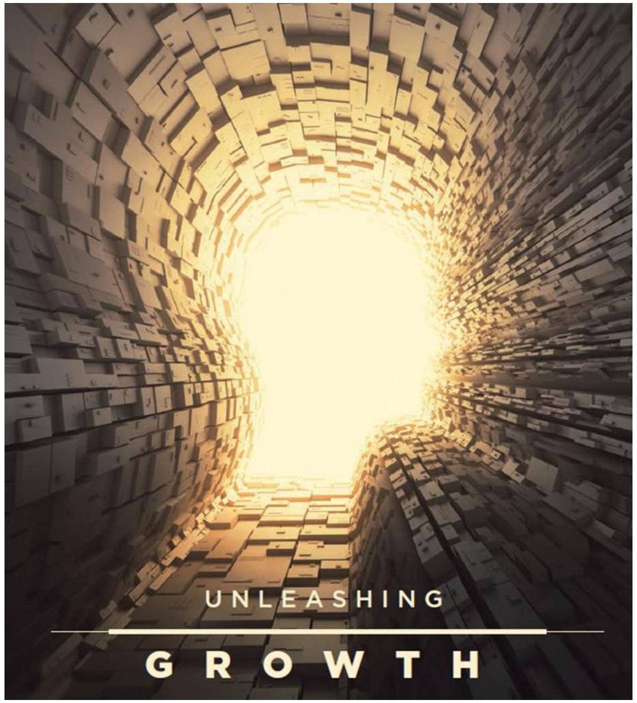
Knowledge First

MOTILAL OSWAL
Financial Services

Earnings Update – Q4 FY15 & FY15

Apr 30, 2015

Q4 FY15 & FY15 performance



- Broad market trends in the quarter
- Our performance highlights this quarter
- Consolidated financials this quarter
- Segment-wise revenues
- Segment attribution analysis
- Balance sheet highlights

Broad market trends

- During FY15, India outperformed most major Emerging and Developed peers over the 1-Year and 10-Year periods
- Market ADTO increased by 65% YoY during FY15 due to traction in both cash equities and F&O volumes
- Cash market volumes were up 61% YoY in FY15. This is only ~6% lower than its all-time high of FY10
- Within cash, delivery volumes picked up by 63% YoY to reach its all-time high since the last 8 years, up ~13% higher than its past peak of FY08
- Retail led the uptick in cash volumes in FY15. It was up 73% YoY, but its still ~17% lower than its previous peak of FY10
- Equity MF AUM picked up with increased mobilization and appreciation. Net inflows were positive since 4 quarters
- The quantum of net outflows in DIIs has been decreasing
- Climate of optimism returning to primary capital markets

- India underperformed major peers in Q4FY15 since markets were impacted by heightened volatility
- While cash market volumes has spiked during the year, the QoQ growth has been inconsistent during the quarters
- Although net inflows from FIIs picked up from Jan, they were quite volatile during mid-FY15
- DIIs saw selling in Jan, resulting in net outflows in Q4FY15. This was a reversal from the net inflows seen in Q3FY15
- The IPO pipeline is yet to take off significantly on-ground, despite the optimism over primary market activity
- M&A deal activity still remains damp in the industry
- Amongst MF folios, it is the HNI equity folios that increased during Mar-Dec 2014, rather than pure retail equity folios

Our performance highlights

Consolidated Financials	• Revenues in Q4 FY15 were ₹2.4 billion (up 31% QoQ and up 97% YoY); Revenue for the year FY15 were ₹7.8 billion (up 66% YoY) • Adjusted PAT was ₹430 million (up 20% QoQ and up 77% YoY) Adjusted PAT in FY15 was ₹1.4 billion (up 86% YoY) • EBITDA and PAT margins were 34% (33% in Q3FY15 and Q4FY14 each) and 18% (19% in Q3FY15 and 20% in Q4FY14) respectively; For the year FY15, it was 33% (30% in FY14) and 19% (16% in FY14) respectively • Total dividend for FY15 (₹3 per share : Interim ₹2 per share + Final ₹1 per share) which translates to ~35% payout • Balance sheet had net worth of ₹12.9 billion and borrowings of ₹7.9 billion as of Mar 2015 • To grow to 20% + sustainable RoE, MOFSL has made strategic allocation of equity capital to Aspire Home Finance and sponsor commitments to existing mutual fund and private equity funds of MOFSL group. Return on Equity for FY15 was 11.7% on reported PAT of ₹1.4 billion. However, this does not include unrealised gains on investments in Motilal Oswal's mutual fund products (₹1.6 billion as of March 2015)
Volumes and Market Share	• Total ADTO in secondary equities was ₹55.7 billion in Q4FY15 (₹30.8 billion in Q4 FY14 & ₹49.7 billion in Q3 FY15); For the year FY15,m it was ₹50.5 billion (₹31.6 billion in FY14) • During Q4FY15, cash market volumes grew 15% QoQ whereas F&O market volumes dipped 11% QoQ; During the year FY15, cash market volumes were up 61%, led by a 73% YoY growth in retail and 50% YoY growth in institution • Market share was 1.6% in Q4FY15 (1.5% in Q4FY14) led by a sharp uptick in cash market share; It was 1.5% in FY15 (1.6% in FY14) due to the continued disproportionate rise of options; Nevertheless, we captured a larger chunk of the incremental high-yield cash volumes this year which helped increase our cash market share
Assets Managed	• Significant traction seen in AUM due to higher net mobilization and market conditions; Total AUM/AUA was ₹82.6 billion. Within this, the mutual fund AUM was ₹24.1 billion, PE AUA was ₹21.6 billion and PMS AUM was ₹36.8 billion • Wealth management assets picked up owing to increased investor interest; Wealth AUM stood at ₹41.0 billion • Depository assets were ₹227.1 billion
Distribution Reach	• Distribution stood at 1,743 locations across 520 cities; Added to our footprint across branches and franchisees • Total client base increased to 844,289, owing to traction in PMS, retail, institution and commodity clients • Strong run-rate in retail & distribution client base seen since last four successive quarters

Consolidated financials

Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	2,433	1,859	31%	2,433	1,237	97%	7,754	4,681	66%
Operating expenses	608	417	46%	608	301	102%	1,949	1,053	85%
Personnel costs	633	507	25%	633	318	99%	1,898	1,273	49%
Other costs	369	318	16%	369	215	71%	1,311	933	41%
Total costs	1,610	1,242	30%	1,610	834	93%	5,159	3,259	58%
EBITDA	824	617	34%	824	403	104%	2,595	1,422	83%
PBT (before E & EOI)	565	466	21%	565	338	67%	1,979	1,151	72%
Adjusted PAT	430	359	20%	430	243	77%	1,436	771	86%
Reported PAT	430	359	20%	430	126	241%	1,436	395	264%
EPS - Basic	3.10	2.62		3.10	0.93		10.48	2.95	
EPS - Diluted	3.04	2.57		3.04	0.93		10.24	2.95	
No.of shares outstanding (million) - FV Rs 1/share	140	139		140	139		140	139	

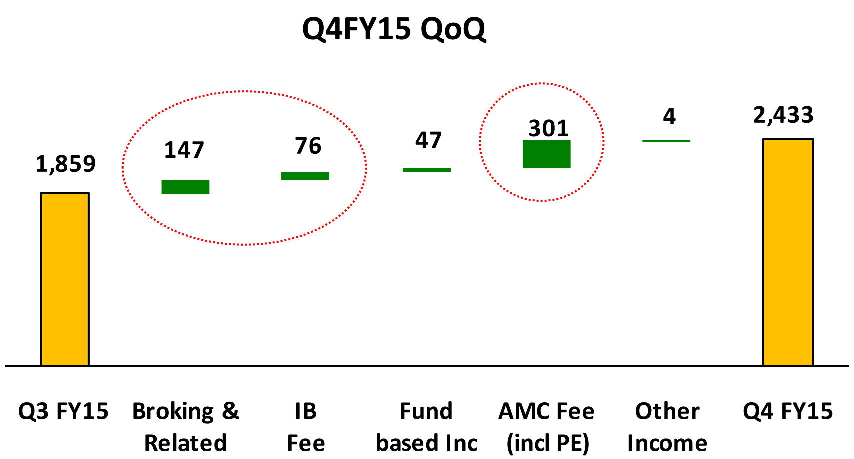
E & EOI = Exceptional items & Extraordinary items

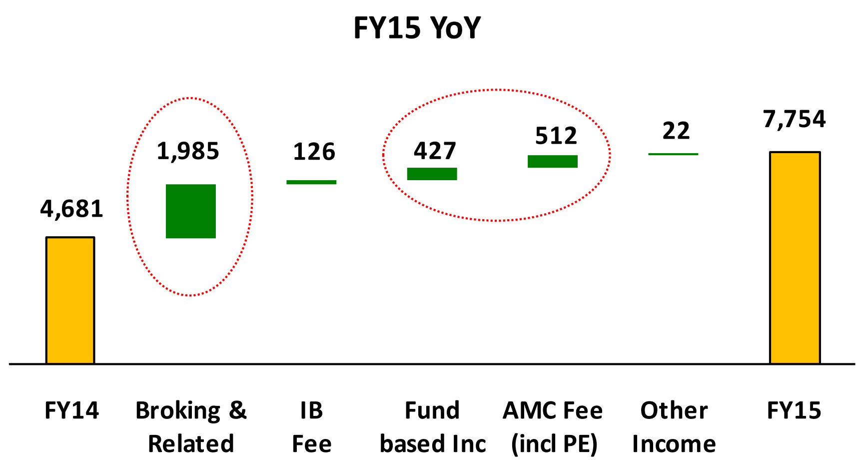
- The NBFC lending business of loan against shares, which was done earlier from equity capital, is now being run as a spread business with a healthy mix of short term and long term borrowings. The total borrowings in MOFSL (ex Aspire) stands at ₹6.1 billion as of Mar 2015. This has resulted in incremental interest cost (ex Aspire) of approx ₹58.4 million as compared to previous quarter and ₹124.1 million as compared to same quarter of the previous year. For FY15, this resulted in an incremental interest cost of ₹222.9 million over FY14.

Segment-wise revenues

Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Brokerage & operating income	1,328	1,181	12%	1,328	741	79%	4,855	2,870	69%
Investment banking fees	92	16	481%	92	19	373%	193	68	186%
Fund based income	409	362	13%	409	238	72%	1,365	937	46%
Asset management fees	588	287	105%	588	223	163%	1,270	758	68%
Other income	17	13	30%	17	16	8%	71	49	46%
Total Revenues	2,433	1,859	31%	2,433	1,237	97%	7,754	4,681	66%

Segment-wise attribution analysis of incremental revenues





- Fund based income in Q3 FY15 had also included ₹94 million of profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments

Balance sheet – Focus on enhancing Return on Equity

- In line with the long term strategy to grow Return on Equity (RoE) sustainably to 20%+, MOFSL has made strategic allocation of capital to long term RoE enhancing opportunities like Aspire Home Finance and sponsor commitments to existing mutual fund and private equity funds of MOFSL group
- Equity commitment of ₹2 billion made to Aspire; of which ₹1.5 billion has been infused as of Mar 2015
- Our investments in Motilal Oswal's mutual fund products stood at ₹5.5 billion as of Mar 2015. The unrealized gain on these investments is ₹1.6 billion as of Mar 2015 (versus ₹968 million as of Dec 2014). The same is not reflected in the profit and loss account for the year
- Our investments in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.3 billion as of Mar 2015
- NBFC loan book was ₹5.3 billion and Housing Finance loan book stood at ₹3.6 billion
- The NBFC lending business of loan against shares, which was done earlier from equity capital, is now being run as a spread business with a healthy mix of short term and long term borrowings. In line with this, during the previous quarter, MOFSL has raised long-term NCDs of ₹1.5 billion at annualized cost of 10.05% (payable annually). The total borrowings in MOFSL (ex Aspire) stands at ₹6.1 billion as of Mar 2015. This has resulted in incremental interest cost (ex Aspire) of approx ₹58.4 million as compared to previous quarter and ₹124.1 million as compared to same quarter of the previous year. For FY15, this resulted in an incremental interest cost of ₹222.9 million over FY14.
- Total dividend for FY15 (₹3 per share : Interim ₹2 per share + Final ₹1 per share) which translates to ~35% payout

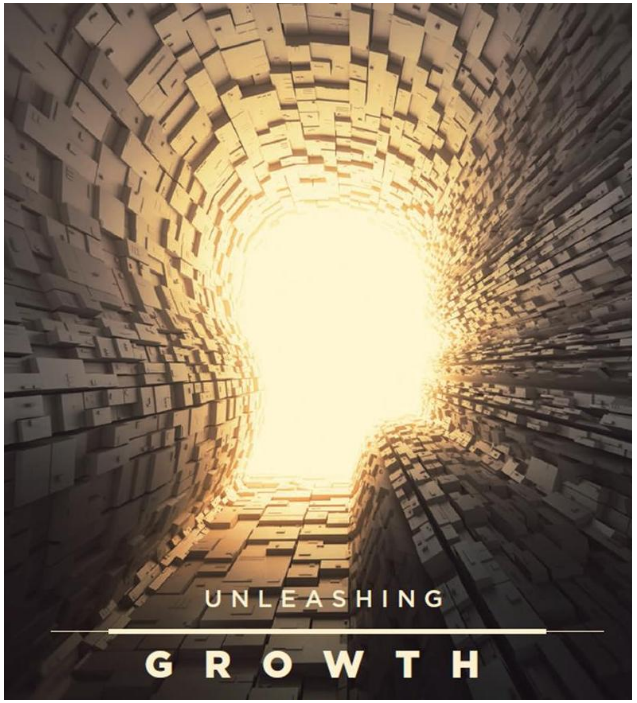
Balance sheet

₹million	As on Mar 31, 2015	As on Dec 31, 2014	As on Mar 31, 2014
Sources of Funds			
Networth	12,949	12,911	11,703
Loan funds	7,856	4,464	1
Minority interest	63	69	51
Deferred tax liability	120	95	117
Total	**20,988**	**17,539**	**11,871**

Application of Funds			
Fixed assets (net block)	3,001	2,953	3,072
Investments	8,140	7,104	2,930
Deferred tax asset	-	-	-
Current Assets (A)	18,307	14,844	12,430
- *Sundry debtors*	*5,900*	*5,589*	*4,814*
- *Stock-in-trade*	*0*	*34*	*606*
- *Cash & Bank Balances*	*2,719*	*2,625*	*1,678*
- *Loans & Advances*	*9,605*	*6,379*	*5,279*
- *Other Assets*	*82*	*217*	*53*
Current liabilities (B)	8,460	7,362	6,561
Net current assets (A-B)	9,847	7,482	5,869
Total	**20,988**	**17,539**	**11,871**

₹million	As on Mar 31, 2015	As on Dec 31, 2014	As on Mar 31, 2014
Networth	12,949	12,911	11,703
Debt	7,856	4,464	1
Cash & Bank balances	2,719	2,625	1,678
Debt : Equity	0.61x	0.35x	0.00x
Cash (% Networth)	21%	20%	14%

Business snapshots



- Our strategic focus across verticals
- Broking and distribution
- Institutional equities
- Private equity
- Asset management
- Private wealth management
- Investment banking
- Aspire Home Finance

Our strategic focus across verticals

Driven by professional and energetic management, who share a similar mind-set and passion as the founders…

Knowledge First

Solid Research
Solid Advice

Broking and Distribution
- Leverage research and advisory capabilities
- Leveraging on technology and distribution
- Enhance cross-selling opportunities
- Investor education & knowledge dissemination

Institutional Equities
- Independent & insightful research
- Use superior corporate access and research to build strong relationships

Asset Management
- Positioning as "Equity Specialists" with Q.G.L.P. Buy Right-Sit Tight philosophy
- Innovative market access products

Private Equity
- Capture fundamentally-strong, high-quality and high-growth deal opportunities

Investment Banking
- Partner as a 'strategic CFO' for advising corporate clients

Wealth Management
- Leverage on strong relationships with HNIs, customized advisory and product bouquet for holistic asset allocation

Housing Finance
- Build a state of art retail housing finance company
- Focused on affordable housing segment

Motilal Oswal Securities Ltd (MOSL)

Retail Broking & Distribution and Institutional Equities

Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	1,440	1,328	8%	1,440	852	69%	5,426	3,216	69%
EBITDA	414	458	-10%	414	234	77%	1,815	902	101%
PBT (before E & EOI)	305	381	-20%	305	195	56%	1,493	737	103%
Adjusted PAT	204	310	-34%	204	138	48%	1,081	507	113%
Reported PAT	204	310	-34%	204	33	517%	1,081	171	533%

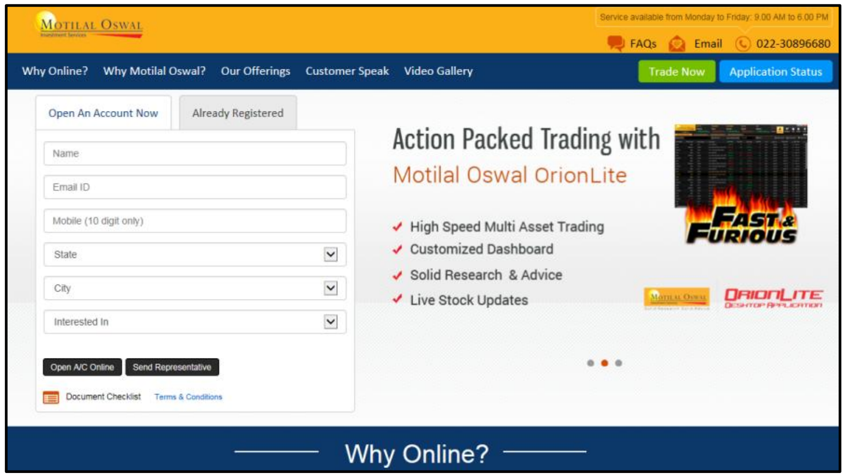
E & EOI = Exceptional items & Extraordinary items

- MOSL ADTO was ₹55.7 billion in Q4FY15 (₹30.8 billion in Q4 FY14 & ₹49.7 billion in Q3 FY15); For the year FY15, it was ₹50.5 billion (₹31.6 billion in FY14)
- During Q4FY15, cash market volumes grew 15% QoQ and 65% YoY. However, overall volume dipped QoQ due to a 11% QoQ decline in F&O volumes. Prop and institution led the QoQ growth in cash volumes, while retail led the YoY growth
- During the year FY15, cash market volumes grew 61% to ₹213.4 billion, which is only ~6% lower than its all-time high of FY10. This was led by a 73% YoY growth in retail and a 50% YoY growth in institution. While institution cash volumes were ~35% higher this year than its past peak of FY08, retail cash volume still remain ~17% lower than its previous peak of FY10. Delivery volumes were up 63% YoY during FY15, and it reached its all-time high since the last 8 years
- Our market share was 1.6% in Q4FY15 vs 1.5% in Q4FY14, led by a sharp uptick in our cash market share. For the year FY15, our market share was 1.5% vs 1.6% in FY14 due to the continued disproportionate rise of options within the market mix. Nevertheless, we succeeded in capturing a larger chunk of the incremental volumes that flowed into the markets this year which helped increase our market share in the high-yield cash segment during the year
- Our blended yield commensurately increased during the year, from 3.6 bps in FY14 to 4.0 bps in FY15. For the quarter 4QFY15, it was 3.8 bps, as compared to 4.1 bps in Q3FY15 and 3.8 bps in Q4FY14

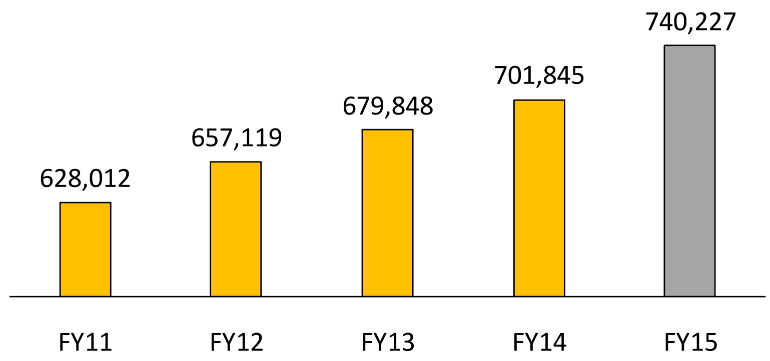
Broking and distribution

- Strong run-rate in retail and distribution client base since last four successive quarters, including the fourth quarter
- New technology tools seeing good feedback from clients
- The Online Account Opening website was revamped to make it more intuitive, improve information access, improve the visual content and ease the e-commerce functions
- Online business gaining further traction
- Invested further into our Re-Activation Desk business
- Conducted regular investor education seminars for clients

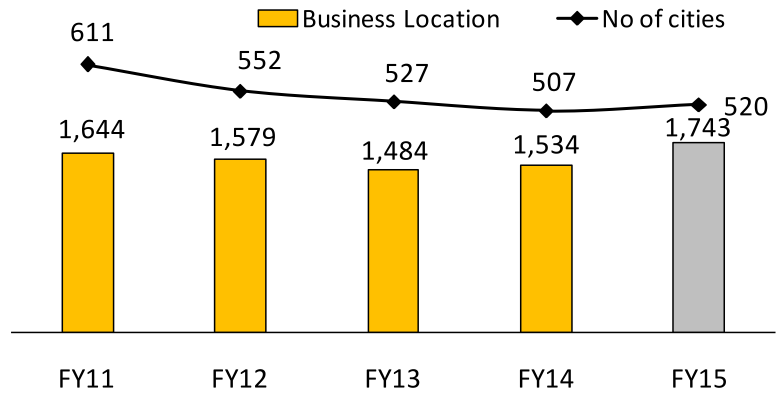
Revamped Online Account Opening Website



Retail broking and distribution clients

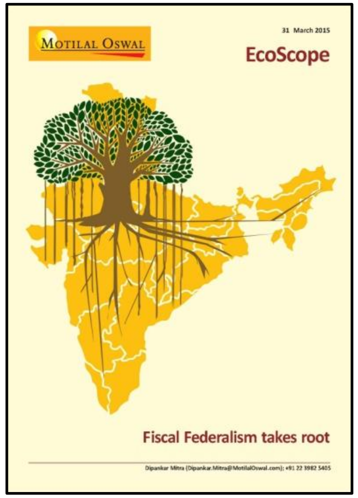


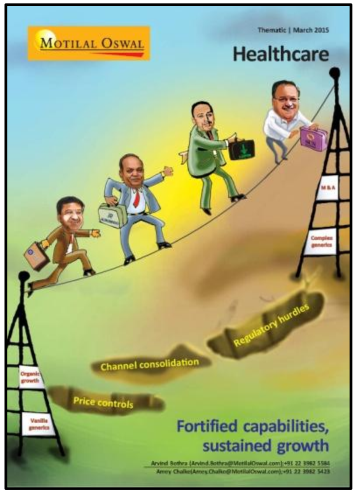
Pan-India distribution footprint

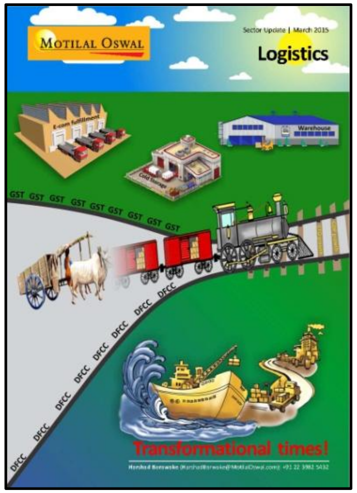


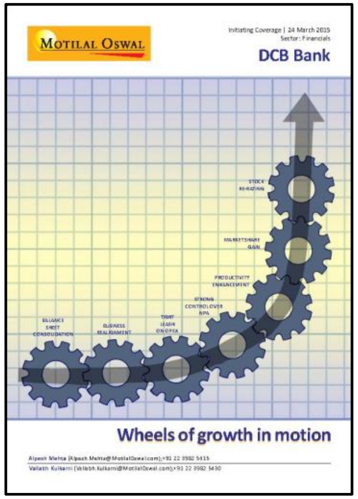
Institutional equities

- Client count reached 582 institutions as of Mar 2015; Both FII and DII clients were empanelled during the previous year
- 30 research analysts covering 230 companies across 20 sectors; Well prepared to enhance coverage further in FY16
- Traction in analyst and corporate roadshows this year, across regions
- Won research awards for 3 sectors at Zee India's "Best Market Analyst Awards" in Jan 2015









Private equity

Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	62	70	-12%	62	62	1%	255	400	-36%
EBITDA	25	32	-23%	25	30	-17%	119	205	-42%
PBT	23	31	-24%	23	29	-19%	113	201	-44%
PAT	16	16	1%	16	20	-18%	74	134	-44%

Funds

IBEF 1
- $125mn in 13 cos.
- 2 partial exits & 2 full exits so far
- Returned approx 60% capital

IREF 1
- ₹2bn AUA in 7 deals
- Full/partial exits from 6 projects so far
- Returned approx 78.5% capital to investors

IBEF 2
- ₹9.5bn commitments
- Includes marquee institutions
- Made 6 investments so far

IREF 2
- ₹4.5bn commitments raised so far
- Has made 4 investments so far

Focus

Sectors
- Themes like domestic consumption, savings, infrastructure
- Residential and re-development projects

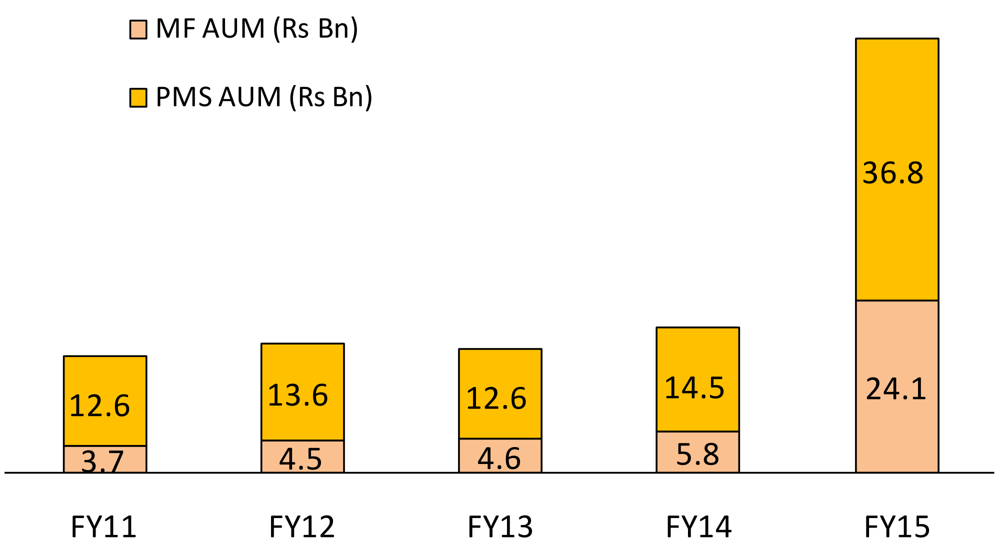
Companies
- Midcaps backed by visionary entrepreneurs
- Affordable/mid-income projects by established mid-sized developers

Pre Investing
- Detailed due diligence & set margin of safety
- Understand developers and forge partnerships
- Majority stake in SPVs, preferably equity

Post Investing
- Work closely with the management of cos.
- Back-ended promotion for project partners to ensure performance
- Milestone payments

Asset management

Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	494	160	209%	494	147	237%	881	354	149%
EBITDA	105	(10)	nm	105	33	221%	61	(2)	nm
PBT	101	(12)	nm	101	32	221%	52	(6)	nm
PAT	101	(12)	nm	101	32	221%	52	(6)	nm



- MOAMC Equity AUM benefited due to increased mobilization, on the back of renewed investor interest
- On a YoY basis, the MF AUM was up almost 4x and the PMS AUM was up about 2.5x
- Large distributors empanelled are now showing results
- These include wealth platforms, IFAs and national distributors
- Motilal Oswal Asset Management (Mauritius) Pvt. Ltd. was incorporated in Mauritius to reach out to global institutional investors . It will manage the India Zen Fund, a long-only-bottom-up equity fund specializing in India securities

Private wealth management

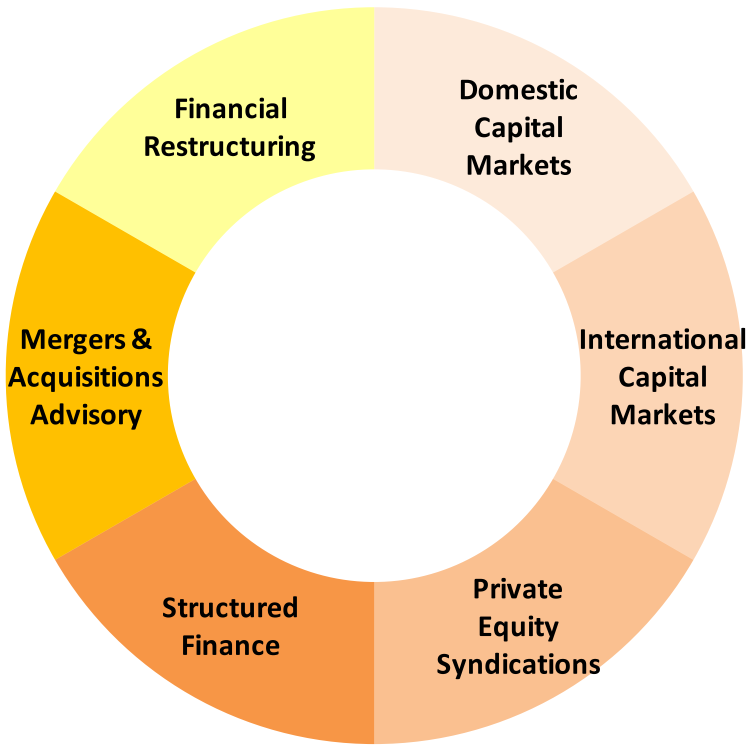
Particulars ₹million	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	111	84	33%	111	55	101%	299	137	118%
EBITDA	38	27	42%	38	33	17%	98	24	309%
PBT	37	26	43%	37	32	17%	94	20	364%
PAT	27	17	55%	27	21	25%	65	12	429%

- PWM business had a total AUM of about ₹41.0 billion, and 40 Relationship Managers as of Mar 2015
- Operational improvements and internal synergies showing positive results
- Asset mobilization has seen continued traction this year, following a revival of investor interest
- The business has turned significantly profitable this year
- Present in Mumbai, Ahmedabad, Kolkata, Bangalore, Delhi, Pune and Hyderabad

Investment banking

Particulars *₹million*	Q4 FY15 Mar 31, 2015	Q3 FY15 Dec 31, 2014	Change (%) Q-o-Q	Q4 FY15 Mar 31, 2015	Q4 FY14 Mar 31, 2014	Change (%) Y-o-Y	FY15 Mar 31, 2015	FY14 Mar 31, 2014	Change (%) Y-o-Y
Total Revenues	94	17	447%	94	19	385%	201	85	137%
EBITDA	43	(31)	nm	43	(11)	nm	12	(36)	nm
PBT	39	(35)	nm	39	(16)	nm	(2)	(51)	nm
PAT	27	(24)	nm	27	(13)	nm	(1)	(37)	nm

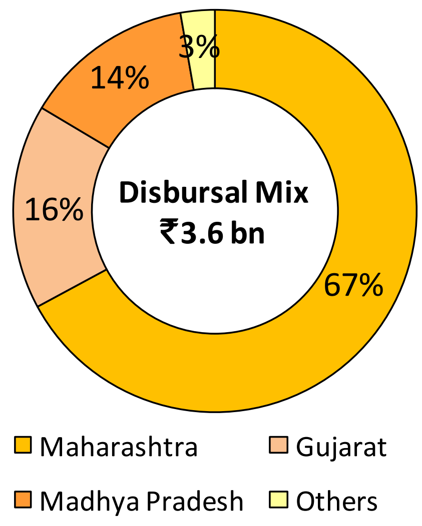
- The deal pipeline remained healthy with transaction execution at various stages of completion
- The buoyancy in the capital markets in FY15 resulted in a number of listed companies considering equity capital raising. The team is working with various corporates and banks to assist in capital raising and structuring to support the outlook
- A strong team is now in place to tap opportunities in the equity capital markets space (IPOs, QIPs, etc)



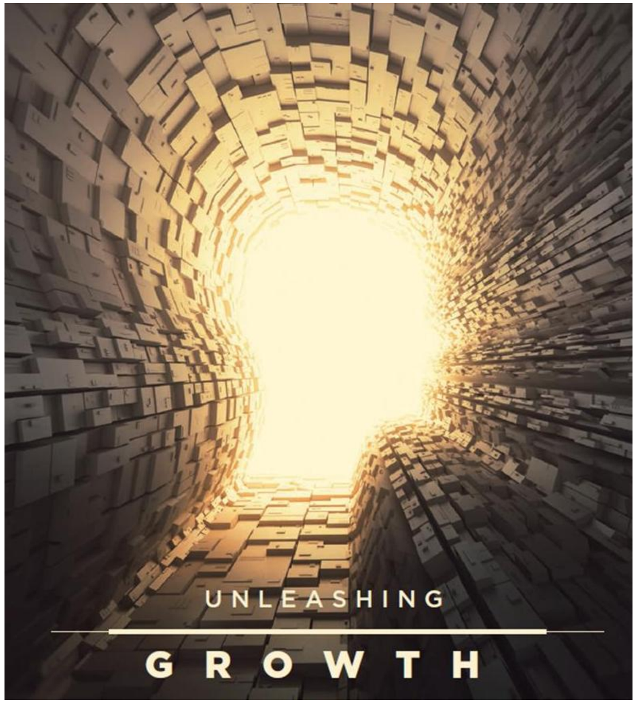
Aspire Home Finance Corporation Ltd.

Particulars	Q4 FY15	Q3 FY15	Change	Q4 FY15	Q4 FY14	Change	FY15	FY14	Change
₹million	Mar 31, 2015	Dec 31, 2014	(%) Q-o-Q	Mar 31, 2015	Mar 31, 2014	(%) Y-o-Y	Mar 31, 2015	Mar 31, 2014	(%) Y-o-Y
Sanctioned Amount	3,146	1,688	86%	3,146	0	nm	5,214	0	nm
Disbursed Amount	2,227	854	161%	2,227	0	nm	3,587	0	nm
Loan Book	3,574	1,356	164%	3,574	0	nm	3,574	0	nm
Total Revenues	160	52	210%	160	2	6400%	239	5	4870%
EBITDA	83	20	311%	83	(1)	nm	84	(3)	nm
PBT	45	14	220%	45	(1)	nm	39	(3)	nm
PAT	28	14	102%	28	(2)	nm	22	(3)	nm

- Equity commitment made of ₹2 billion; of which ₹1.5 billion has been infused as of Mar 2015
- As of Mar 2015, Aspire sanctioned 4,740 applications amounting to ~₹5.2 billion, and recorded cumulative disbursements of ~₹3.6 billion at a weighted average yield of 13.40%. The HFC loan book stood at ₹3.6 billion
- Client count seeing traction. It has provided assistance to 3,565 Indian families so far
- These are pure retail housing loans with an average ticket size of ~₹1.01 million
- 14 locations (7 in Maharashtra, 3 in Gujarat, 2 in Madhya Pradesh and 1 in Others)
- Technology implemented successfully across the entire loan processing activity
- Aspire has been rated "CRISIL A / Stable" for ₹2.5 billion of bank loan facilities and "CRISIL A / Stable" for ₹1 billion of non-convertible debentures. It has also been rated "ICRA A1+" by ICRA for short term borrowings / commercial paper of ₹1.5 billion
- Positive PAT reported in the first year of operations



Fin Sight Thematic Series



- **Financial Services moving onto the Digital Superhighway**
  - What digital actually means for financial services
  - Activities where digital is making impact in the financial services value-chain
  - Critical aspects to consider when going digital
  - Using re-marketing tactics to convert buying decisions
  - Whether digital would replace the offline model
  - Is digital more relevant in B2C or B2B
  - Measuring effectiveness of digital vs traditional methods

"Financial Services businesses moving onto the Digital Superhighway"

The world is going Digital, including financial services consumers...

- The world is going digital, and the pace of conversion is rising
- India has ~300 mn internet users, Within this, Google estimates it took 20 years for India to notch its first 100 mn users, while the next 100 mn took 2 years and 1.3 years respectively
- This is expected to reach 600 mn by 2020, with users across gender and age-groups
- Comscore's Sept 2014 figures estimates ~170 mn Males of age 25+ years visited financial websites

For Financial Services, the bigger rationale to go digital is the growing migration (and comfort) of the 'Older-demographic segment' to digital, & this segment comprises the sizable chunk of their customer-base

What does going Digital really mean in business context...

- Digital methods include company sites, external portals, social-media, smartphone apps, web-chat, IVR phone, web-aggregators, SMS & emails
- These can be Own-Media, Paid-Media or Earned-Media: Own media means own websites, Earned media means reviews, mentions, posts & shares which clients make voluntarily on social-media assets and Paid media means paid advertisements/promotions
- Its purpose is to inform, engage and execute clients/prospects with their business. It started as an 'add-on', but has moved to a 'must-have'
- Objective for financial product producers is to reduce costs and increase revenues. For financial product agents, it is to increase revenues

Should organizations utilize Digital as a Backbone or only as a Support...

- The financial services business is customer-facing, competitive, distribution and turnaround-time sensitive
- If the target universe is going digital, it makes sense to use digital as the Backbone, rather than a Support
- This may give it a '**first-mover advantage**', which can have bearing on its success in a market like India, which is still evolving in terms of sophisticated financial products
- Digital methods also have to create features that compel repeat-visits for client stickiness
- Today, customers are not so fixated with brands, as much as with convenience & value for financial needs

Firms can create competitive edge using digital methods by ensuring :-

- **A unique product – Industry First**
- **Relevant and updated content**
- **Easy-to-use platform - usability**
- **Device-agnostic access**
- **Features that compel repeat-visits**
- **Easy to track/measure engagements**

Activities where Digital is making impact in the Financial Services Value-Chain...

From Customer Engagement to Customer Fulfillment :-

Engaging with Existing Clients → Prospect Engagement → Lead Generation → New Client Acquisition → Product Promotion & Comparison → Buying Decision & Purchase Completion → Device-Agnostic access and preference-storage → Reporting and Notifications → Client Servicing and Client Feedback → Data Collection for Mngt decision-making → Engaging with Existing Clients

- **Engaging with Existing Clients:** Digital methods give clients **access to buy the product**. Today, product information is available on multiple platforms. Hence, access for buying would be the main requirement of clients when they visit the company's digital platforms. *For example*: clients may compare information on mutual funds on web-aggregator sites, but may visit the fund's platform when they want to buy directly
- **Prospect Engagement:** A **high-impact area** where digital methods help in **brand-building, information-sharing and product-awareness**, with the aim of converting them to buy. In financial services where penetration levels in India are still low, this engagement also helps to **inform people about the concept** even before the product itself, i.e. why they need to save and invest in the first place. This also creates **top-of-the-mind brand recall** once the prospect really wants to convert. Platforms high on usability, content and convenience can also impact the ultimate conversion
- **Lead Generation:** Another **high-impact area**, digital methods help generate audience participation through online contests, advertising or tools. **This audience participation helps create direct contact with leads**, with whom the company can follow-up with a more targeted pitch. The conversion of audience participation into lead generation helps companies assess if their digital marketing is moving in the right direction or not
- **New Client Acquisition:** While digital is becoming relevant as a channel of new client acquisition, it has not taken over traditional media as yet. One area where digital can play a major role in client acquisition is in **identifying target geographies where participating audience (prospects) reside** via IP Address tracking. Thus, companies can identify specific geographies where they need to go aggressive in client acquisition efforts
- **Product Promotion & Comparison:** A **high-impact area** wherein digital platforms give access to product-information. **Product-comparison tools are a tactic to influence clients towards the decision to buy.** *For example*: Web-aggregators like Policybazaar, Moneycontrol & Value Research lets clients compare insurance and mutual funds on various parameters. Social-media is now becoming a space where people review brands/companies before making a purchase. The type/volume of responses also help companies gauge the response for new/existing products

- **Buying Decision & Completion:** Actual buying activity using digital methods was slow to pick up. Reasons to prefer offline are many – a chance to talk with salespeople, test the product, online payment security, etc. But **clients are now developing the comfort to buy and complete the transaction online**. *For example*: Kotak's #Banking and ICICI's Pocket allow banking transactions using social-media. This also includes influencing the desire to buy, **via tools that help clients find deeper insights which they might have otherwise got offline**. *For example*: E-commerce firms place images of models wearing the garments, which helps clients visualize how they would look wearing it, and hastens the decision to buy

- **Device-agnostic access & Preference-storage:** This means accessing the platform across devices **so that engagement is not restricted by location**. *For example*: broking platforms are accessible across devices so that clients can see information & trade from any place. This also includes **storing the client's preferences/favourites across devices to make future purchases quicker**. *For example*: E-commerce sites allow users to save personal data so that they save time in future transactions. Google browser allows users to transfer browser preferences/favourites across devices. Pocket, a smartphone app allows users to store webpages, including content, so that users can read it when they have spare time

- **Reporting and Notifications:** This is a **must-have** for financial firms to ensure **ease-of-access and fast response**. Periodic portfolio reports, account statements, transaction confirmations, installment alerts, payment confirmations, courier alerts are all conveyed using digital mediums. Clients have access to the platform, thus the **ownership transfers to the client which adds to convenience and speed**. *For example*: Motilal Oswal's Online Account Opening helped create new accounts online. The platform informed clients of the application status till its completion

- **Client Servicing and Client Feedback:** This is a **must-have**. Digital methods of servicing help **track status of queries and reduce turnaround-times and cost of servicing**. Since it is easy to measure effectiveness, this plays a key role in **assessing client satisfaction** & the need for improvements. *For example*: websites incorporate web-chat services where queries are addressed immediately. Many social-media sites register complaints which are followed up rapidly. IVR phone facilities allow direct transfer to the relevant department which the client's query pertains to

  Digital platforms make it **simple to gather feedback, which helps to check client satisfaction**. But online feedback forms are kept as a choice in most cases, and clients tend to fill these only if they have a negative experience. **Product-reviews section in websites** is useful for users to write feedback. Future clients can read these reviews when exploring, and companies can also make improvements based on the responses

- **Data Collection for management decision-making:** Business Intelligence is set to be a **high-impact area** where digital methods can revolutionize the way company management use data to take more informed decisions. Huge volumes of relevant client data can be captured and processed, **which means more relevant decision-making since more data is available to justify the inferences**. This **encompasses both online and offline engagement data**, hence a larger universe of addressable clients. Big Data is now becoming a focus area of business intelligence

Using Re-Marketing tactics to convert the Information decision into Buying decision...

- The challenge is to convert the 'information decision' into the 'buying decision' using tools that influence the desire to buy. Re-marketing tactics play a major role to pitch additional, relevant products
- SEM (search engine marketing) targets people by their area of interest, by tracking clicks made from the IP Address. Based on that, it will throw back snippets of information of related products that match with the nature of previous clicks. It assumes the previous clicks define his interest and preference
- Advertising similar products when the client is searching information/buying prolongs the engagement time on the platform. Seeing those additional products, the client may feel a compulsive need to buy
- This may mean an amount of manual intervention if only to tweak the algorithm

The challenge is to place these snippets at the correct positions which catch the eye, place them in-time during the purchase activity and space out these snippets to avoid too-much information. Nevertheless, surveys show that consumers do not mind receiving advertisements if it is relevant to their area of interest. This is a rationale for re-marketing tactics

Critical aspects to consider when an organization embarks on its Digital journey...

Investing into Talent:

- IT team incl. developers, coders, maintenance and designers
- Search engine experts (SEM/SEO) to track and monitor
- Marketers who advise on what to say, where to say, when to say
- Experts who bridge the gap between domain & technical teams
- Security professionals to ensure data and user-info is secure

Investing into Content:

- Content writers to write/edit relevant content sections
- It has to be made into Pieces, to make it convenient to consume
- Should be visual and interactive pieces, as it enhances engagement
- It has to be updated and churned regularly

Buying vs Making decision for Infrastructure:

- 'Making' makes sense if digital is to become the backbone
- Even in case of vendors, Exclusive-Agreements can be entered into
- Can buy source-code of platforms to retain control eventually
- Upgradation is faster if done in-house rather than through vendor
- With cloud-computing, one can buy server space, instead of buying

Marketing the platforms across channels:

- Even if one has a great product, it may fail due to lack of marketing
- Marketing helps create client engagement and participation, a key source to generate leads and convert clients to buy
- Need to market the platforms/features across device types

Talent is a key challenge: IT companies recruit most of the good talent; hence there is a supply shortage for financial firms. Moreover, within that, there is also a supply-shortage of talent who combine skills across domain, technical and designing skills, thus pushing up their price

Digital becoming a necessity, while Offline remains a necessity...

- Digital may not completely replace the offline model in financial services. This really depends on the company's addressable client universe, whether it is moving digital or not. That may differ from segment to segment
- **A physical presence might still be needed since investments are a discretionary spend rather than a compulsive spend**. While some segments are moving to an almost digital model (like Zero-Brokerage), a distribution-skewed business may never move fully online. An offline presence gives clients an opportunity to personally discuss with advisors, which gives them a feel of reassurance. **Thus, investments into maintaining an offline infrastructure might reduce, but may not be fully avoided.**
- Moreover, the offline model retains its importance since responses from digital engagement **cannot be taken as** '**be-all end-all**'. The digital responses still need to be substantiated with offline responses from campaigns, analytics and feedback to devise a holistic corporate strategy

Is Digital more relevant for B2C or B2B businesses...

- Digital plays a bigger role in B2C since it helps retail brokers, mutual funds & insurers expand distribution at a lower cost, service more clients in shorter turnaround-times and engage with a larger universe of prospects
- However, digital is making its mark in B2B too. Digital usage for information-sharing is increasing between institutional brokers-fund managers, mutual funds-distributors and exchanges-brokers, etc

For B2C businesses, going digital helps reduce costs as well as increase revenue

For B2B businesses, going digital helps to reduce costs

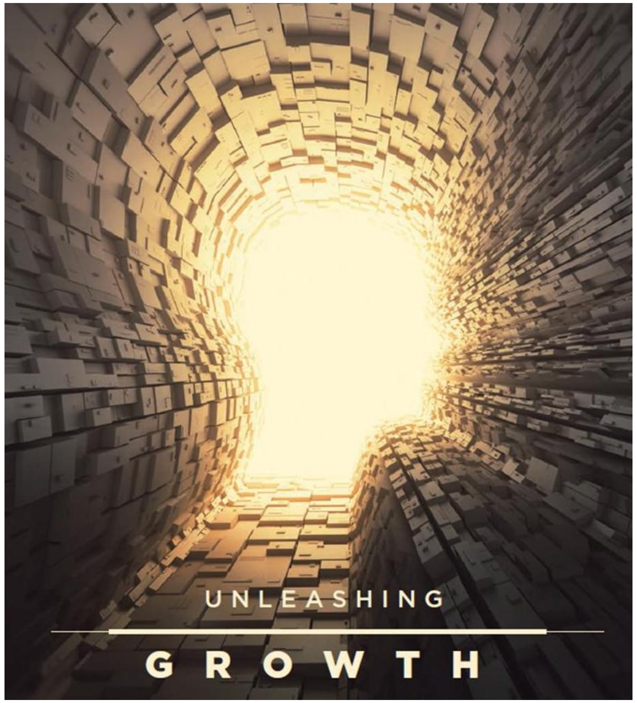
Measuring the ROI effectiveness of Digital vs Traditional methods...

- ROI is easier to calculate in digital since the participation can be measured and attributed to the efforts made
- This is difficult to calculate in traditional media since it is tougher to attribute the conversions to efforts made
- As a result, it is difficult to say whether the ROI of digital is higher than traditional methods
- The future is in smartphones/tablets, as many have turned to mobiles ahead of computers in terms of digital adoption. The tracking-mechanisms in these platforms would help measuring their effectiveness better

Way to measure effectiveness of digital efforts is to reduce the '<u>cost of acquisition</u>'. This tracks clients converted vs. efforts. The actual revenue depends on lot of other factors

Please click here to read the full article, and access previous Fin-Sight articles: http://www.motilaloswal.com/Financial-Services/Investor-Relations/Presentation/

Industry trends



- Equity market volumes
- FII and DII net flows
- Investment banking activity
- Private Equity activity
- Mutual fund AUM/net inflows
- Wealth management

Cash volumes increase, despite the QoQ dip in overall ADTO

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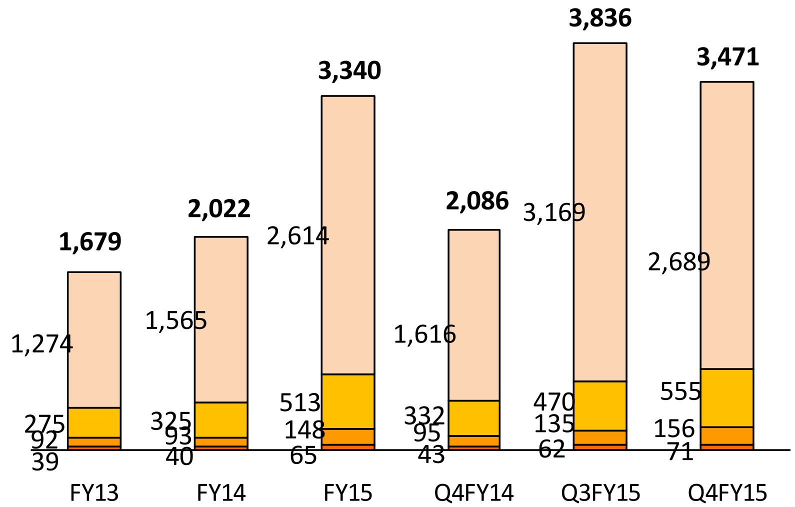
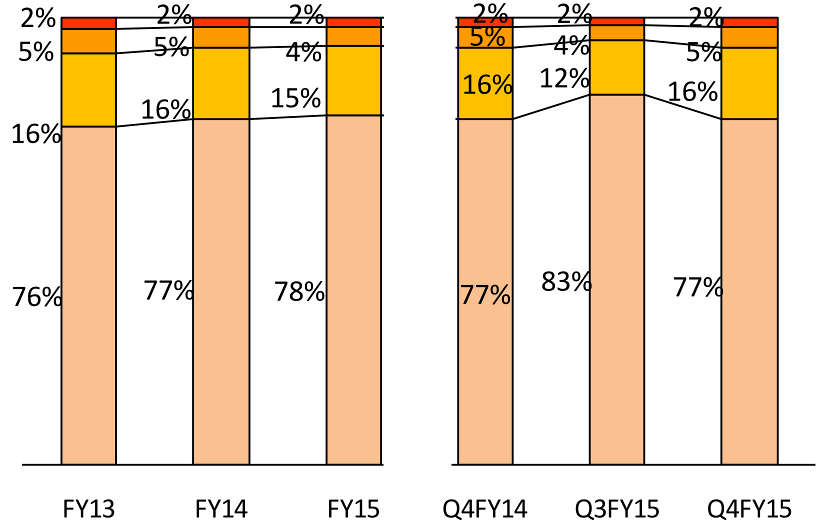
Market ADTO slipped from the high of Q3FY15 as option dipped; However, Cash ADTO increased, which is encouraging (Rs Bn)



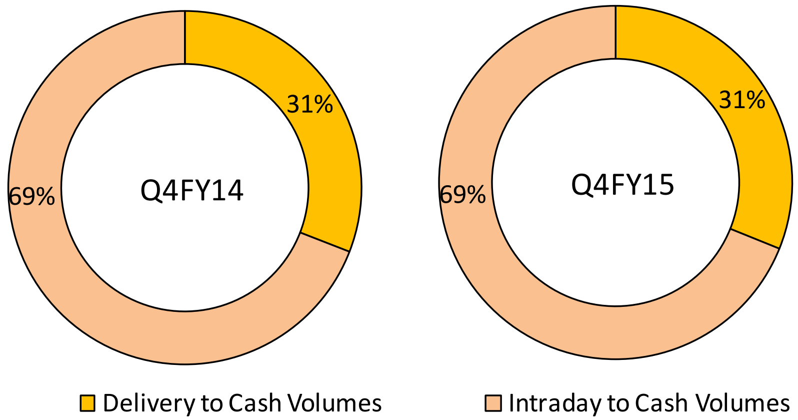
Source: NSE, BSE

Uptick in cash volumes increased its proportion within the overall volume mix, reversing the trend of recent years



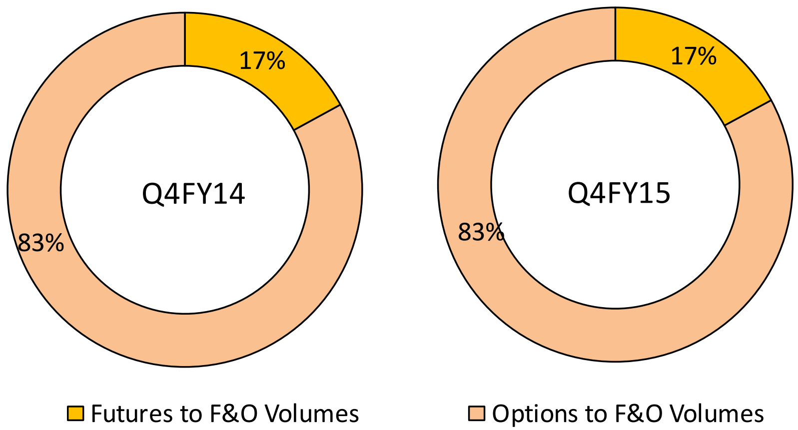
Source: NSE, BSE

Proportion of delivery has held constant within cash volumes on a YoY basis



Source: NSE, BSE

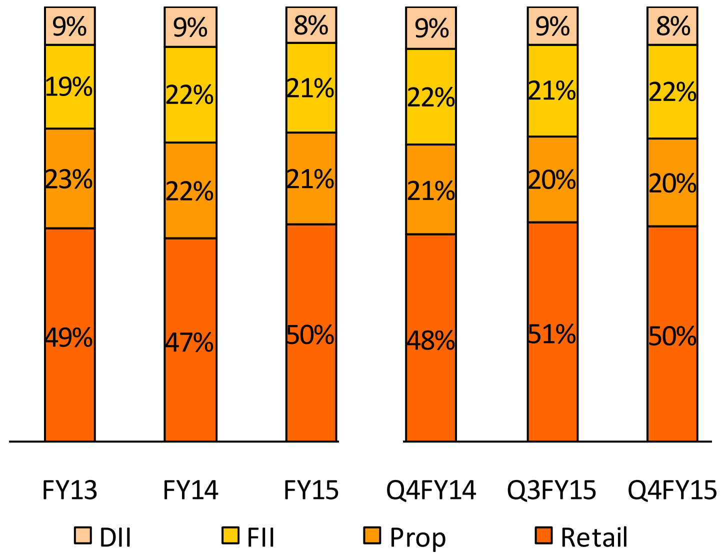
Proportion of options has held constant within F&O volumes on a YoY basis



Source: NSE, BSE

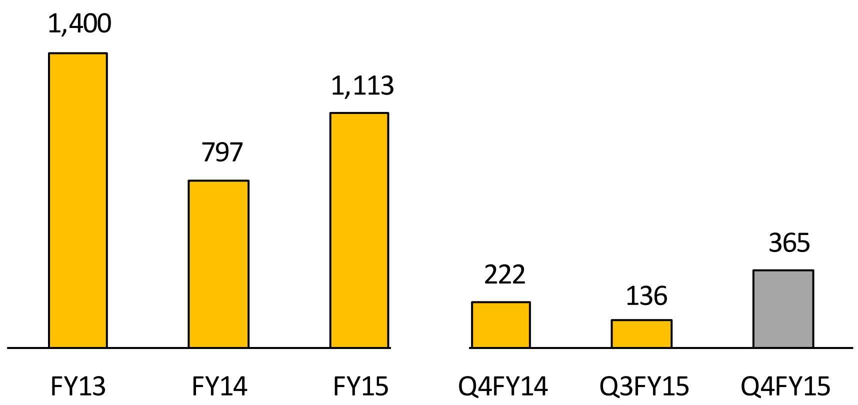
Retail cash volumes up; FII interest returns

Retail volumes picked up significantly as compared to recent years, though the QoQ growth was slightly lower



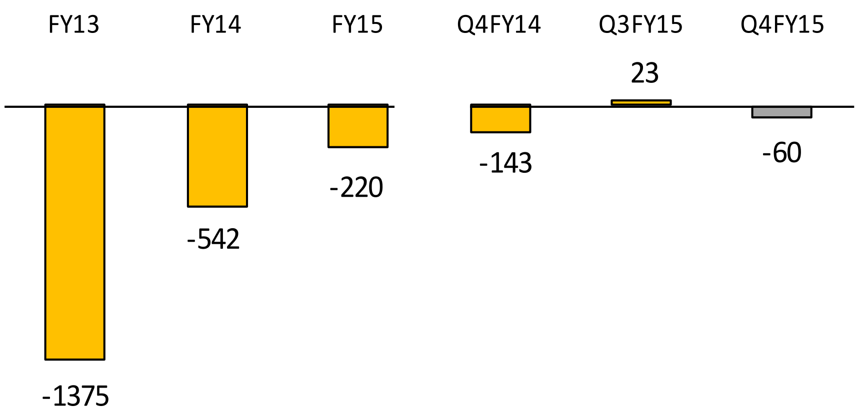
Source: NSE, BSE

FII net inflows picked up strongly from Jan 2015 onwards, after a slight lull in last 2 quarters; Q4FY15 net inflows are comparable to Q1FY15 when Election fever hit (Rs Bn)



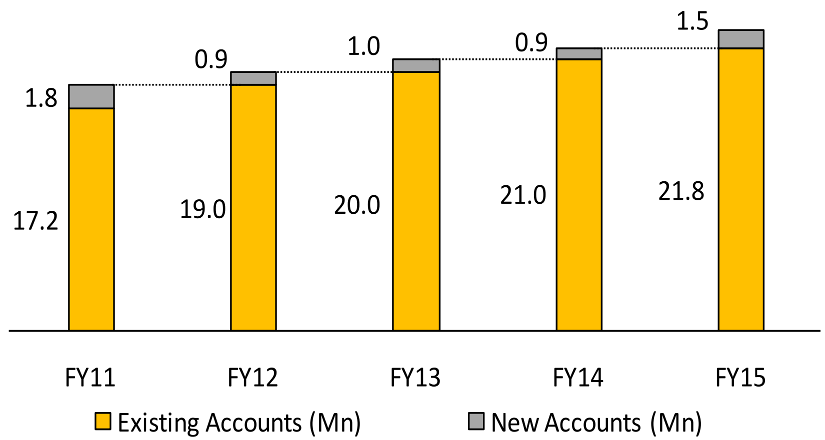
Source: CDSL, SEBI

DIIs saw net outflows again in Q4FY15, after turning positive in last quarter; However, this is only due to outflows in Jan month; Feb and Mar months have been positive (Rs Bn)



Source: NSE

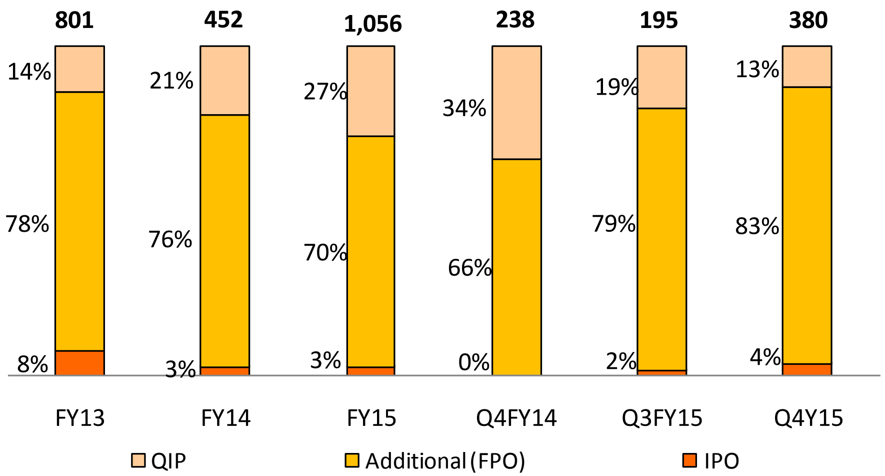
Incremental demat accounts have been slightly higher this year, as compared to recent years; However, it is yet to pick up in a big way



Source: CDSL, NSDL

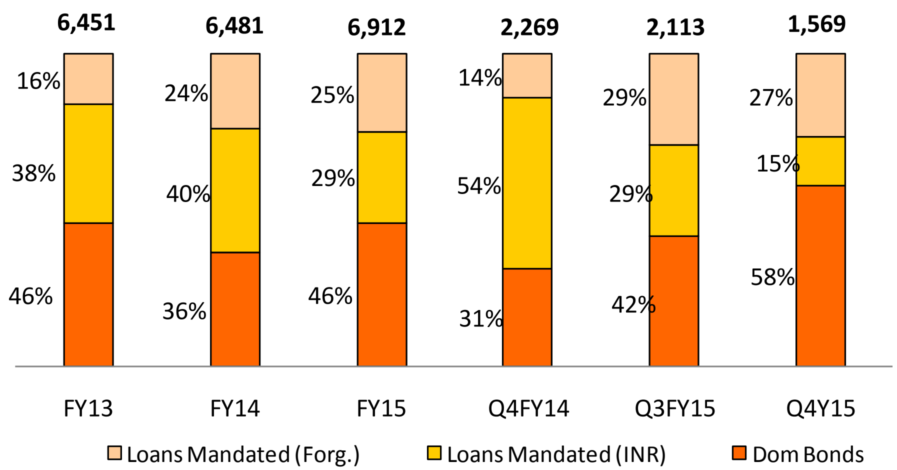
Primary market and M&A deal activity yet to take-off in a big way

ECM saw a slight uptick, largely due to Additional (OFS, FPO); However, IPO and QIP are yet to take-off in a big way (Rs Bn)



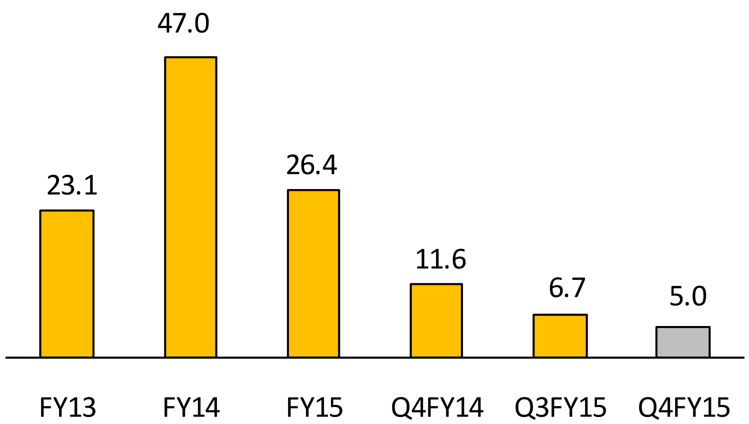
Source: Bloomberg, BSE (for QIP)

DCM reduced due to lower INR loans, as banks used a hawkish stance due to asset quality concerns (Rs Bn)



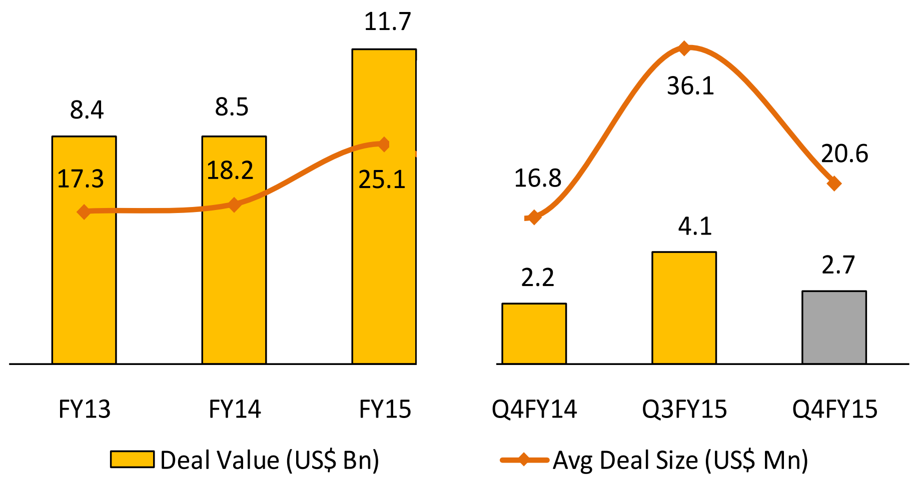
Source: Bloomberg

M&A have been damp this quarter and, in fact, the entire year, as compared to earlier years (US$Bn)



Source: Bloomberg

Average PE deal values tapered down this quarter since the last quarter saw the big-ticket Flipkart, Snapdeal deals



Source:: Venture Intelligence

Investor interest returns in Equity MFs with strong net inflows

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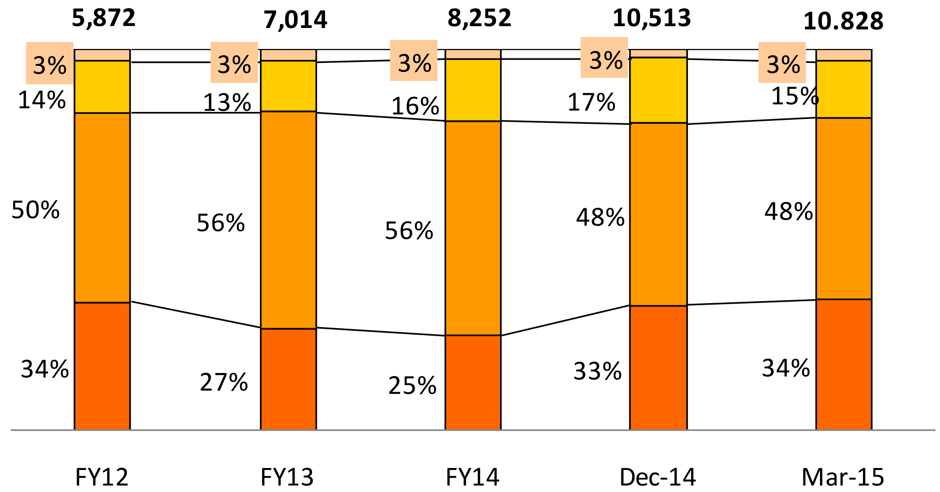
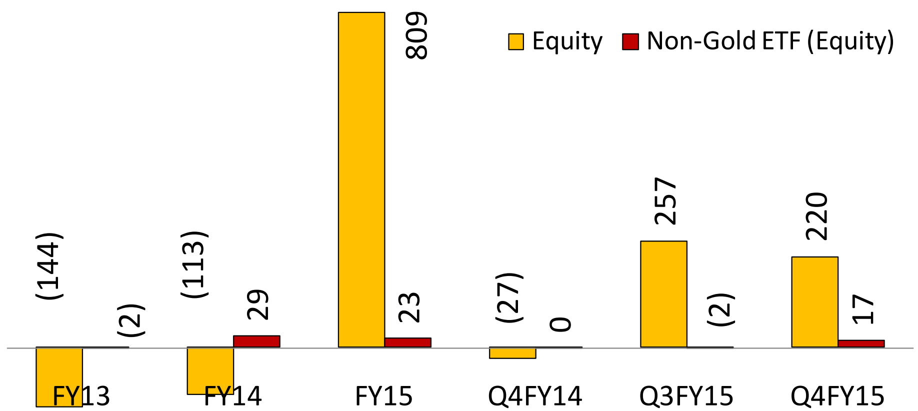
Equity funds AUM helped boost overall MF AUM to highs; Income funds AUM have seen a corresponding dip (Rs Bn)



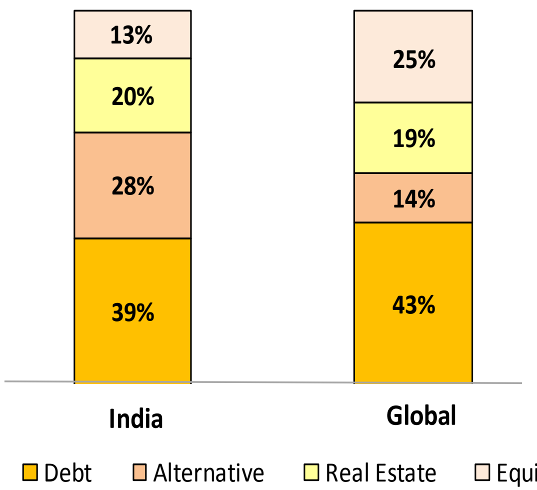
Source: AMFI

Equity MF net inflows were positive in all 4 quarters of this year, following 9 successive quarters of net outflows (Rs Bn)

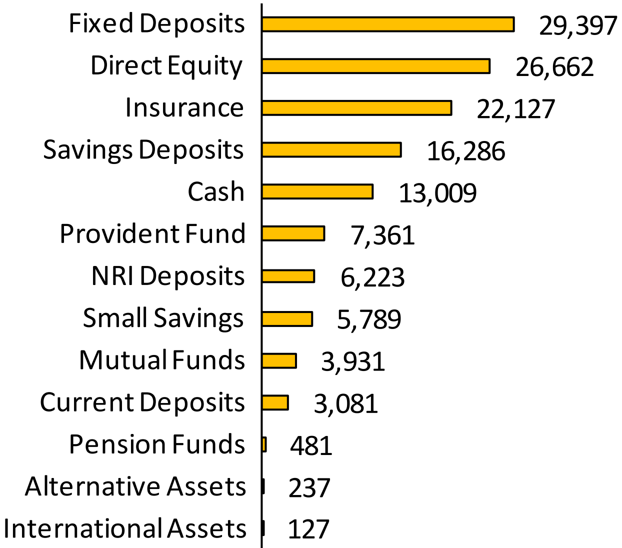


Source: AMFI

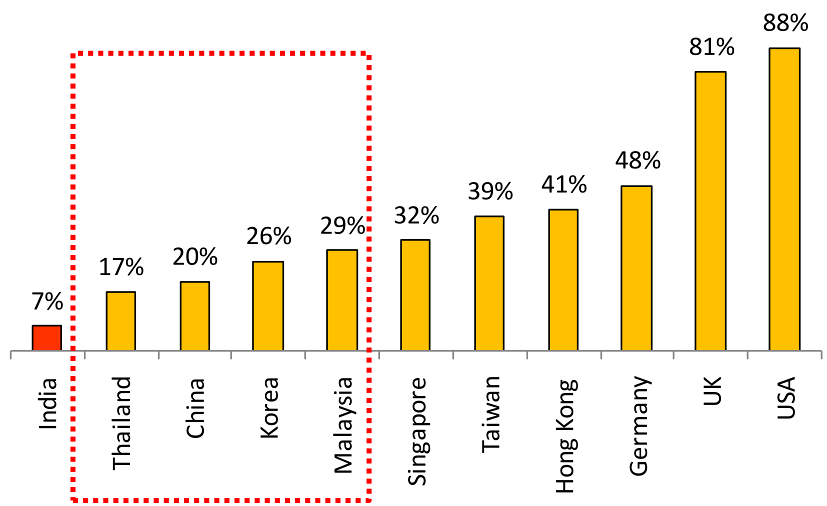
Asset-wise Individual Wealth in 2014 (%)



Wealth in Financial Assets in 2014 (Rs Bn)



Housing Credit as a % of GDP



Source: Karvy Report 2014

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