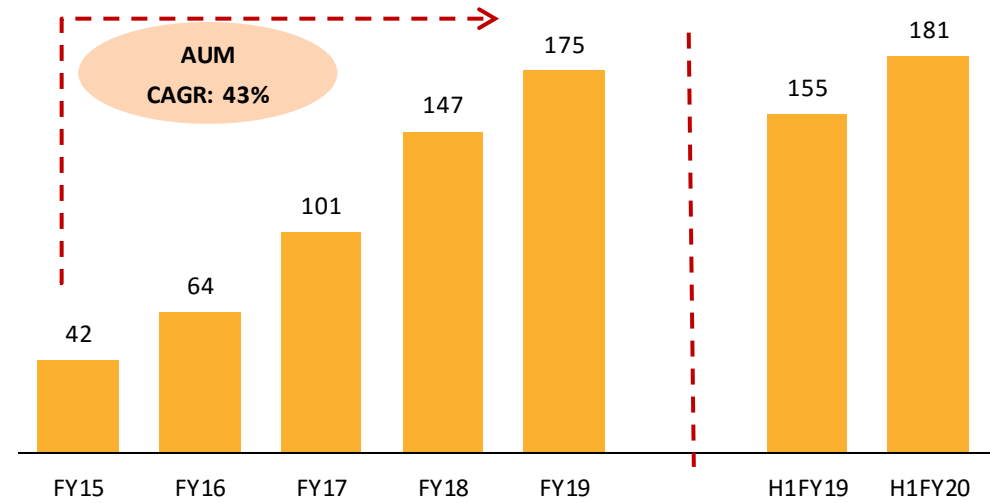


Note: Revenue, PAT and RoE are as per IGAAP for FY16 & FY17

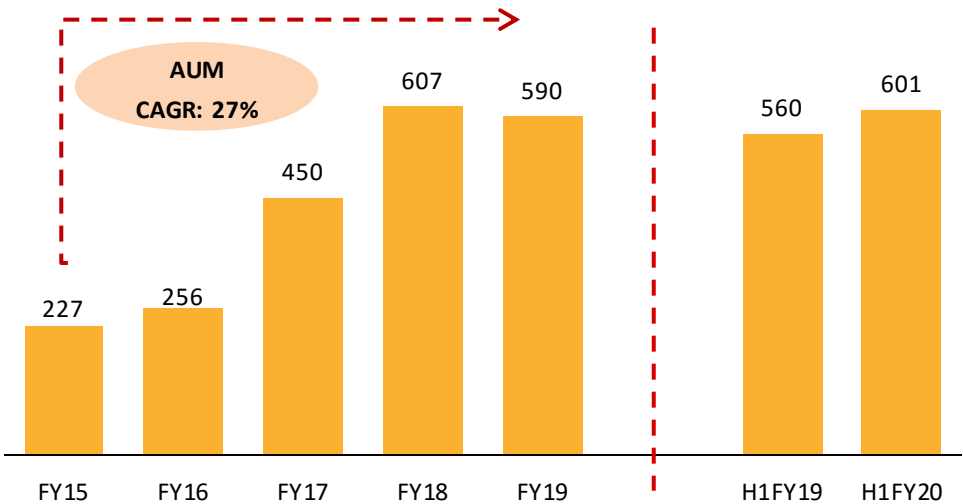
AMC AUM growth trend (Rs bn)



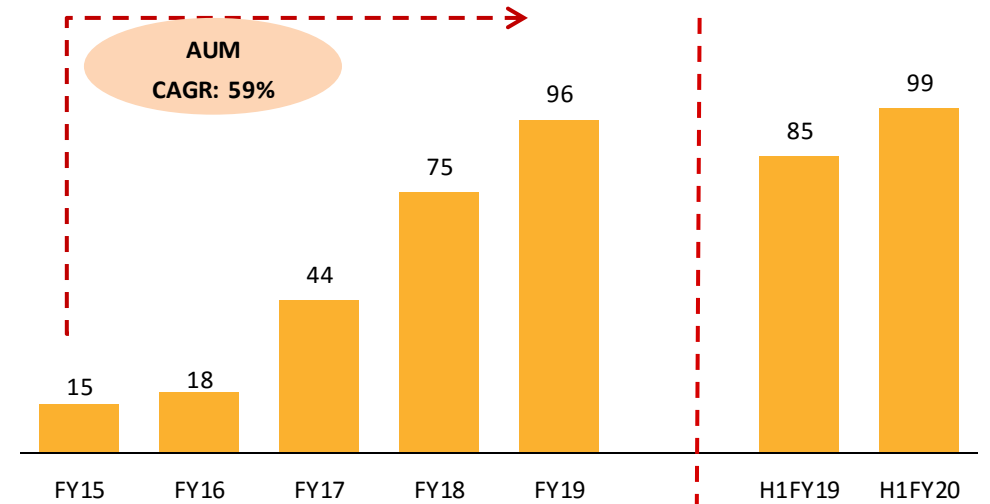
Wealth AUM growth trend (Rs bn)



DP AUM growth trend (Rs bn)



Distribution AUM growth trend (Rs bn)



GROWTH DRIVERS

ASSET MANAGEMENT

- Strong traction in product performance in Q2FY20.
- MF net flows becomes positive for the quarter
- High share of high yielding alternates in AUM mix.
- Expanding product offerings across active & passive category

WEALTH MANAGEMENT

- AUM grew 17% YoY to Rs 181 bn with net sales of Rs 6 bn in H1FY20
- 70% of revenues are trail based revenues and covers 75% of fixed cost provide cushions to margin.
- Rise in RM productivity will aid margins, going forward

BROKING & DISTRIBUTION

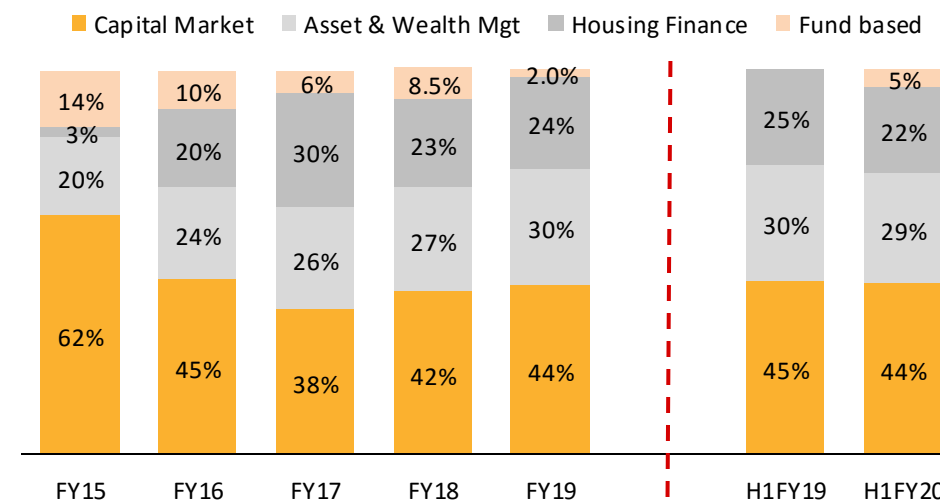
- B&D continues to show persistency in client additions.
- Distribution AUM stood at Rs 99 bn, +16% YoY.
- Maintaining strong operating leverage
- Share in high yielding cash segment has increased.

HOUSING FINANCE

- NPA book sale to ARC resulting into sharp reduction in NPA to 1.8%
- Rating upgrade from CRISIL to AA- (Stable)
- Strong traction collection efficiency and legal recourse
- Disbursements likely to pick up

- Profit grew by +152% YoY to Rs 2.7 bn led by stable revenues and growth in AUM
- This revenue mix was contributed by the Capital Market business by 44%, Asset & Wealth Management business 29% and Housing finance 22%. Profit mix was contributed by Asset & Wealth Management 35%, Capital Markets business 34%, fund based investments 30% and housing finance 2%.
- Strong liquidity, with ~Rs 16 bn as of H1FY20 in near-liquid investments to fund future investments. Overall gearing remains conservative at 1.4x; ex-MOHFL it is at 0.4x. Considering market value of investment and cash equivalents, effective balance sheet is net cash.

Diversified Revenue mix trend



AMC AUM
Rs 385 bn in H1FY20,
+6% YoY

Rank 12 in Equity AUM, as on Sep' 2019

One of the leading PMS player with 14% AUM market share

Significant traction in performance of all flagship schemes

Stable market share of 1.9% in MF Equity AUM

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
AUM (bn)	385	364	6%	388	-1%	385	364	6%
Total Revenues	1,364	1,540	-11%	1,443	-5%	2,807	3,022	-7%
-Mutual Fund (Net)	333	401	-17%	342	-3%	675	780	-13%
-Alternates (Net)	461	505	-9%	480	-4%	941	980	-4%
Distribution Costs	566	629	-10%	612	-8%	1,178	1,252	-6%
Other Costs	289	297	-3%	266	9%	556	540	3%
EBITDA	509	614	-17%	565	-10%	1,074	1,231	-13%
EBITDA Margin	37%	40%	-	39%	-	38%	41%	-
PBT	502	612	-18%	561	-11%	1,063	1,235	-14%
PAT	478	391	22%	362	32%	840	795	6%

Note: Total Revenues are grossed up, except for MF. Distribution costs are related to alternate assets only

- In Q2FY20, AMC's profit grew by 22% YoY to Rs 478 mn on the back of lower tax rates. Revenue and PBT contraction is driven by regulatory impact on fees of mutual fund assets.
- We have seen significant improvement in performance of all of our flagship schemes in MF as well as in alternate funds. Most of our schemes are in top 5 amongst their peer set category in 1 year period. This has resulted into traction in our gross as well as net flows of MF.
- Further, our redemptions have also declined in Q2FY20 by 40% QoQ vs 22% QoQ for Industry. This has resulted in sharp drop in our redemption market share from 2.5% in Q1FY20 to 1.9% in Q2FY20.
- In H1FY20, AMC expanded its product portfolio with new fund launches in Active as well as Passive category.
- We believe that strong improvement in performance, traction in gross sales coupled with lower redemption and launches of new funds augur well for growth in AUM, going forward.
- AMC AUM stood at Rs 385 bn (+6% YoY), with MF AUM at Rs 199 bn (+5% YoY), PMS AUM at Rs 158 bn (+7% YoY) and AIF AUM at Rs 26 bn.

- SIP inflows in H1FY20 continued to remain stable at Rs 8.4 bn. Our average SIP ticket size is ~Rs 4,000 per month is higher than the industry average of Rs 2,900 per month. Our SIP market share and proportion to total inflows are on a rising trajectory.
- Market share in MF Equity AUM remain stable at 1.9% in H1FY20. Overall industry witnessed a fall in equity flows owing to volatile equity market conditions.
- We are among top AIF managers in India within a span of two years, with an AUM of Rs 26 bn in H1FY20.
- Our efforts in offshore marketing have yielded modest results as of now. We remain committed to raise AUMs from the offshore segment going forward.

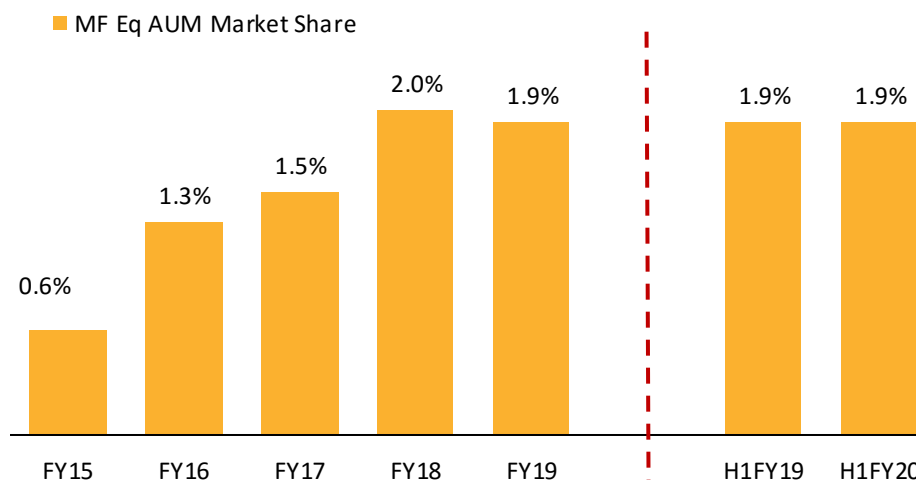
Top Notch performance across product and categories

Product	Strategy	Inception Date	Since Inception Return	Since Inception Alpha	1 year Alpha
PMS-Value	Large-Cap	25-Mar-03	22.3%	6.5%	9.9%
PMS-NTDOP	Multi-Cap	11-Dec-07	15.9%	10.7%	0.5%
PMS-IOP	Mid-Cap	15-Feb-10	11.0%	5.8%	7.5%
MF – F-25	Large-Cap	13-May-13	15.5%	3.3%	5.6%
MF – F-35	Multi-Cap	28-Apr-14	20.6%	8.4%	3.5%
MF – F-30	Mid-Cap	24-Feb-14	19.9%	4.6%	12.8%

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

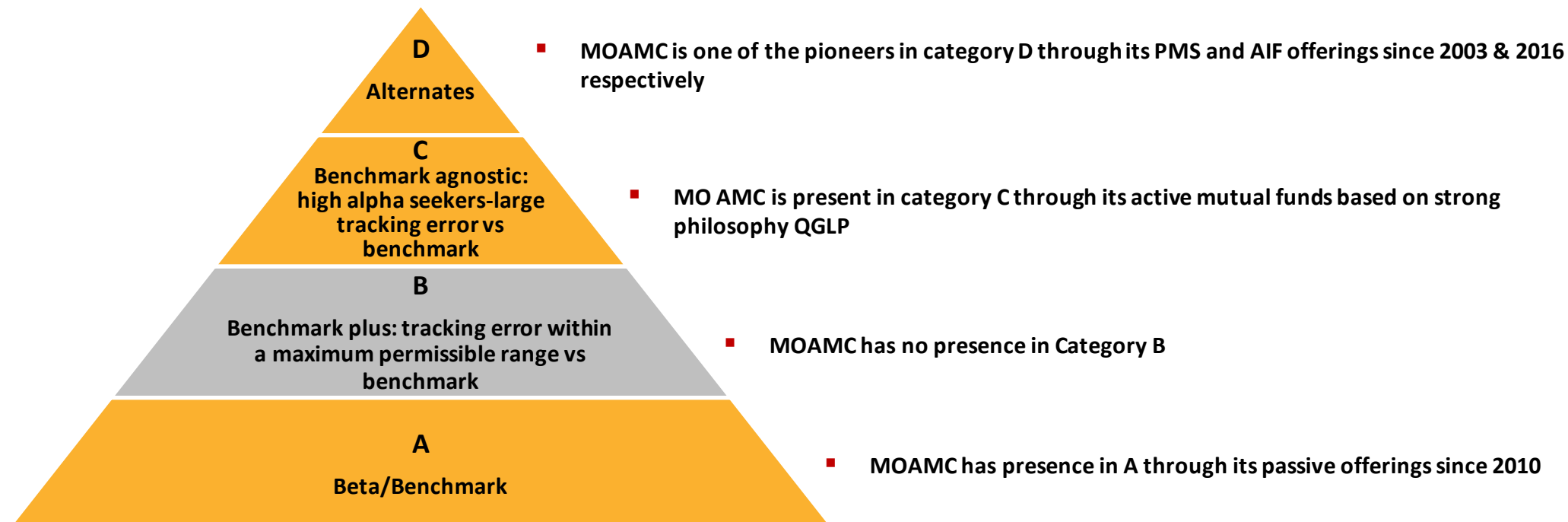
¹ Inception Date: 25/03/2003. These returns are of a Model Client as on 30th September 2019. Returns of individual clients may differ depending on time of entry in the strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns shown are post fees and expenses. Benchmark is Nifty 50 Index

Stable Equity MF Market share (%)



- We have recently **launched 4 index funds** which are India's 1st of its kind retail focused passive funds. We have launched MO-Nifty 500, MO-Nifty Bank, MO-Nifty Mid-Cap 150, MO-Nifty Small-Cap 250. These index funds provides easy, economical and effective way of investing to the customers.
- Thrust of MOAMC's index offerings is to **"retailize"** the concept of equity investing for beginners via index investing and reach out to individual investors of all types.
- Our entry into passive category will help us to on-board clients from bottom of pyramid which are typically new to equity asset class or has lower risk appetite. Moreover, this has also ensured our presence in bottom as well as top of the equity product pyramid.
- MOAMC has also launched NFO of open ended scheme under active category, MO Large and Mid-Cap Fund with a blend of large and mid-cap stocks for the customers seeking long term capital appreciation.

Equity Product Pyramid and MOAMC's presence



Asset Management – Potential levers to scale business

MOAMC's has "Zero" share in FII driven domestic equity market which is 1.6x of size of DII.

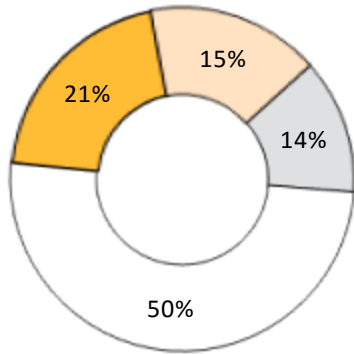
Total market Cap of Institutional managed equity AUM is Rs 53 trillion (35%)

FII has 21% share (Rs 32tn)

MOAMC has Zero Share in FII managed AUM

Market cap (Rs151tn) proportion

□ DII □ Promoter □ FII □ Retail

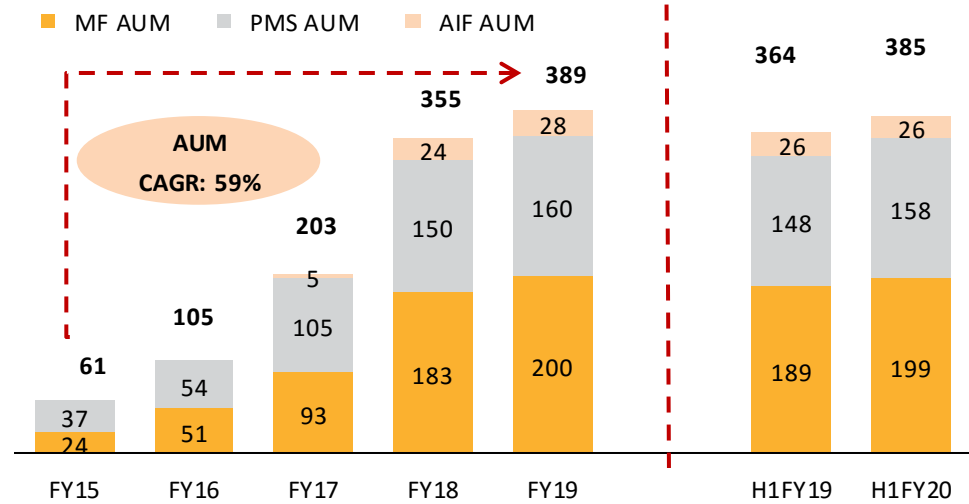


DII has 14% share i.e. Rs 20 tn

MOAMC has 1.9% Share in DII managed equity AUM (excluding Insurance AUM)

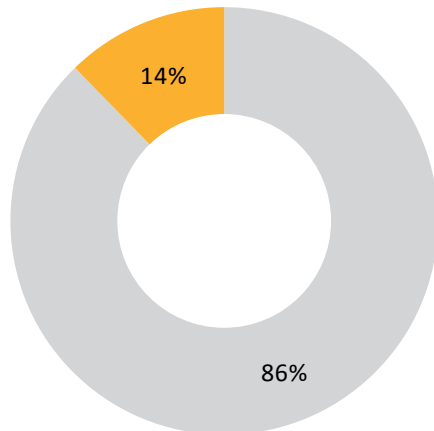
MOAMC AUM breakup and growth trend (Rs bn)

■ MF AUM ■ PMS AUM ■ AIF AUM



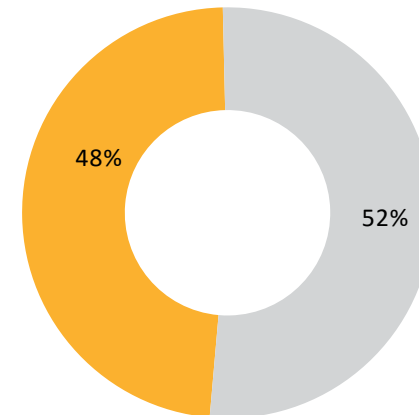
MOPMS market share in Industry's Equity AUM

■ PMS Industry AUM (Rs 1,127 bn) ■ MO PMS (Rs 158 bn AUM)



Alternatives share in MOAMC AUM

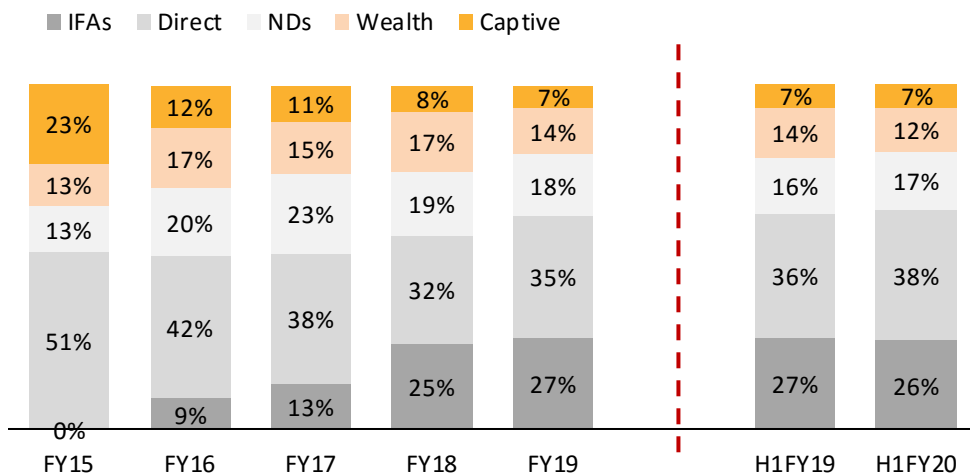
■ Alternatives share in MOAMC AUM ■ Mutual Fund share in MOAMC AUM



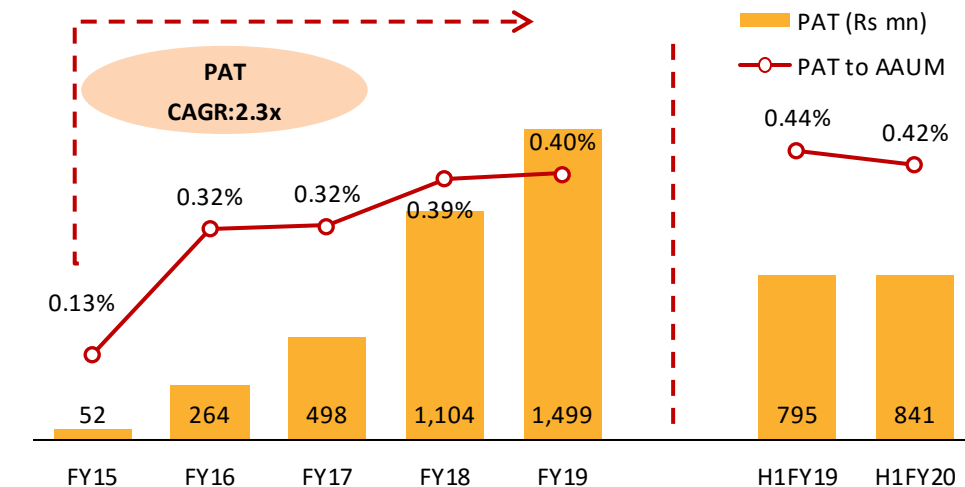
*Alternatives includes PMS and AIF

Asset Management – Potential levers to scale profitability

MOMF Sourcing Mix on the basis of AUM

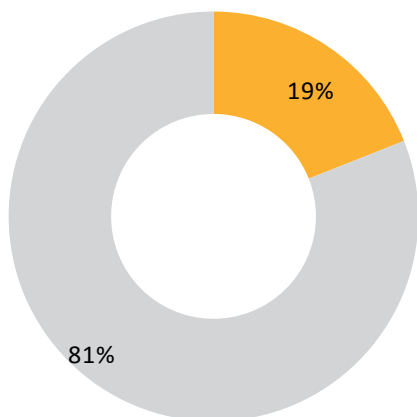


MOAMC profitability trend



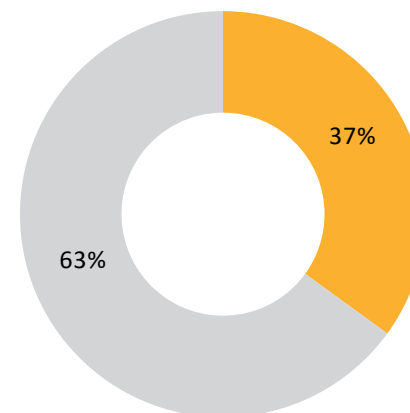
Share of performance linked AUM in alternatives

■ Alternatives AUM - Performance linked ■ Alternatives AUM - Fixed fee



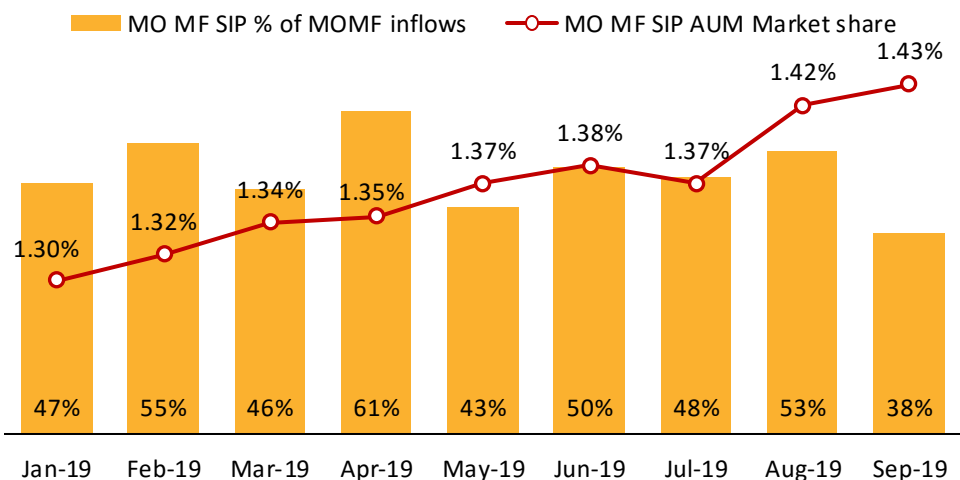
MOMF AUM Mix

■ Share of Direct in MF Eq AUM ■ Share of Regular in MF Eq AUM

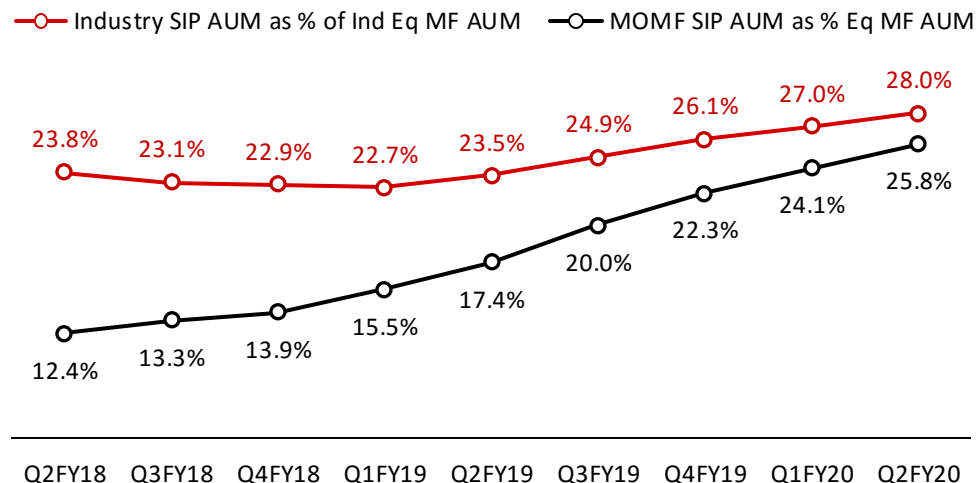


Asset Management – Granularity of MF AUM

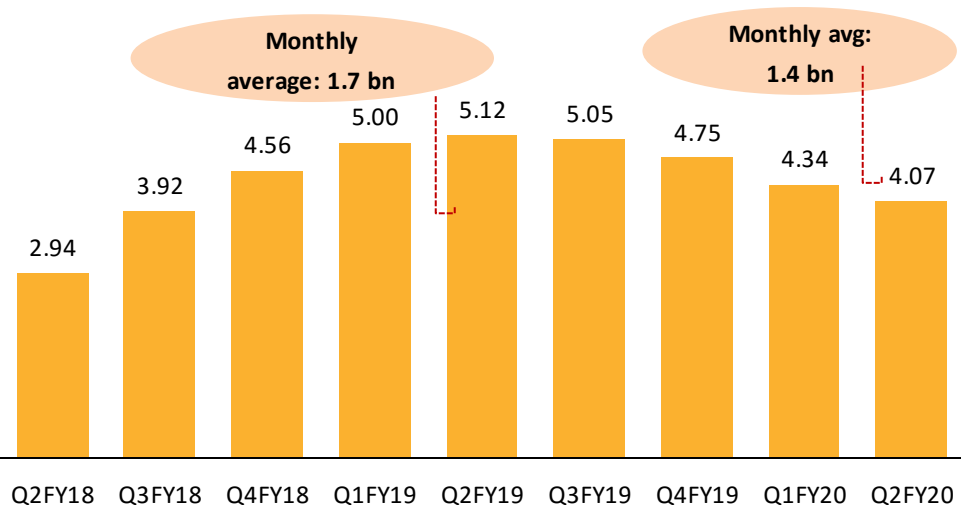
MOMF SIP AUM and inflows market share



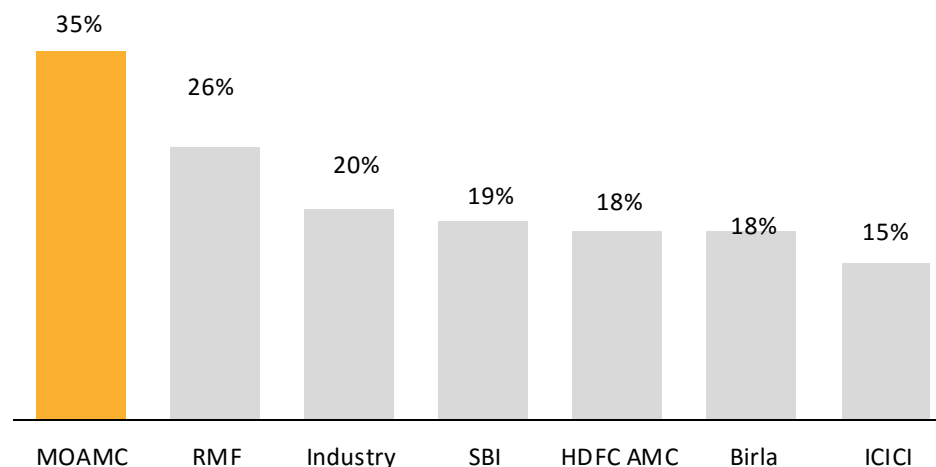
MOMF rising SIP proportion



MOMF SIP flows (Rs bn)



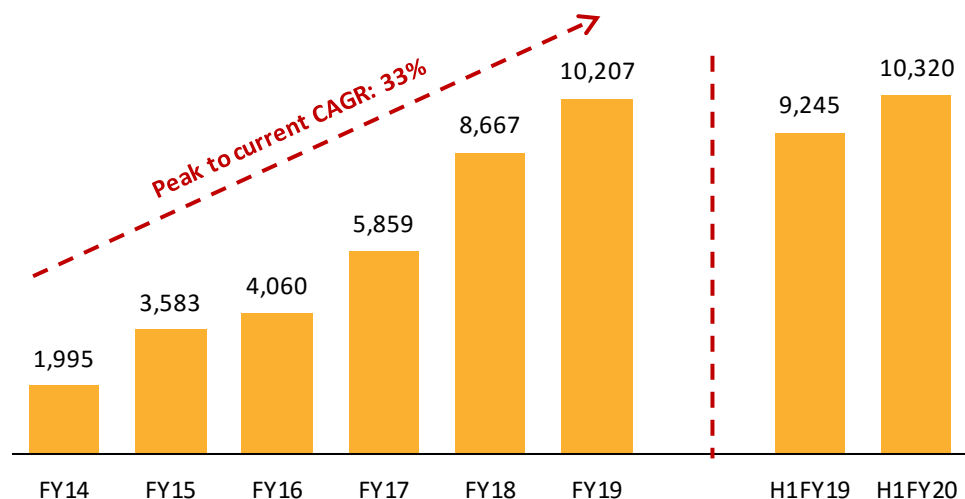
Share of Retail AUM in total MF AUM



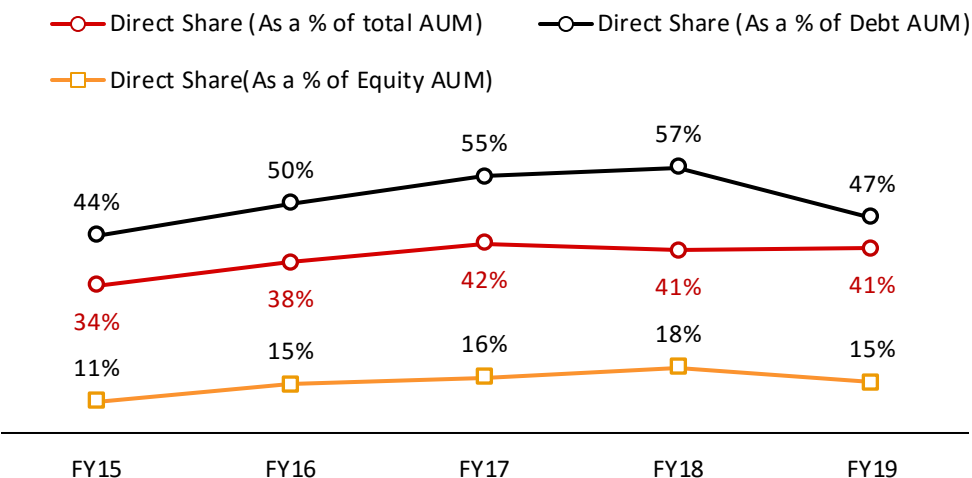
Source : AMFI

Asset Management – Stickiness of MF flows to continue..

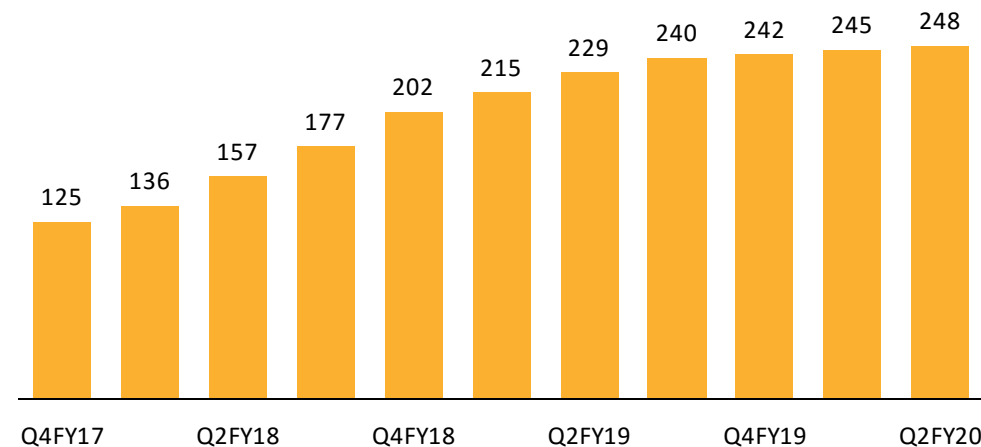
Rising Industry's MF Equity AUM (Rs bn)



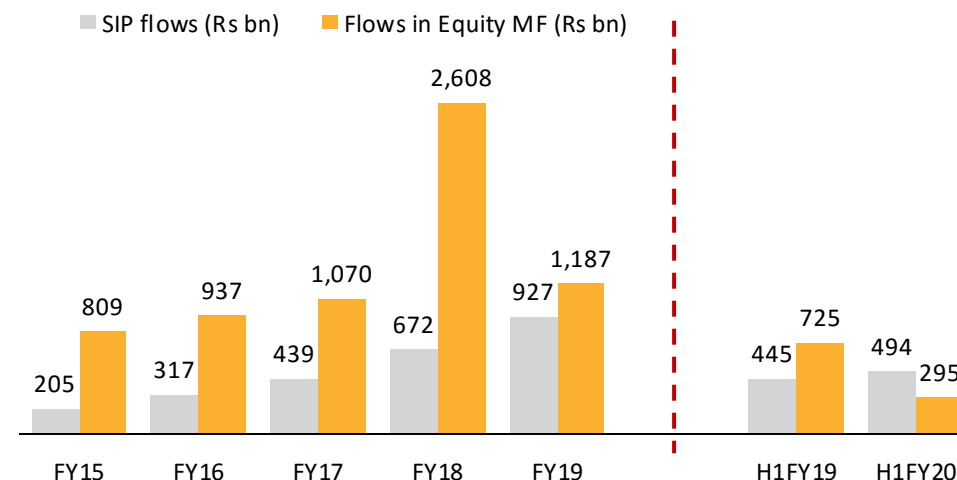
Rising share of Direct proportion



Strong traction in Industry's SIP flows continues (Rs bn)



SIP gaining share in rising Equity Industry AUM



Note: Equity AUM excludes arbitrage and includes balanced for FY18 & FY19

Source: AMFI

PE and RE AUM stood at Rs 66 bn, +8% YoY in H1FY20

IREF IV raised Rs 10.4 bn and has target size of Rs 12 bn

Strong performance of IREF II & III funds with +21% IRR

IBEF I complete exit would result in lumpy gains

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Total Revenues	255	264	-3%	240	6%	495	457	8%
Operating Cost	159	148	8%	142	12%	300	267	12%
EBITDA	96	116	-17%	99	-2%	195	190	3%
PBT	90	113	-20%	94	-4%	184	183	1%
PAT	56	79	-29%	51	11%	107	122	-12%

Note: Revenues in Q2FY20 are up 7% YoY excluding the impact of carry income of Rs 26 mn in Q2FY19.

Growth PE Funds

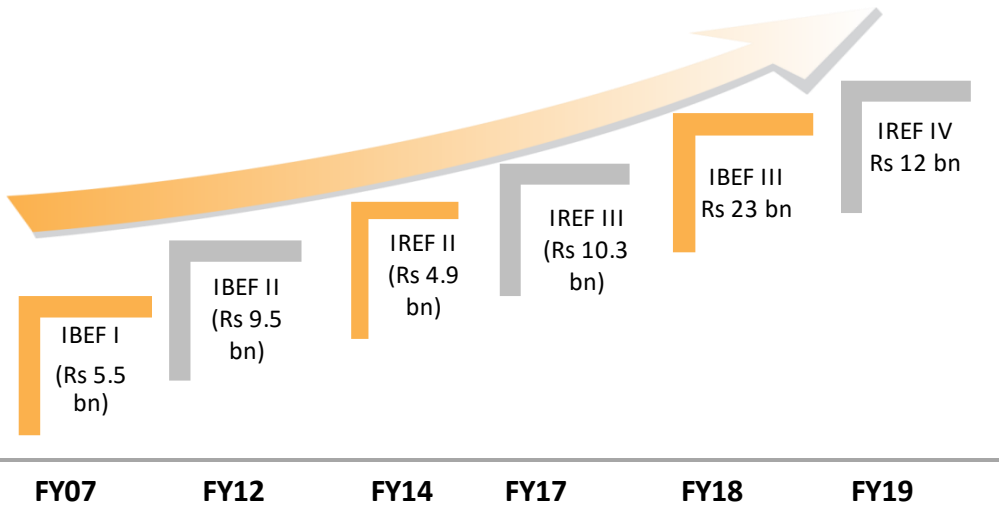
- India focused mid-market private equity fund with global & domestic institutions, family office and HNI investors.
- Partner with market leaders managed by first-generation entrepreneurs with sectoral focus on consumer, financial services, life sciences and niche manufacturing.
- MOPE Funds stand out with stellar performance. IBEF I has delivered a portfolio IRR of 27.3%.
- Fund II has committed 100% across 11 investments so far after raising commitments from marquee institutions and exits from fund will contribute, going forward.
- IBEF III stands fully raised at ~Rs 23 bn and already deployed ~Rs 8.2 bn across 4 investments and has a robust deal pipeline for investments going forward.

Real Estate Funds

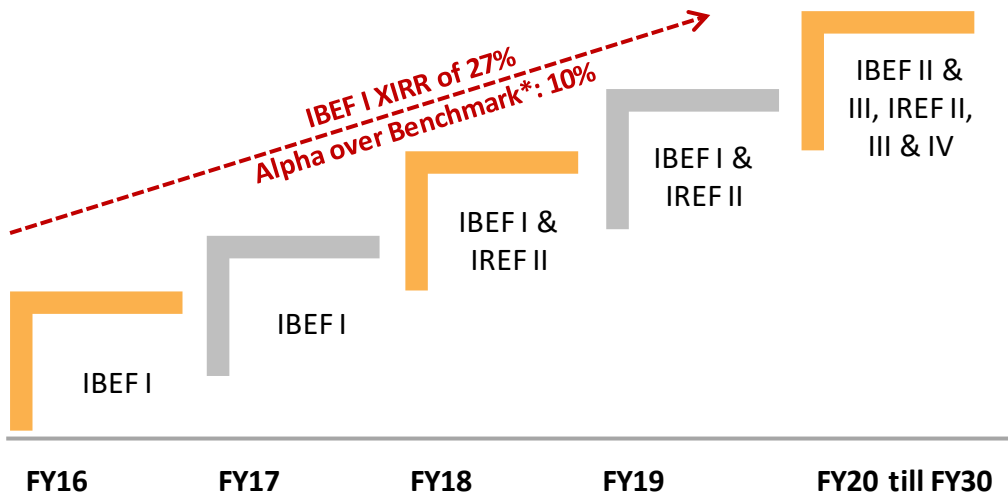
- Real Estate focused fund driving superior risk adjusted returns through debt related / structured equity instruments. Focuses on Mid-income housing projects.
- Partner with dominant builders across 6 cities ring fenced with active asset management.
- IREF II is fully deployed across 14 investments. The Fund has secured 8 complete exits and 1 structured exit and has returned money equalling ~121.37% of the Fund Corpus back to the investors. Average IRR on exited investments is ~21.3%.
- IREF III is ~92% deployed across 22 investments. The Fund has secured 6 full exits and has returned income equalling ~23.00% of the Fund Corpus back to the investors. Average IRR on exited investments is ~22.4%.
- IREF IV launched with a target size of Rs. 12 bn. has achieved 3rd close at ~Rs. 10.36 bn. and has till date raised commitments totalling to ~Rs.10.56 bn. The Fund has so far made 6 investments.

PE & RE– Exits from 7 funds provides strong visibility over next decade

Launch period of PE Funds

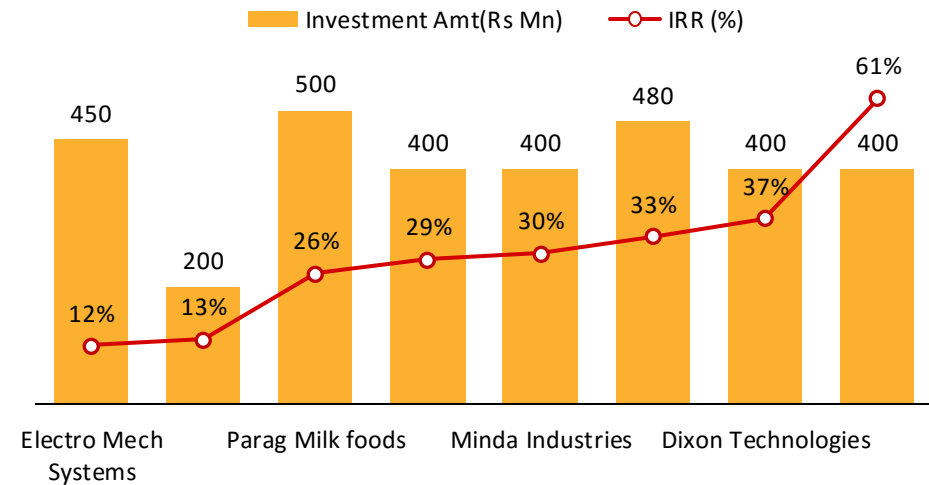


Exit period of PE funds

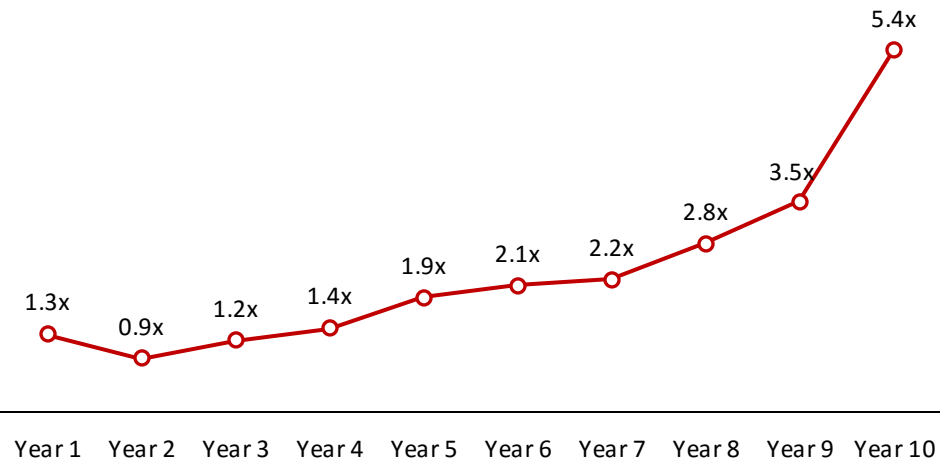


Note : * Benchmark : Emerging Markets PE and VC (upper quartile)

QGLP investments delivering higher IRR



IBEF I exits delivering 5.4x return



Wealth AUM
Rs 181 bn in,
+17% YoY in H1FY20

Virendra Somwanshi
has joined us as new
MD & CEO with 17+
years of rich experience
in Wealth Management

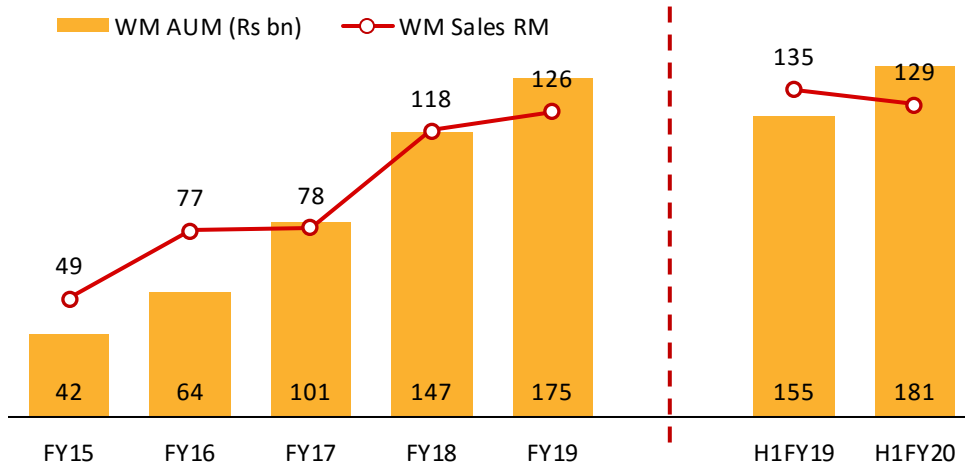
Rising Number of Client
Families, +12%

Rising trail based
revenues

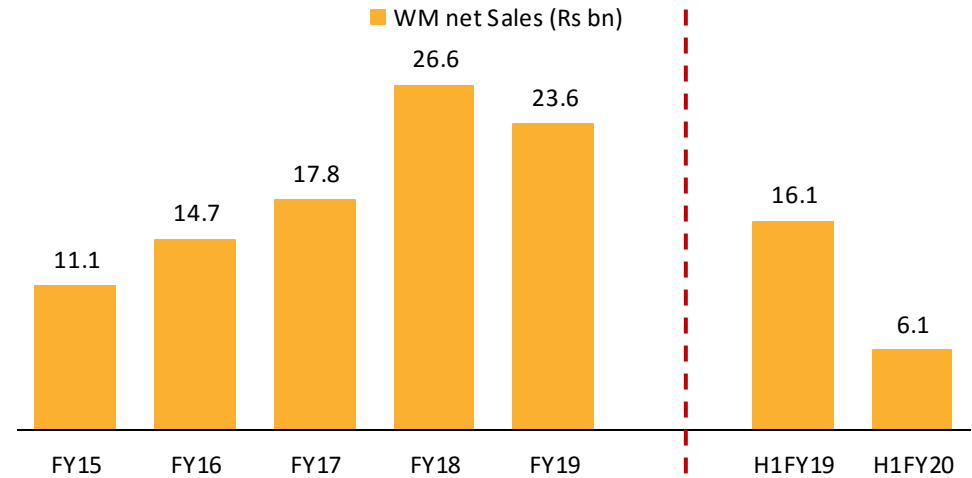
Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
AUM (bn)	181	155	17%	180	1%	181	155	17%
Total Revenues	279	319	-13%	221	26%	500	581	-14%
Operating Cost	261	237	10%	211	24%	472	457	3%
EBITDA	17	83	-79%	10	66%	28	124	-77%
PBT	13	81	-83%	7	81%	21	120	-83%
PAT	7	59	-88%	5	32%	12	84	-85%

- Wealth Management business remains in investment phase. Profitability of the business has been impacted on account of investment in RMs in past 2 years coupled with weak industry environment.
- Our trail based revenue model since inception has helped us to cover our fixed costs despite higher investment into RMs in FY18 and FY19. Trail based revenues are ~70% of total revenues and covers ~76% of total fixed cost.
- Currently, 50% of our RMs are less than 2 years of vintage. RM productivity will pick up in line with their rising vintage. As existing RM vintage increases, profitability of the business can improve commensurately.
- Yield was at ~62 bps, with equity mix of ~66% in total AUM in H1FY20.
- Open architecture model is enabling the incremental sales to be driven by non captive products, resulting in more diversified products offering.
- We are investing in training and development of talent amid weak industry environment in order to create robust foundation for wealthy future growth.
- Focus on portfolio strategy implementation using Investment charters, technology solutions and higher yield.

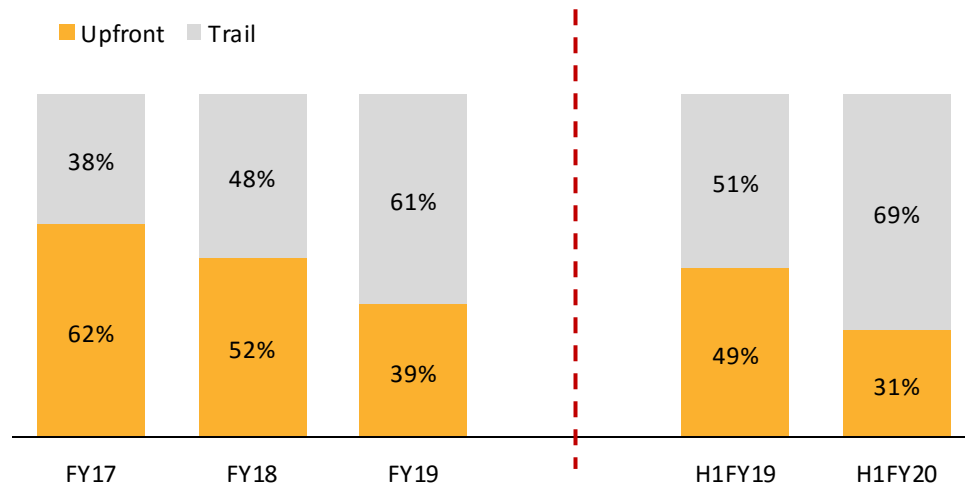
Wealth AUM growth trend



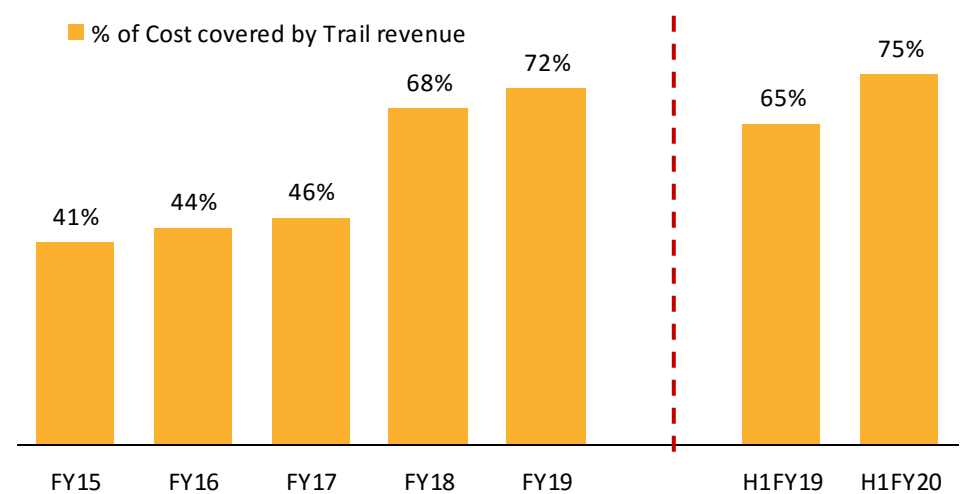
Wealth net sales trajectory



Upfront and trail contribution in revenues (%)



Trail income will protect margin in downturn



Healthy volume growth; improvement in high-yield cash segment

EBITDA margin remains robust at ~35% in H1FY20

Distribution AUM picked up to Rs 99bn, +16% YoY

Online penetration for clients (36%) and turnover (41%)

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Total Revenues	3,019	2,939	3%	2,778	9%	5,797	5,824	0%
Operating Costs	1,945	1,885	3%	1,811	7%	3,756	3,691	2%
EBITDA	1,073	1,054	2%	967	11%	2,040	2,133	-4%
<i>EBITDA Margin</i>	36%	36%	-	35%	2%	35%	37%	-
PBT	653	720	-9%	597	9%	1,249	1,462	-15%
PAT	561	515	9%	401	40%	962	1,039	-7%

- Business performance in Q2FY20 was robust on both YoY and QoQ basis. The business continued to maintain its margins in the upward trajectory of 35% during H1FY20.
- Distribution business AUM continued to grow on annual basis with AUM at Rs 99 bn, +16% YoY. The distribution arm continued to focus on equity-related products. With only ~17% on total client base, we expect continued increase in distribution AUM, as cross-sell increases.
- MOFSL's overall ADTO grew 18% YoY to Rs 206 bn in H1FY20. Market share in high-yield cash segment has been improved in H1FY20. Overall market share (ex-prop) stood at 2.3% in Q2FY20.
- Broking business also runs a margin funding business, with book size of ~Rs 5.74 bn as of H1FY20.

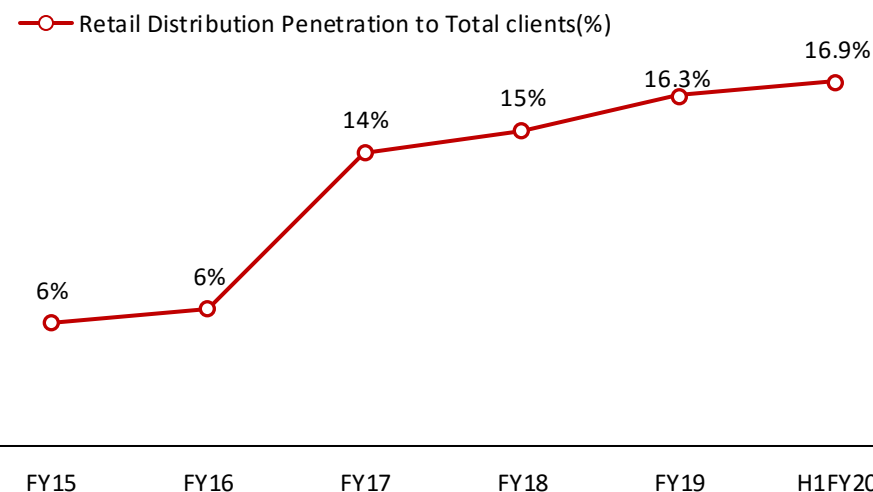
Retail Broking & Distribution

- Traction in new client addition driven by Franchisee and retail channel i.e. ~56,000 clients in H1FY20.
- Customer centric approach has always been the prime focus. In addendum, alliance with AU Small finance bank for 3 in 1 (banking + demat + trading) account will further ease out the banking and investing facilities to customers.
- Good traction in building up insurance business. We have tie-ups with HDFC Life, ICICI Pru Life and Bajaj Life for life insurance products.
- Gained traction in SIP, with ~95,700 SIPs live as of H1FY20, with average ticket size of Rs 3,600 per month.
- New release of mobile app and EXE launched with enhanced features and advisory products.

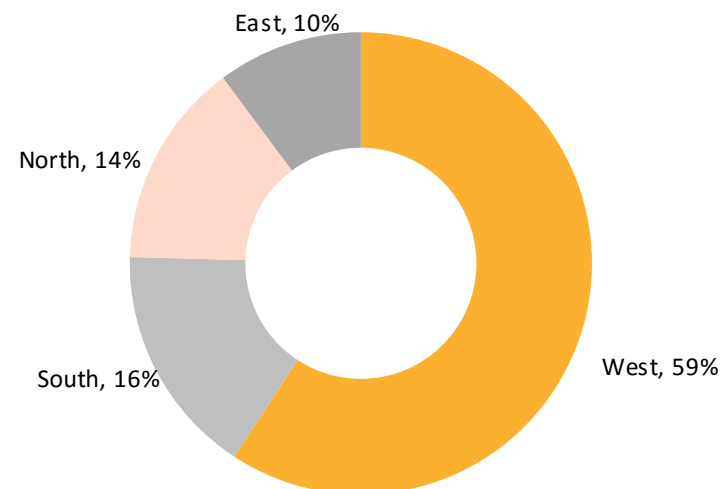
Institutional Broking

- Empanelments continues to show traction with 700+ empanelments.
- Improvement in rank in almost every account, led by focused and broad-based team servicing
- Differentiated research products with 260+ coverage and 750+ reports evincing client interest.
- Corporate access has been a high focus area with successful events like AGIC in August 2019. The event witnessed highest participation from 200+ corporates.

Distribution penetration (% of total client base of 1.26 mn)

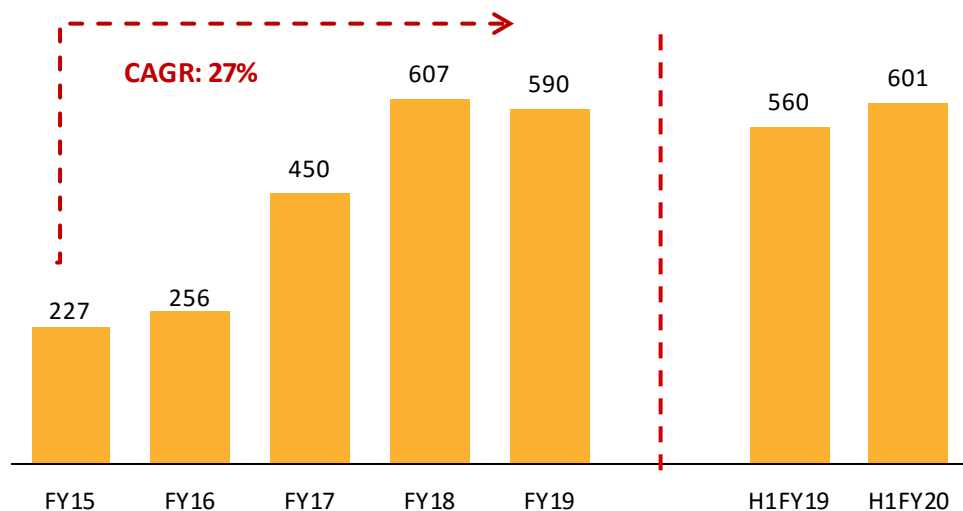


Geographic distribution of Retail active clients (Cash)

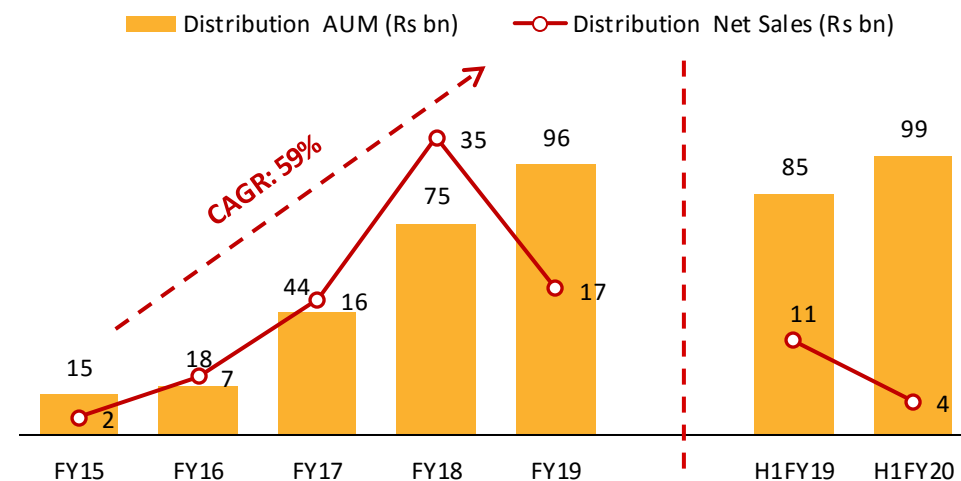


Broking & Distribution – Strong growth in Volume & Distribution AUM

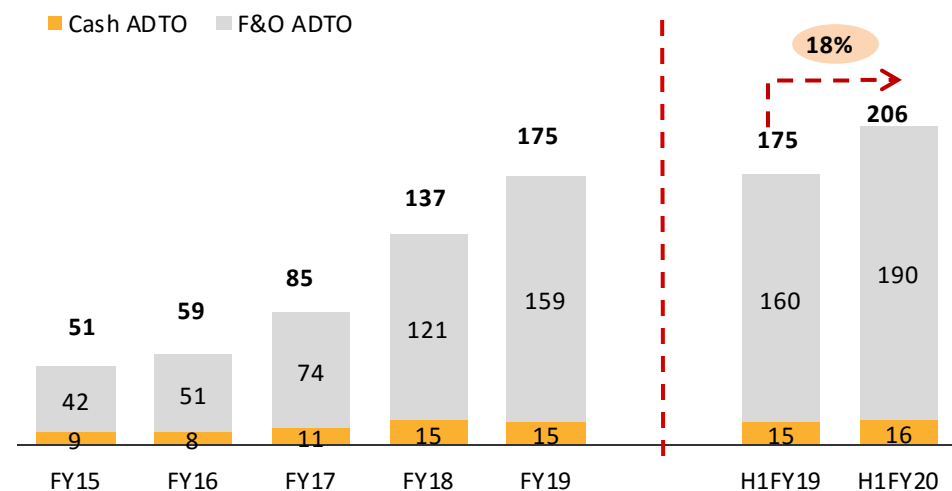
DP AUM growth trend (Rs bn)



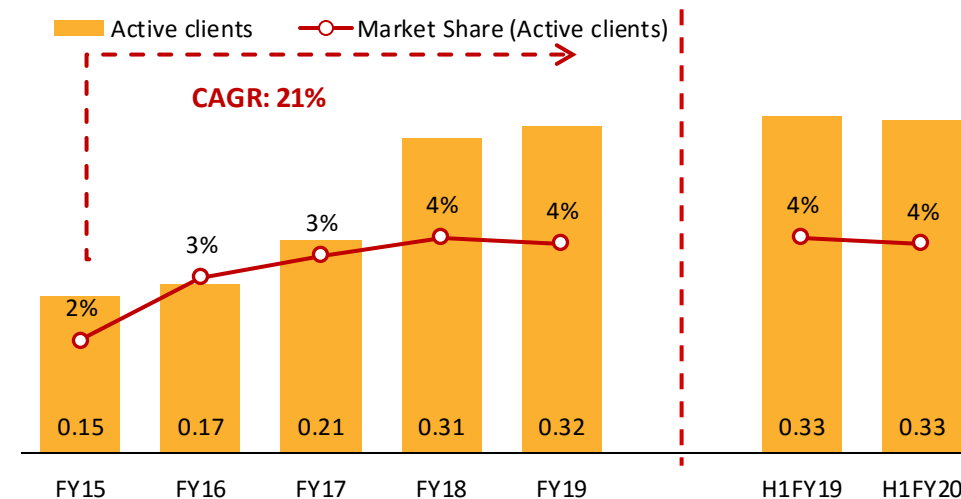
Rising Distribution AUM



MOFSL Broking ADTO (Ex-prop, Rs bn)



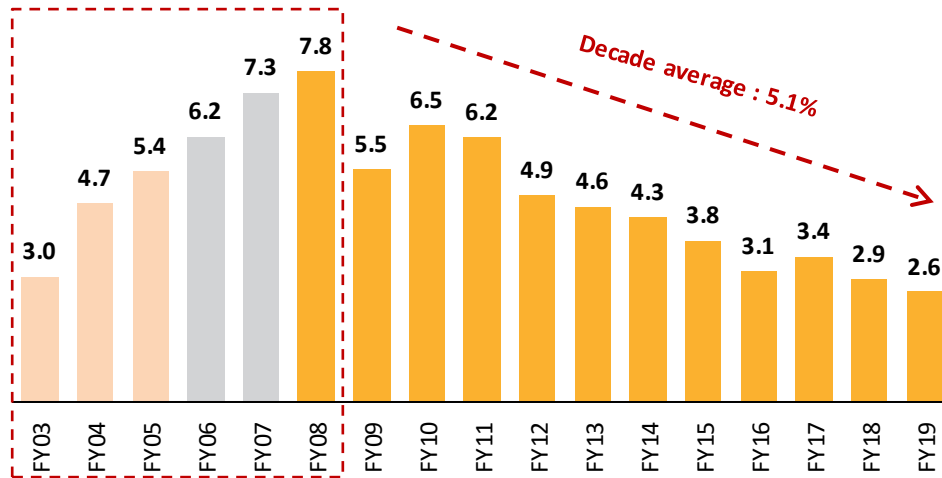
Rising share of active clients (mn)



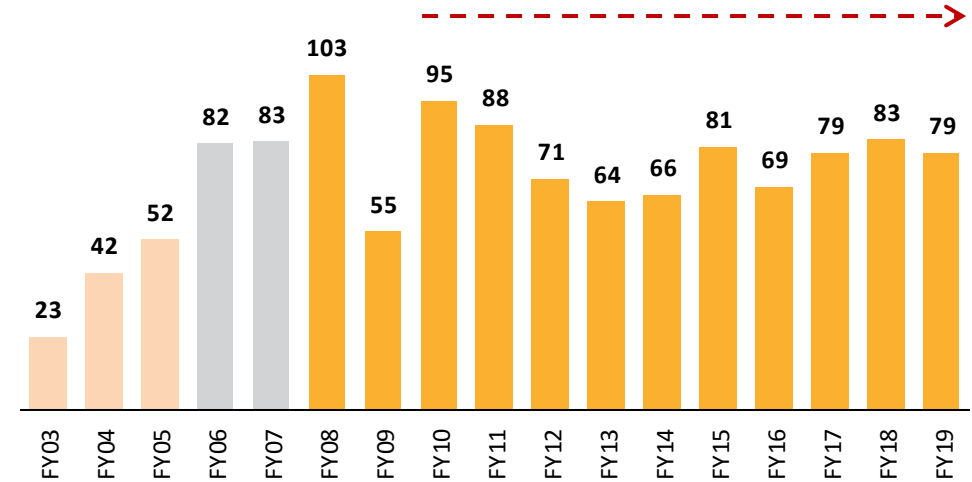
Source: NSE, BSE,

Broking & Distribution – Potential levers

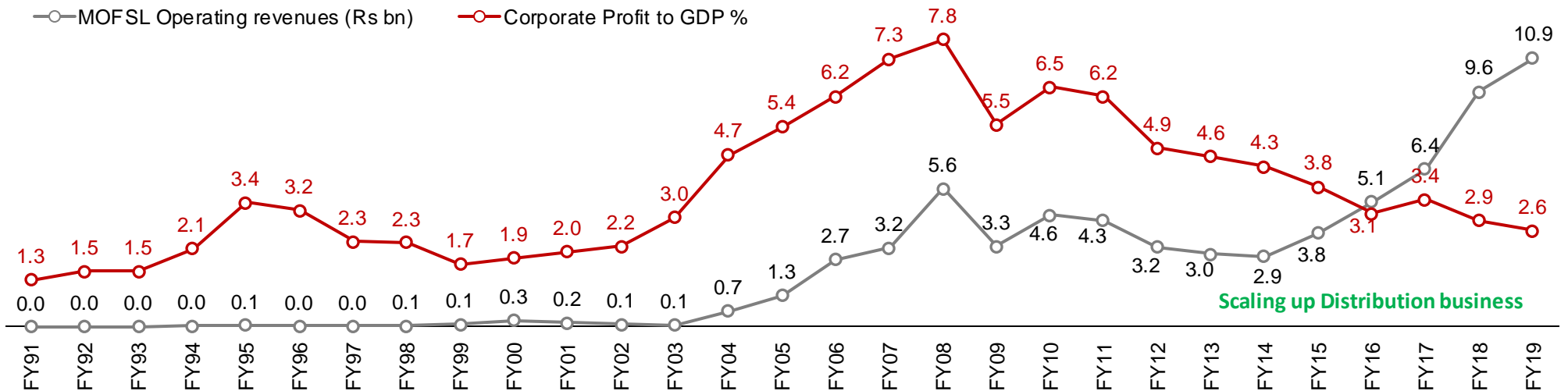
Corporate profit to GDP trend (%)



Market cap to GDP trend (%)



Broking revenues diverge corporate profit to GDP ratio due to linear trail income



Source: NSE, BSE, RBI, Company, Note: MOFSL Broking revenues are as of FY19

MARQUEE DEALS



QIP - Rs 18.9 bn



QIP - Rs 28 bn



QIP - Rs 10 bn



QIP - Rs 49.9 bn



IPO - Rs 19.1 bn



IPO - Rs 4.6 bn

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Total Revenues	83	34	142%	3	-	86	185	-54%
Operating Costs	59	54	8%	56	5%	114	112	2%
EBITDA	24	-20	-	-53		-28	74	-
PBT	21	-22	-	-56		-35	70	-
PAT	10	-16	-	-39	-	-29	49	-

- Expertise-led approach focusing on specific sub-segments of strength, where we have relationships and track record.
- Sectoral focus on BFSI, Auto, Consumer, Healthcare and Industrials will yield benefits in the medium to long term. Well-settled team geared to execute transactions.
- We have completed some marquee M&A deals along with some QIP deals in challenging market environment.
- We continue to engage on a wide cross-section of mandated transactions across capital markets and advisory. As the markets recover, we expect a number of these transactions to conclude successfully.

Post ARC sale NPA declined to 1.8% in Q2FY20; Healthy PCR of 62%

Rating upgrade from CRISIL to AA-/Stable during H1FY20

Strong traction collection efficiency and legal recourse

Loan book stood at Rs 38.5 bn as of Q2FY20

Strong performance of new loan book with negligible delinquency

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ%	H1FY20	H1FY19	YoY%
Net Interest Income (NII)	542	700	-23%	578	-6%	1,119	1,276	-12%
Other Operating Income	23	26	-11%	22	6%	45	59	-24%
Total Income	565	726	-22%	599	-6%	1,164	1,335	-13%
Operating Cost	249	258	-4%	239	4%	488	525	-7%
- Employee Cost	170	172	-1%	160	7%	330	313	6%
- Other Cost	78	87	-10%	79	-1%	158	212	-26%
Operating Profit (Pre-Prov.)	316	467	-32%	360	-12%	677	810	-16%
Provisioning/Write off	491	1,008	-	111	-	602	1,522	-
PBT	-175	-541	-	250	-	75	-712	-
PAT	-118	-358	-	171	-	53	-458	-

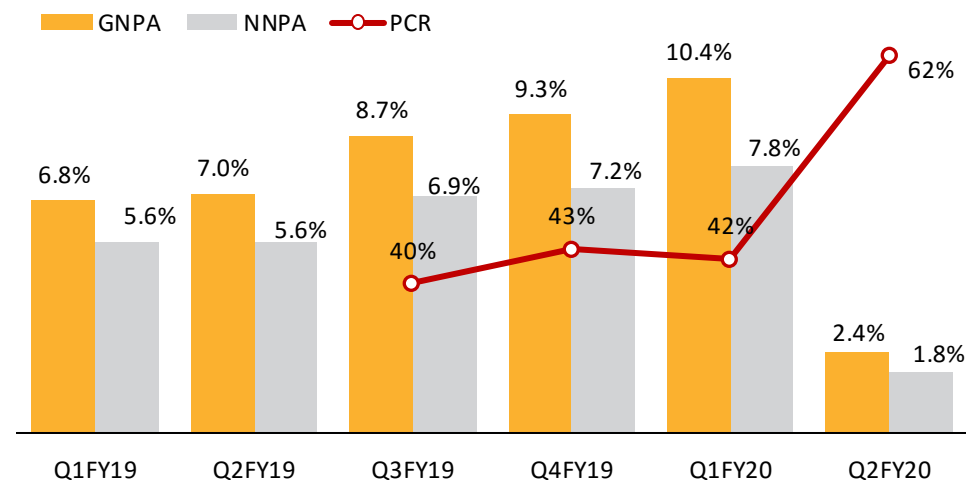
- MOHFL has sold pool of NPA's of Rs 5.4 bn (having Net Outstanding book value of Rs 3.45bn) to Phoenix ARC Private Ltd and realised full cash consideration of Rs 2.6 bn.
- This has resulted in significant reduction of the GNPA & NNPA ratios to 2.39% and 1.82% respectively. This lower NPL's will help us in further adding to lenders' confidence and bringing down incremental cost of funds
- Post this transaction, the loss on sale of assets to ARC to the tune of Rs 850 mn has been recognised in Q2FY20. However, reversal in provisioning post ARC sale and steady state run-rate of monthly profitability has limited the impact during the quarter.
- During H1FY20, MOHFL also received credit rating upgrade amid challenging environment based on several positive changes undertaken including name change. CRISIL has upgraded MOHFL's rating to AA- (stable outlook) from earlier A+ (stable). This will further benefit MOHFL in bringing down cost of funds.
- Home finance business has started benefiting from the name change to "Motilal Oswal" in a several ways like attracting new talent, comfort to lenders, brand synergy and cross pollination of resources.
- With likely pick-up in disbursements coupled with improved collection efficiency, augur well for future asset quality and profitability outlook.

Home Finance – Asset quality trend

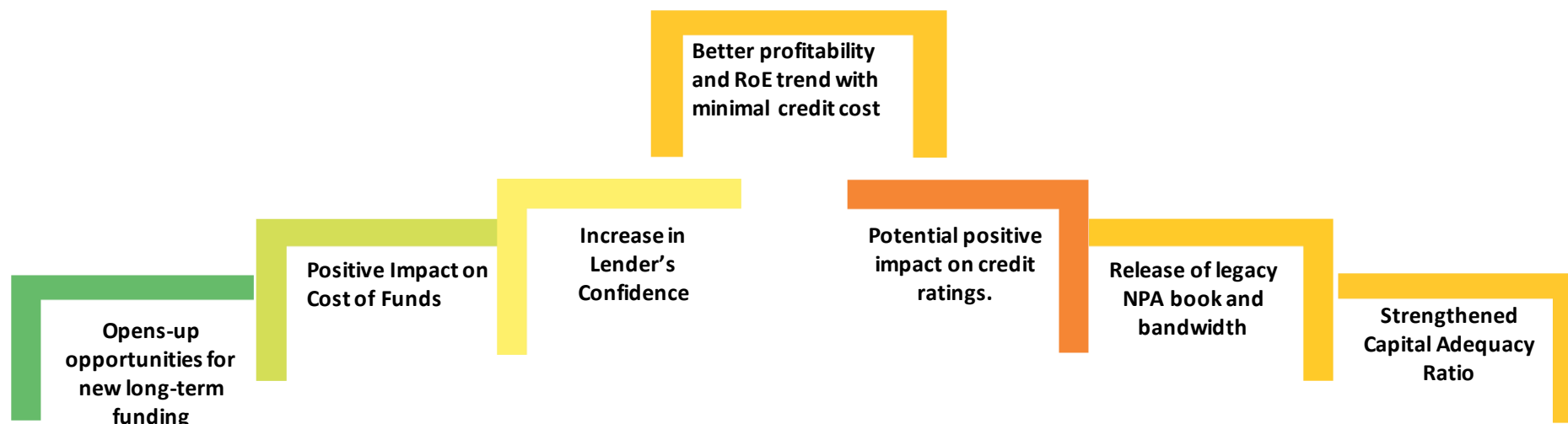
ECL Provisioning details

Particulars (Rs mn)	Q2FY20
Stage 1 & 2	37,738
% portfolio in stage 1 & 2	97.61%
Stage 3	917
% portfolio in Stage 3	2.39%
ECL Provision % Stage 1 & 2	0.94%
Total Assets	38,419
ECL Provision	568
ECL Provision %	1.47%
Coverage Ratio % (incl. std. assets)	62%

MOHFL's GNPA and NNPA trend



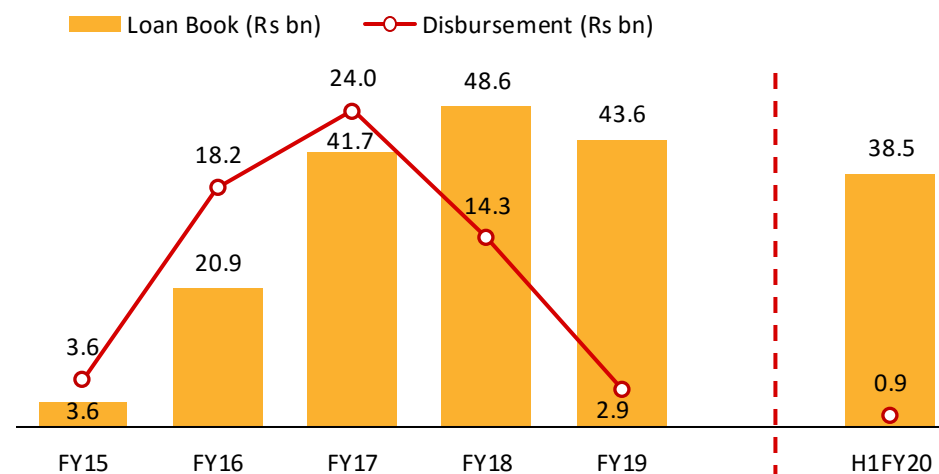
Benefits of NPA sale to ARC



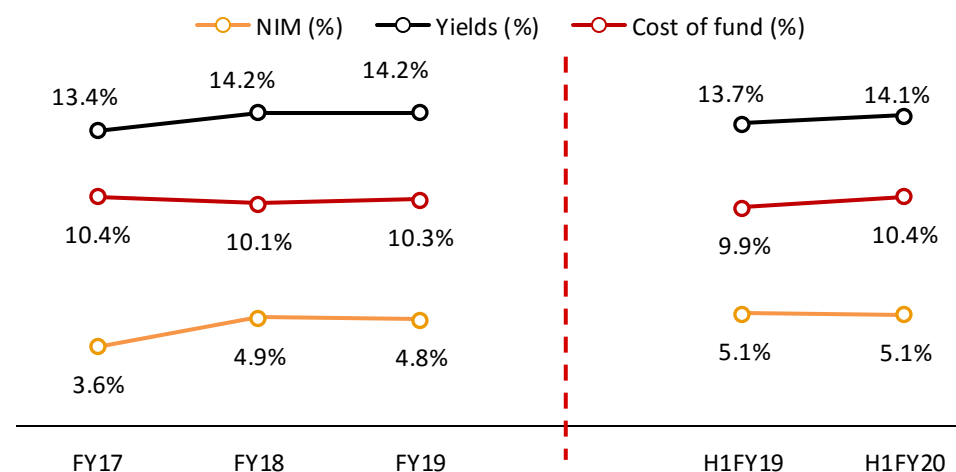
Note : MOHFL's NPA in Q2FY20 is as per Ind-AS , PCR in including standard asset provisioning

- Fruition of revival efforts visible with positive trends in new loans sourced from April'18
 - ✓ Only 6 cases in delinquent pool out of ~4000 cases disbursed.
 - ✓ In new book, ~82% of disbursement was in <Rs 1.5mn ticket size
 - ✓ Credit function is fully automated with in-house technology to facilitate faster and accurate paperless processing.
 - ✓ Mobile Applications being extensively used in Sales & Collection for Productivity enhancement.
 - ✓ Localised Policy on Collateral Management
- Disbursements in H1FY20 were Rs 850 mn. We expect disbursement to pick up from coming quarters as traction building in sanctions.
- Margins remained stable at 5.1% in H1FY20, on account of improvement in yield coupled with equity infusion in CY19. Our spreads have remained stable in an environment of higher cost of funds.
- Limited borrowing repayments till March 2020, strong undrawn borrowing lines and ALM places us in comfortable liquidity situation.
- Diversified liability profile - 51% from NCDs and 46% from bank loans and 3% from CPs. 24 banks extended credit lines as of September-19.

Loan book and disbursement trend

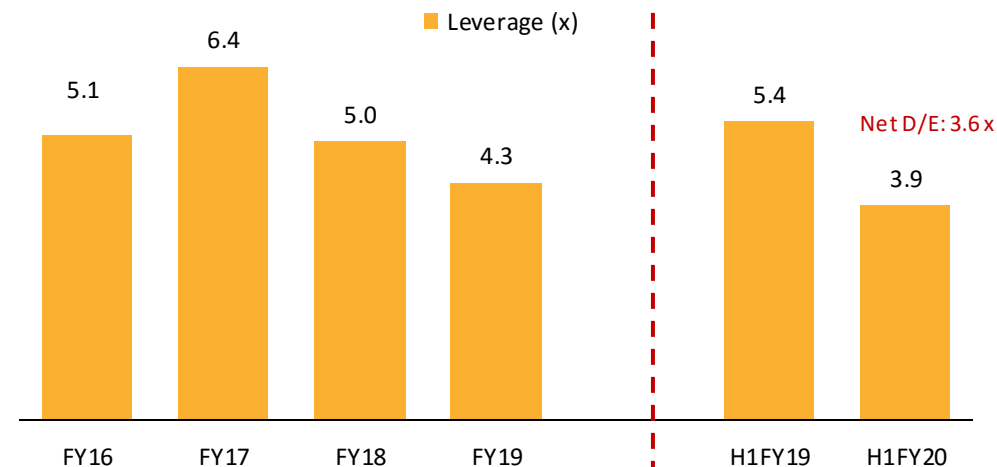


Margin trajectory

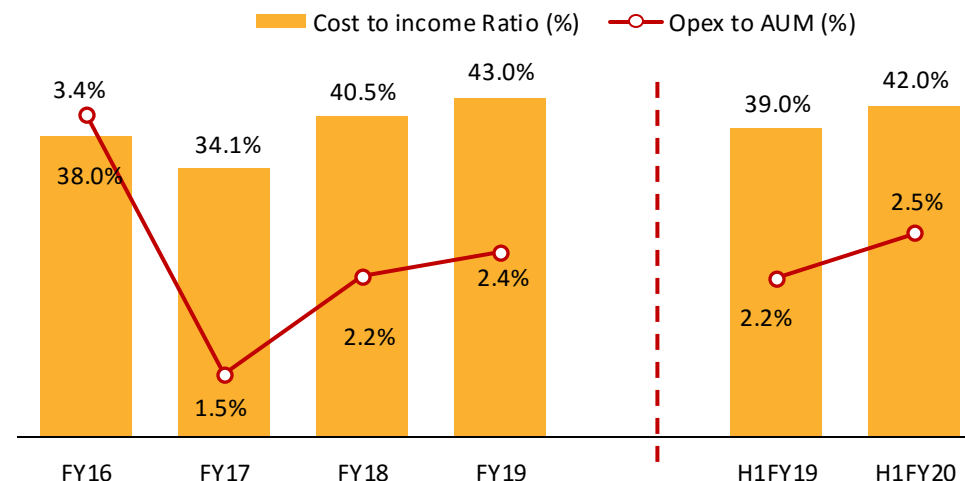


- Average ticket size is Rs 0.85 mn, with loans extended to more than ~48,000 families, as MOHFL is focused on the affordable housing segment with no exposure to builder finance.
- Capital infusion from sponsor was Rs 2 bn in CY19 taking total cumulative capital infusion from sponsor to Rs 8.5 bn resulting into lower leverage of 3.9x. Whereas net leverage stands at 3.6x.
- Proactive cost measures, automation of processes and consolidation of branches resulted into lowering of total cost on YoY basis.
- MOHFL's tele-calling, collection & legal strength of 450+, with focus on specific buckets will likely to yield faster resolution.
- Filed Section-138 and SARFAESI cases against 950+ accounts. Under Section-138, 500+ accounts are on final to advance stages of receiving either summons or bailable warrants. Whereas, under SARFAESI, 150+ accounts are on final to advance stages of receiving either receiving DM order or final property possession.
- 70% of the book out of the total book is never delinquent and never bounce. More-over, ~60% of our total cases have shown very low risk behaviour off MOHFL's loan book on BUREAU scrubbing analysis.
- We believe that with strong Legal & Collection efforts would lead to faster results like Roll back / Normalisation / Settlement in near future.

Low gearing

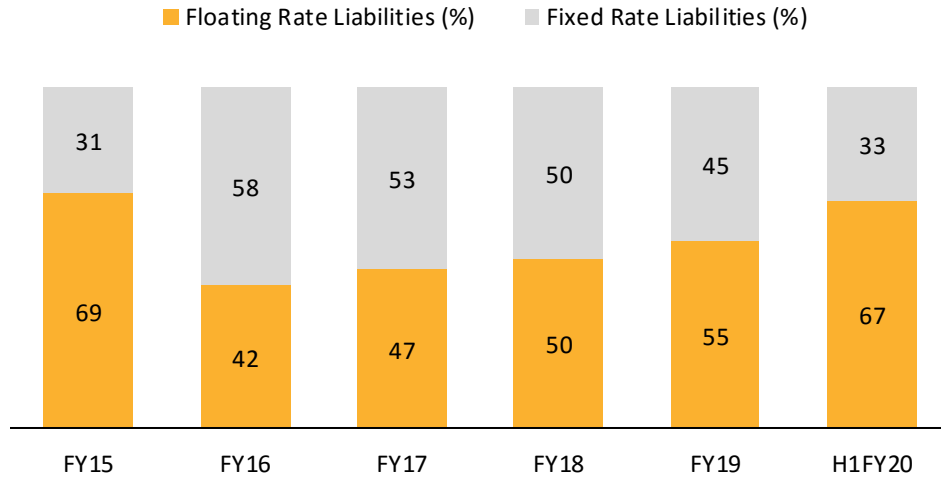


Cost to income trend

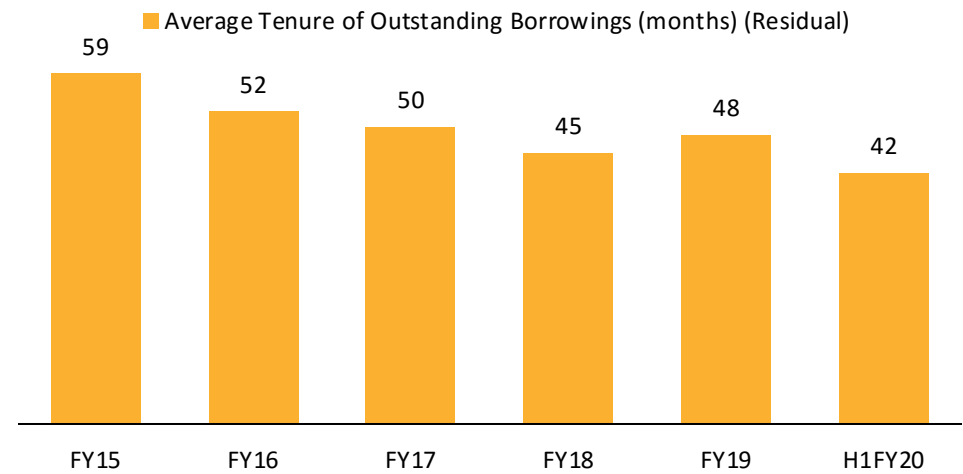


Home Finance – Strong liability management

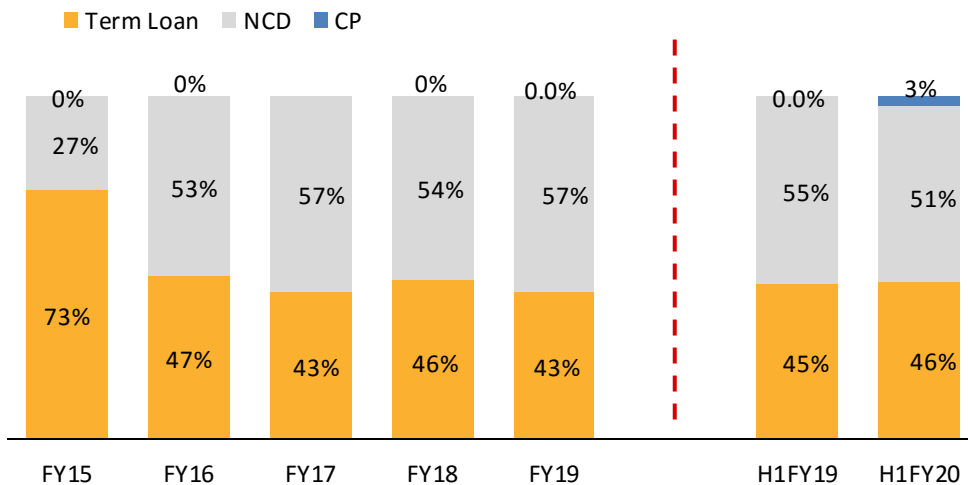
Liability mix based on rates (%)



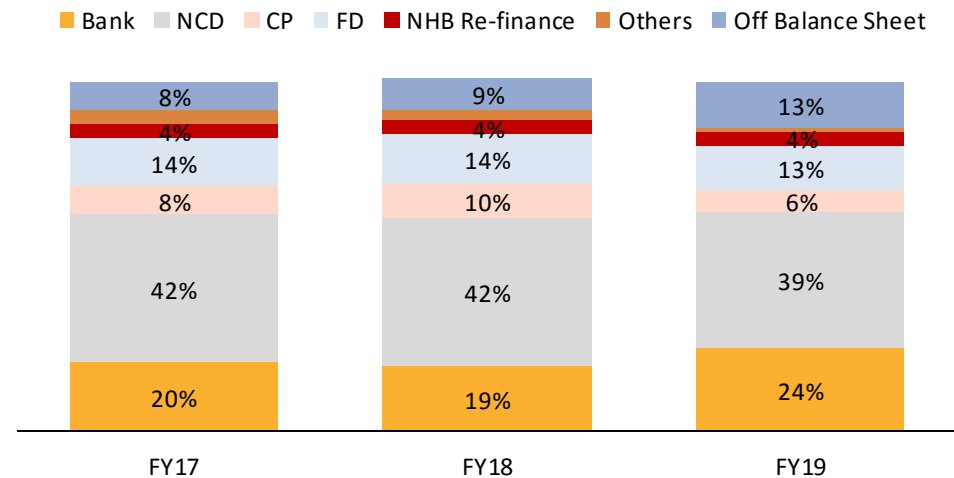
Average tenor of outstanding borrowing (months)



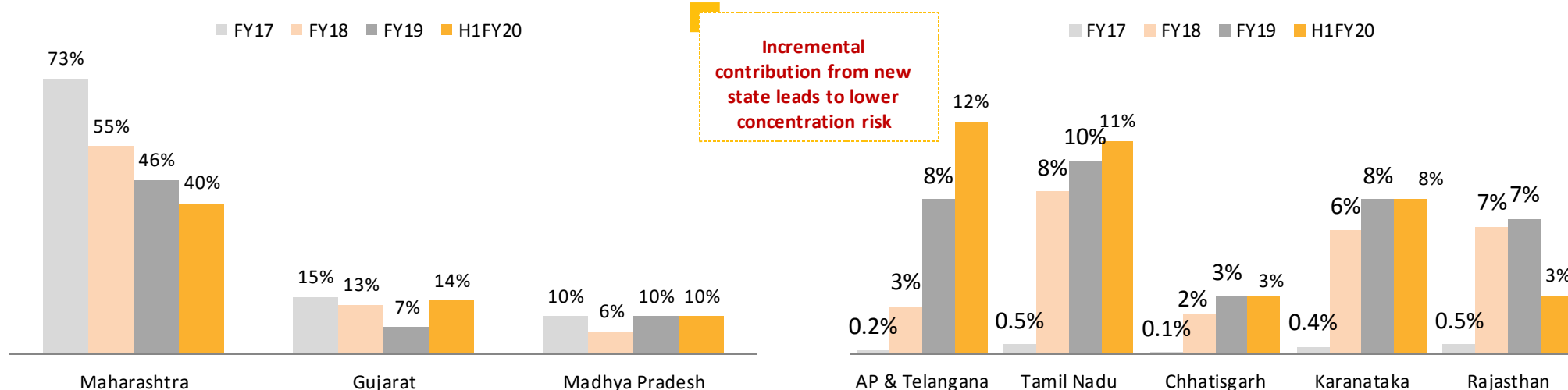
Diversified liability mix



Industry's Borrowings mix in All HFCs



State wise disbursement – Rising new state contribution in H1FY20

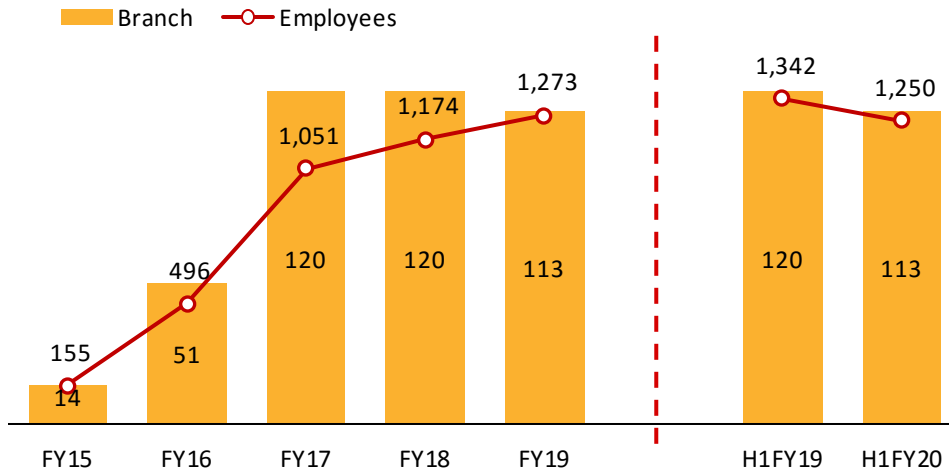


MOHFL’s geographic reach - Presence across 113 locations in 9 states

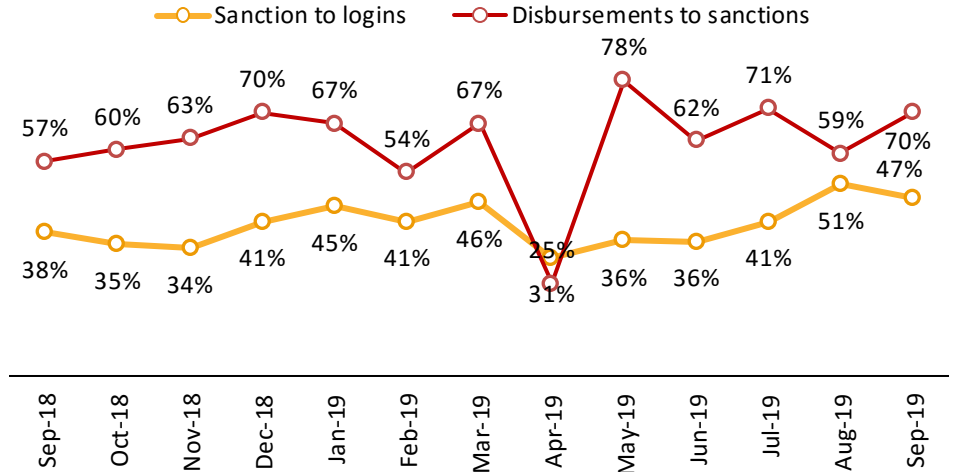
State	Nos. of Branches
Maharashtra	38
Gujarat	18
Tamil Nadu	15
Rajasthan	12
Karnataka	11
Madhya Pradesh	10
Andhra Pradesh	4
Chhattisgarh	3
Telangana	2



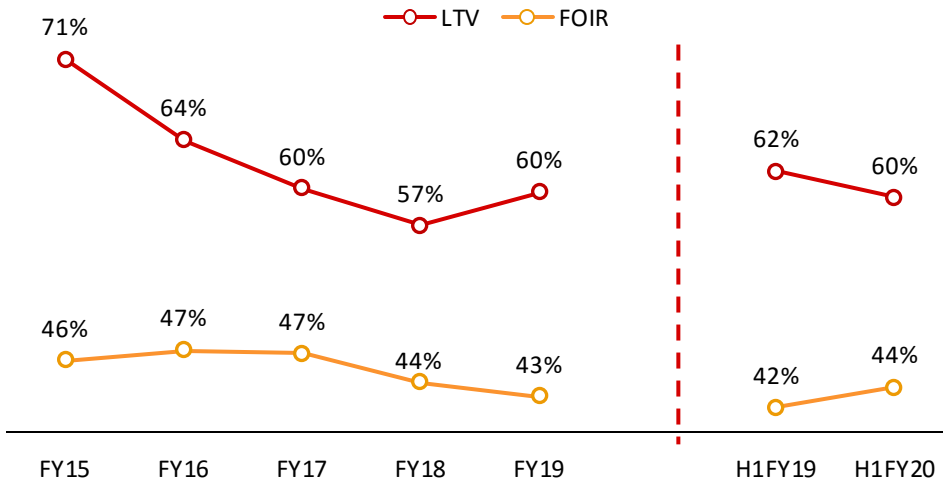
Higher investment in manpower



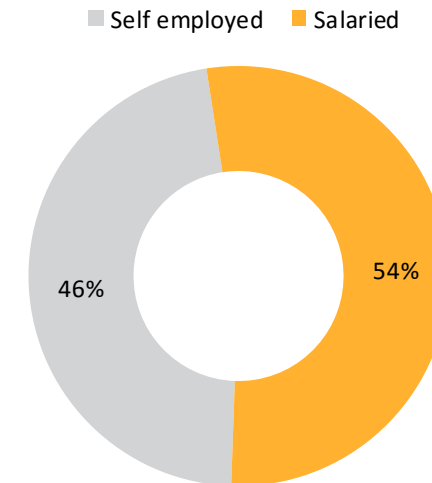
Traction in Login to sanction ratio



LTV of 60% and FOIR of 44%



Balanced customer mix (%)



KEY INITIATIVES

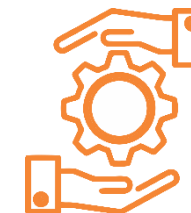


Sales:

1. Better customer understanding at origination through Real Time Bureau Interface
2. MO Bond Channel to increase connector penetration
3. MOHFL Franchise Channel to leverage change in Brand
4. New Product Launch – Loan Against Property, Pre-Approved Top up
5. PMAY as a Sales Driver

Risk Management:

1. Change in Platform: LOS/LMS - Complete Migration by Dec19
2. Bureau Analytics for implementing Risk Score card
3. Rule Engine based decision system for Risk based Pricing & TAT Reduction
4. Workflow driven allocation to increase in-house mix in Technical valuation



Operations:

1. Digital Payments – 40% of total payments
2. 100% NACH Registration
3. Mobile based subsequent disbursement – 100% through App
4. Data Augmentation for Customer contact

Digitisation

1. PF collection through digital mode (100% of logins)
2. Integration of Payment Gateways (Paytm, Razor Pay)
3. Digital Receipts to customers – 64% reduction in Physical receipts
4. AI & RPA Initiatives (6 RPA & 16 Chat Bots)



Pursuing high quality growth

Rich understanding from 60,000 live accounts

Focus on Self employed / Self-construction / small ticket loans

No builder loans

100% In-house loan sourcing

Risk based pricing to ensure quality sourcing

Created in-house technical team. Captive team conducts 40% of all valuations and vets 100% of valuations

Verticalised organization structure from branch banking model

Enhanced risk control and focus on EWS model

Instituted RTRM mechanism to improve quality of credit underwriting

Resolving early warning signal cases and soft bucket cases promptly

Concurrent audit of pre & post disbursement. Starting online disbursement process

FUND BASED INVESTMENTS

Total quoted equity investment including MTM gains was Rs 15.5 bn as of H1FY20.

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Total Revenues	270	-579	-	339	-18%	609	-510	-
PAT	495	-559	-	324	59%	819	-483	-

Note: Fund based revenues and PAT excludes Other Comprehensive Income

Total unrealised gain on fund based investments at ~Rs 4.7 bn

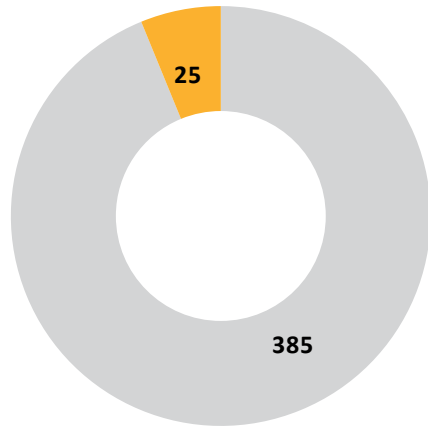
- In H1FY20 revenues were higher on account of MTM fair valuation of investments under Ind-AS. During H1FY20, revenue impact net gain (realised + MTM) on investments were Rs 0.5 bn vs Rs (0.7) bn in H1FY19.
- Fund based book includes gains/loss on sponsor commitments cum investments in equity MF, PE funds, Real estate funds, AIF and strategic equity investments.
- Total quoted equity investment including MTM gains was Rs 15.5 bn as of September 2019, since MTM of these gains are now included in earnings under Ind-AS reporting.
- Cumulative XIRR on quoted equity investments is ~17% (since inception), validating the long-term performance track record of our QGLP philosophy.
- Pre-tax XIRR on exited private equity investments is ~27%.
- 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.

Cumulative XIRR of ~17% on quoted equity MF investments

Fund Based investments – Skin in the game

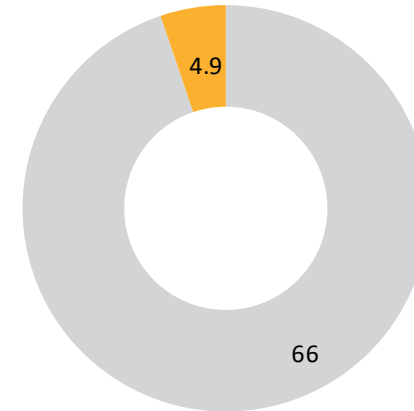
Skin in the game in AMC

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



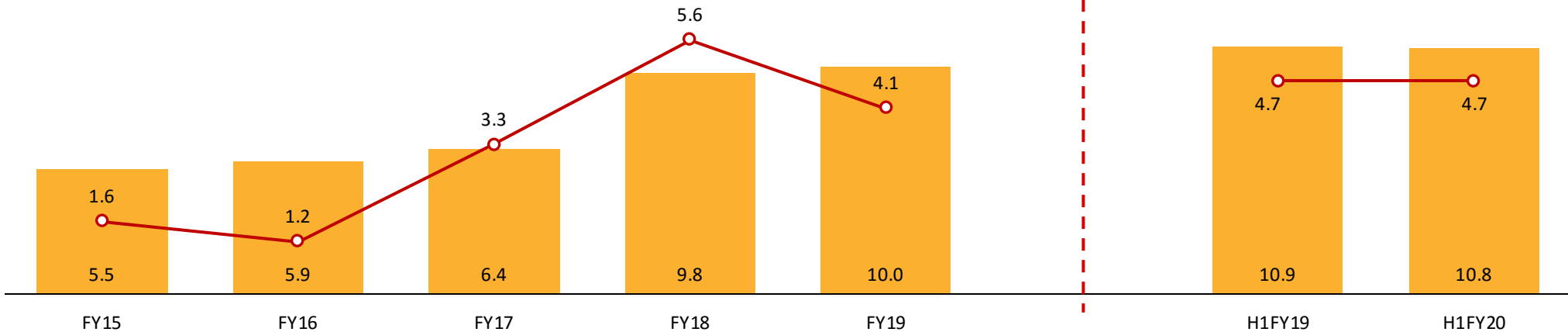
Skin in the game in PE

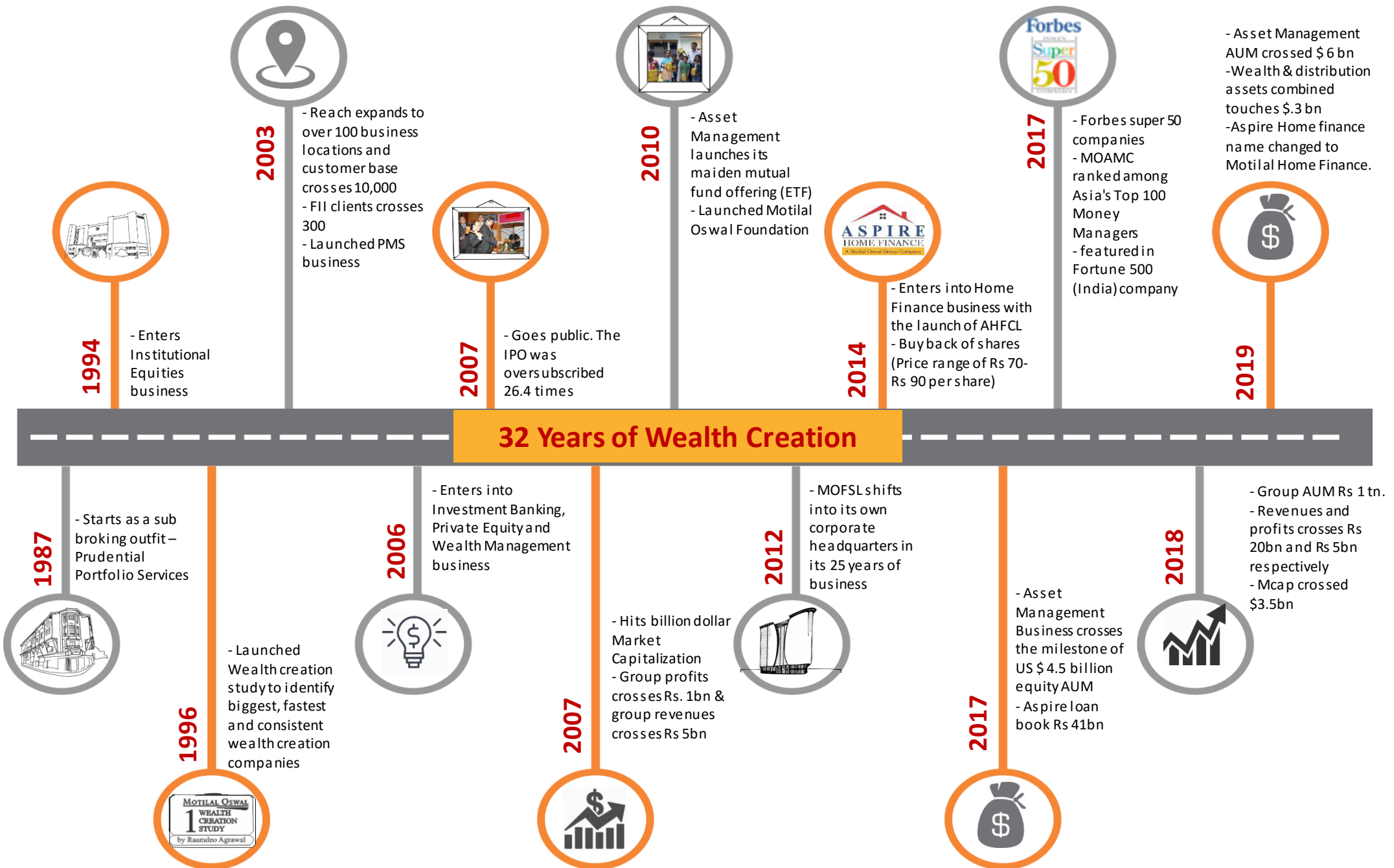
■ PE AUM (Rs bn) ■ Sponsor Commitment in PE (Rs bn)



Unrealised gain from quoted equity investments

■ Quoted investment at cost (Rs bn) ● Unrealised gain (Rs bn)





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