

**ConCall Summary & Earnings Release**

Quarter ended Dec 2012

21 Jan 2013

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.1b for the quarter ended 31 Dec 2012, up 1% QoQ and down 3% YoY. Reported PAT at ₹292m was up 28% QoQ and up 12% YoY. Adjusted PAT at ₹189m was down 17% on a QoQ basis and down 27% YoY. Broking-related revenues was ₹758m, up 4% QoQ and up 5% YoY. Fund-based income at ₹200m was down 5% QoQ and up 12% on a YoY basis. Asset management fees was up 7% on a QoQ basis and down 15% on a YoY basis to ₹136m. Investment banking fees at ₹20m was down 13% QoQ, but up 57% YoY.

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 Sep 2012. This presentation is available at [www.motilaloswal.com](http://www.motilaloswal.com)

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**Corporate Participants**

Mr Motilal Oswal

*Chairman and Managing Director*

Mr Raamdeo Agrawal

*Co Founder and Joint Managing Director*

Mr Navin Agarwal

*Director*

Mr Sameer Kamath

*Chief Financial Officer*

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This document includes forward looking statements, including discussions about the management's plans and objectives and about expected changes in revenues and financial conditions. Forward-looking statements about the financial condition, results of operations, plans and business are subject to various risks and uncertainties that could cause actual results to differ materially from those set forth in this document. You should not construe any of these statements as assurances of financial performance or as promises of particular courses of action.

Good morning, ladies and gentlemen. Welcome to the 3Q FY13 earnings conference call of Motilal Oswal Financial Services Limited. We have with us Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agrawal, Co Founder and Joint Managing Director, Mr. Navin Agarwal, Director and Mr. Sameer Kamath, Chief Financial Officer. For the duration of this presentation, all participants' lines will be in the listen-only mode. I will be standing by for the Q&A 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 (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
<b>Total Revenues</b>	<b>1,140</b>	<b>1,128</b>	<b>1%</b>	<b>1,140</b>	<b>1,109</b>	<b>3%</b>	<b>3,362</b>	<b>3,373</b>	<b>0%</b>	<b>4,660</b>
EBIDTA	378	400	-6%	378	411	-8%	1,144	1,156	-1%	1,562
PBT (before E & EOI)	300	332	-10%	300	378	-21%	931	1,053	-12%	1,396
Reported PAT (after E & EOI)	292	229	28%	292	260	12%	724	822	-12%	1,039
<b>Adjusted PAT</b>	<b>189</b>	<b>229</b>	<b>-17%</b>	<b>189</b>	<b>260</b>	<b>-27%</b>	<b>621</b>	<b>734</b>	<b>-15%</b>	<b>951</b>
EPS - Basic	2.0	1.6		2.0	1.8		5.0	5.7		7.2
EPS - Diluted	2.0	1.6		2.0	1.8		5.0	5.7		7.2
No. of shares o/s (mn) - FV Rs 1/share	145	145		145	145		145	145		145

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Dec 2012 earnings

#### REVENUE COMPOSITION (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Brokerage & operating income	758	728	4%	758	719	5%	2,179	2,298	-5%	3,202
Investment banking fees	20	23	-13%	20	13	57%	70	49	44%	86
Fund based income	200	211	-5%	200	178	12%	620	585	6%	822
Asset management fees	145	136	7%	145	170	-15%	436	374	16%	504
Other income	17	30	-42%	17	28	-39%	57	68	-15%	46
<b>Total Revenues</b>	<b>1,140</b>	<b>1,128</b>	<b>1%</b>	<b>1,140</b>	<b>1,109</b>	<b>3%</b>	<b>3,362</b>	<b>3,373</b>	<b>0%</b>	<b>4,660</b>

Source: MOFSL's presentation on Dec 2012 earnings

### Opening remarks

Good afternoon everybody. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services earnings call for the Third Quarter ended December 2012. I will start by giving a brief backdrop of the broad market, the industry segments, and then run you through our own performance for the quarter ended December 2012.

### Equity markets

During 3QFY13, the Indian markets continued its momentum from the previous quarter with Sensex up 5% and BSE market cap closing at USD1.3t. For CY12, Indian markets delivered 26% return, among the best in the world with no quarter of negative returns during the year after 4 consecutive quarters of negative returns in 2012. The strong performance has been led by end of the downgrade cycle in corporate earnings, expectation of rate cuts and a series of reforms announced by the government. All this has led to a small improvement in the trading volumes of the markets, particularly cash trading volumes.

Average daily market volumes grew 3% QoQ to ₹1.7t in Q3 FY13. Cash volumes grew by 10% QoQ to ₹137b. Within cash, the delivery segment grew by 9%. During this period, the proportion of cash within market volumes went up marginally from 7.6% to 8%, while the proportion of delivery to market volumes picked up from 2.3% to 2.4%. Options continue to comprise a hefty 76% of overall market volumes, although option volumes grew by just 2% on a QoQ basis. Retail volumes in the cash segment picked up slightly this quarter as sentiments improved, though it is still below its earlier highs. Thus, the proportion of Retail within cash volumes saw an uptick this quarter, while that of FIIs saw a slight dip.

January has also started on positive note with average volumes in the cash segment at ₹150b in the first 15 days. Not only is this higher than 3Q FY13 levels, it has maintained this number in almost each day of January. Its proportion to total market volumes has also grown to ~10% from 8% in 3QFY13.

### **Institutional activity**

FIIs have been net buyers of equity in all months since July 2012. FII net inflows into equities were ~US\$8.5b in 3Q FY13 vs. ~US\$7.3b in 2QFY13 on the back of the positives discussed earlier.

The optimism of the FIIs has not been seen in the DIIs this year, as they remain net sellers in all months since July. DII net outflows from equities were ~US\$3.5b in 3Q FY13 vs. ~US\$3.4b in 2Q FY13. Mutual funds faced redemption pressures as some investors took advantage of the market rebound to cash out of their holdings. Equity mutual funds saw monthly net outflows of ~US\$0.3b during each of the month of 3QFY13. CY12 is also one of the biggest years of selling by DIIs at ~USD11b.

### **Investment banking and private equity**

While equity raising activities remain sluggish this fiscal year just like FY12, this quarter saw few issues which boosted ECM value as compared to 2QFY13 and 1QFY13. The ~US\$800m Bharti Infratel IPO was the largest IPO issue since Coal India in October 2010. IPOs like Care Ratings, PC Jewelers etc saw encouraging response from investors, being oversubscribed several times.

Announced M&A deal value picked up this quarter. 3Q FY13 saw announced M&A deal value of US\$17.0b, as compared to US\$8.5b in the previous quarter.

PE investments (including VC) were lower in 3QFY13 at US\$1.0b, as compared to US\$3.8b in 2QFY13 and US\$1.5b in 3QFY12. Limited good-quality deployment opportunities, exit challenges and slower fundraising are some of the factors that have impacted PE investments this year. IT and ITeS remain the most favoured sectors.

### Asset management

Mutual Funds AUM were ₹7.6t as on Dec 2012, up from ₹7.2t in Sep 2012. The increase is largely attributable to Income funds, as anticipation of a rate cut shifted investor interest towards longer duration funds. Redemption continued to be high, as investors took advantage of the spurt in markets to cash out of their holdings. However, price appreciation during the quarter helped equity funds clock a marginal 3% QoQ growth in overall AUM.

Indian ETF AUM grew 5% QoQ to ~US\$2.5b, as of Dec 2012. Globally, ETFs' popularity rose further this quarter due to its lower fund costs and inability of fund managers to achieve alpha in a volatile environment. Since Global ETF AUM grew by 18% QoQ to reach US\$1.9t, the proportion of Indian ETF assets to global ETFs dipped this quarter.

### MOFSL's Performance

- Revenues for the quarter at ₹1,140m is up 1% on a QoQ basis and up 3% on a YoY basis
- Reported PAT for Q3 FY13 at ₹292m is up 28% on a QoQ basis and up 12% on a YoY basis
- Adjusted PAT for the quarter at ₹189m is down 17% on a QoQ basis and down 27% on a YoY basis. Adjusted PAT for Q3FY13 excludes profit of ₹197m pre-tax (₹133m post-tax) from sale of an existing property in South Mumbai and settlement payment of ₹45m pre-tax (₹30m post-tax). Adjusted PAT in 9M FY12 excludes profit of ₹130m pre-tax (₹88m post-tax) from the sale of another South Mumbai property during Q2FY12.
- EBITDA and Adjusted PAT margins were 33% (35% in Q2 FY13) and 17% (20% in Q2 FY13) respectively
- The balance sheet had net worth of ₹12.0b, debt of ₹524m and total cash of ₹950m, as of Dec 2012

#### Segment-wise business performance:

- Broking and related revenues at ₹758m were up 4% from Q2 FY13 and up 5% from Q3 FY12. Our overall equity market share went up from 1.4% to 1.5% on a QoQ basis. Our blended yield marginally decreased from 5.0 bps to 4.8 bps on a QoQ basis
- Pan-India retail distribution reach stood at 1,482 business locations across 526 cities
- Fund based income were ₹200m, down 5% QoQ and up 12% on a YoY basis. It contributed 18% of total group revenues. The loan book was ₹5.0b as of Dec 2012 vs ₹3.5b in Sep 2012.
- Asset Management fees at ₹145 million was up 7% QoQ and down 15% YoY. Total Assets under Management for the Group were ₹32.4b as of Dec 2012. Within this, mutual fund AUM was ₹6.0b, PE AUA was ₹12.4b and PMS AUM was ₹14.1b
- Investment banking fees at ₹20m were down 13% from Q2 FY13, though up by 57% from Q3 FY12. Deal making remained subdued across the industry, due to

delays in transaction closures. Further, companies continued to remain cautious with respect to capital raising activities, impacting the flow of new projects

- Other income was ₹17m in Q3 FY13
- Wealth Management managed assets of ~₹18.4b, as of Dec 2012

### **MOFSL General Highlights**

- The AMC business has been strengthened with the appointment of Aashish Somaiyaa as CEO. He was earlier with ICICI Prudential Asset Management as SVP & Head of Retail Business, where he played a significant role in growing the sales and distribution of its mutual funds, PMS & real estate offerings through retail, banking and wealth management channels across India & UAE. Prior to this, he was managing relationships with corporate & institutional treasuries for their investments
- Kishore Narne has joined Motilal Oswal Commodity Broker Pvt. Ltd. as Head of the Commodity and Currency business. Prior to this, he was the Head of Commodity and Currency Research at a local brokerage
- Motilal Oswal Securities International Pvt. Ltd, a subsidiary of MOSL, received its US broker-dealer license from FINRA
- MOSL was ranked among Top 3 in 4 different categories in the AsiaMoney Brokers Poll 2012. It was ranked No. 2 in Best Local Brokerage, Best Overall Sales Service, Best for Events and/or Conferences, and No. 3 in Best for Most Independent Research Brokerage
- MOSL received the 'Depository Participant of the Year' award at the Money Today FPCIL Awards 2012
- MOSL was also awarded as one of BSE's Top Performers in the Mutual Funds segment in Nov, 2012
- The 17th Annual Motilal Oswal Wealth Creation Study seminar was held in December 2012. This year's study covered the theme of 'Economic Moats: Fountainhead of Wealth Creation'
- Motilal Oswal Asset Management hosted the 2nd edition of Value Investing Forum in October 2012. The topic of discussion was 'Sources of Margin of Safety & its Importance in Value Investing'

### **Outlook**

The Indian markets have delivered decent returns since the last two quarters buoyed by positive news flow and is near previous highs now. However, market activity is yet to pick up to its earlier highs. Going forward, while investors await the outcome of the Budget and the RBI policy review, factors like resolution of the US fiscal situation and deferment of GAAR should augur well for FII inflows. As market performance sustains, retail activity, institutional activity, share of cash market volumes, investment banking activity and flows in asset management, and wealth management businesses should also slowly return to their earlier levels. We are well positioned to benefit from each of these trends as we remain focused on building each of these businesses supported by strong brand, balance sheet, management teams in these businesses. With these remarks, I would now like to open the floor for Q&A. Thank you.

## Broking & Distribution, Wealth Management and Institutional Broking

### KEY FINANCIALS: BROKING & DISTRIBUTION, WEALTH MANAGEMENT & INSTITUTIONAL BROKING (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Total Revenues	832	844	-1%	832	833	0%	2,460	2,567	-4%	3,581
EBIDTA	242	290	-17%	242	295	-18%	790	836	-5%	1,182
PBT (before E & EOI)	192	247	-22%	192	263	-27%	653	737	-11%	1,031
PAT (before E & EOI)	115	171	-32%	115	181	-36%	430	518	-17%	727
PAT (after E & EOI)	218	171	28%	218	181	21%	533	606	-12%	815

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Dec 2012 earnings

**Brokerage and operating income increased by 4%, while market cash volumes increased by 10% and the overall market share went up from 1.4% to 1.5%. Does this mean the market share in the cash segment shrunk this quarter?**

Institutional volumes in the market lagged the overall cash volume growth. Due to this, there is a change in the overall volume mix for the market and us as well. Further in terms of our own market share too, there has an improvement in the F&O market share. Therefore growth in brokerage income has been lower than cash volume growth although it is higher than the overall market volume growth of 3%.

**What is the reason for the 13% increase in operating costs this quarter? The operating margins have also dipped. Does the ₹280mn of operating costs comprise entirely of brokerage sharing?**

A large part of our own retail operations are franchisee-driven, and operating costs comprise largely of the sharing with franchisees. As explained earlier, the retail segment saw slightly higher participation vis-à-vis institution in the market during this quarter. Therefore this has moved in line with our retail business growth.

**What has been the impact on yields of the recent cap on fees in the institutional segment by SEBI?**

The SEBI cap on the rates that funds can offer has definitely impacted the overall DII segment yields, which were always anyway lower than the FII segment yield. So it has already had an adverse impact on the overall yield. Some of this is already reflected in the numbers of the current quarter.

**When do you think the retail customers will start coming back?**

It is very difficult to answer when the retail investor will come back and participate. Of all the previous market cycles, this one seems to be a retail-less boom so far. The tendency of retail investors is, if they had bought a scrip at a certain price in the last cycle, they will tend to sell it only when the current price reaches the original buy price again. Thereafter, they may churn something else. That is how retail activity happens

normally. In fact, the portfolios of most of the retail investors are still in losses. The retail stocks portfolio index does not seem to be at 20,000 levels, it is more like 15,000 or so. Hence, the boom is still not showing in their portfolios. The markets are now very selective and quality conscious. So the retail participation is yet to take-off. The increase seen recently is still very marginal, and nothing like the days seen in 2007-08, 1999-00, 1991-92. Those days may still be some more time away.

**What are the efforts the company is undertaking to promote equity as an asset class, given its strong retail franchise and the client base acquired over the years?**

One area we are working on is to build the distribution touch-points by trying to acquire better franchises. Secondly, we are taking the investor seminars all over the country. Earlier, this used to be more confined to Mumbai and the western part of the country. Now, seminars are being conducted Pan-India. Despite the impact on the availability of resources to spend on promotions etc during tough times, we are trying to cut the least on our seminar initiatives. Also, we do not have any cut on research since that is our back bone. We are trying to get as much visibility as possible by appearance in business news channels or in print media. We are even taking up pertinent issues with SEBI etc which might have a damaging impact on the interests of the small investors.

So over a period of time these smaller initiatives will kick in as some of these retail participants make a move. In terms of our market share, our cash market share is much higher and similarly our delivery share is also high. Our promotion efforts for long-term equity investments are actually working as far as we are concerned. We will continue to do what we think is the right for the long-term investors. The challenge today is that 98% of the market volumes is non-delivery, only 2% is delivery based. Even within that, the share of retail is much lesser once FII segment is removed. However within this cash market pie where the yields are higher, our share is quite strong.

**Does your average daily turnover include only NSE, or is it a combination of BSE and NSE? BSE had seen some exceptional turnover in F&O in the last quarter.**

Our turnover includes both BSE and NSE. We are not a significant participant in the F&O side of BSE right now. We are currently working on that, however our participation is more in NSE F&O as of now.

**The overall market share has gone up this quarter. But if the base is both BSE and NSE, how do you think the market share can go up further?**

We are consciously working on some workshops. Disciplined trading is one of the themes we have taken to our retail business, wherein retail participation can happen on a risk-adjusted basis especially if they are sophisticated investors. So basically that's the reason why the market share has gained, though we still not participating much on the F&O side of BSE.

## Asset Management

### KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Total Revenues	79	86	-8%	79	76	4%	260	228	14%	318
EBIDTA	13	19	-33%	13	4	247%	47	0	nm	(9)
PBT	11	18	-36%	11	3	264%	43	(1)	nm	(11)
PAT	11	18	-36%	11	3	264%	43	(1)	nm	(31)

Source: MOFSL's presentation on Dec 2012 earnings

## Private Equity

### KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Total Revenues	70	52	36%	70	97	-27%	184	152	21%	194
EBIDTA	29	16	79%	29	16	81%	51	20	148%	31
PBT	28	15	82%	28	16	80%	48	19	149%	30
PAT	19	10	82%	19	11	81%	33	13	147%	20

Source: MOFSL's presentation on Dec 2012 earnings

## Fund Based Income

### MOFSL STANDALONE FINANCIALS (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Total Revenues	307	211	45%	307	113	171%	657	568	16%	819
EBIDTA	269	164	64%	269	90	200%	536	456	18%	680
PBT	214	120	78%	214	89	141%	398	454	-12%	662
PAT	192	105	82%	192	62	211%	339	375	-10%	563

Source: MOFSL's presentation on Dec 2012 earnings

## Investment Banking

### KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	3Q FY13	2Q FY13	CHG. QOQ	3Q FY13	3Q FY12	CHG. YOY	9M FY13	9M FY12	CHG. YOY	FY12
Total Revenues	20	23	-13%	20	16	22%	72	76	-5%	117
EBIDTA	(9)	(7)	nm	(9)	(17)	nm	(39)	(26)	nm	(45)
PBT	(11)	(9)	nm	(11)	(18)	nm	(44)	(27)	nm	(47)
PAT	(8)	(6)	nm	(8)	(12)	nm	(32)	(17)	nm	(31)

Source: MOFSL's presentation on Dec 2012 earnings



## **Overall**

**Employee expenses have reduced on a YTD basis. Is this due to a reduction in employee count or due to a more variable pay structure?**

In terms of employee count, we have added people in the retail broking and wealth management. A large part of the remuneration structure is variable-based, which accounts for the YTD difference.

**Regarding the exceptional gain, are there more in the pipeline?**

All those properties are exited. We had two floors in Hoechst House, Nariman Point. The sale of one floor was completed last quarter. Sale for the other floor is also done but it is still under documentation..

**Regarding the new corporate building, how are the plans moving to rent out the excess space?**

In the new building, eight floors are occupied by us out of the twelve floors. We are searching for appropriate tenants for the remaining four floors. We are getting some response. Though the market is very competitive, we don't want to undercut the market price.



## **INVESTOR UPDATE**

### **Motilal Oswal Financial Services reports Q3 FY13 Consolidated Revenues of ₹1.1 billion, Adjusted PAT of ₹189 million**

**Mumbai, Jan 19, 2013:** Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its unaudited results for the quarter ended Dec 31, 2012 post approval by the Board of Directors at a meeting held in Mumbai on Jan 19, 2013.

#### **Performance Highlights**

₹Million	Q3 FY13	Comparison (Q2 FY13)	Comparison (Q3 FY12)
<b>Total Revenues</b>	1,140	↑1%	↑3%
<b>EBIDTA</b>	378	↓6%	↓8%
<b>Reported PAT</b>	292	↑28%	↑12%
<b>Adjusted PAT</b>	189	↓17%	↓27%
<b>EPS- ₹(FV of ₹1)</b>	2.0		

#### **Performance for the Quarter ended Dec 31, 2012**

- Revenues for the quarter at ₹1,140 million is up 1% on a QoQ basis and up 3% on a YoY basis
- Reported PAT for Q3 FY13 at ₹292 million is up 28% on a QoQ basis and up 12% on a YoY basis
- Adjusted PAT for the quarter at ₹189 million is down 17% on a QoQ basis and down 27% on a YoY basis. Adjusted PAT for Q3FY13 excludes profit of ₹197mn pre-tax (₹133mn post-tax) from sale of an existing property in South Mumbai and settlement payment of ₹45mn pre-tax (₹30mn post-tax). Adjusted PAT in 9M FY12 excludes profit of ₹130mn pre-tax (₹88mn post-tax) from the sale of another South Mumbai property during Q2FY12
- EBITDA and Adjusted PAT margins were 33% (35% in Q2 FY13) and 17% (20% in Q2 FY13) respectively
- The balance sheet had net worth of ₹12.0 billion, debt of ₹524 million and total cash of ₹950 million, as of Dec 2012

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

*"During Q3FY13, the Indian markets continued its momentum from the previous quarter. Reforms related news, lower-than-expected inflation and rate cut expectations positively impacted sentiments this quarter. FIIs continued net inflows into equities, but DIIs remained net sellers largely owing to equity fund redemptions. However, while overall sentiments have shown clear signs of improvement, the same has not translated into significantly higher activity in the secondary markets as yet. Markets are now at an interesting stage, poised for the next stage of growth. As investors await the outcome of the Budget and RBI review, the resolution of the US fiscal situation and deferment of GAAR should augur well for FII flows. The next phase of growth in market activity will happen once retail investors start participating. We continue to remain focused in putting our strategies and processes in place in order to capture the upside as market activity picks up."*

### Segment results for Q3 FY13:

- **Broking and related revenues** at ₹758 million were up 4% from Q2 FY13 and up 5% from Q3 FY12. Daily volumes in the equity markets grew 3% QoQ to ₹1.7 trillion in Q3 FY13. Options continue to comprise a hefty 76% of overall market volumes, although options grew by just 2% on a QoQ basis. Cash volumes grew by 10% QoQ to ₹137 billion. Within cash, the delivery segment grew by 9%. During this period, the proportion of cash within market volumes went up marginally from 7.6% to 8%, while the proportion of delivery to market volumes picked up from 2.3% to 2.4%. Our overall equity market share went up from 1.4% to 1.5% on a QoQ basis. Our blended yield marginally decreased from 5.0 bps to 4.8 bps QoQ
- **Fund based income** were ₹200 million, down 5% QoQ and up 12% on a YoY basis. It contributed 18% of total group revenues. The loan book was ₹5.0 billion as of Dec 2012.
- **Asset Management fees** at ₹145 million was up 7% QoQ and down 15% YoY.
- **Investment banking fees** at ₹20 million was down 13% from Q2 FY13, though up by 57% from Q3 FY12. Deal making remained subdued across the industry, due to delays in transaction closures. Further, companies continued to remain cautious with respect to capital raising activities, impacting the flow of new projects.
- **Other income** was ₹17 million in Q3 FY13.

### Business Highlights for Q3 FY13

- Total client base increased to 756,159, which includes 663,050 retail broking and distribution clients
- Pan-India retail distribution reach stood at 1,482 business locations across 526 cities
- Total Assets under Management for the Group were ~₹32.4 billion as of Dec 2012. Within this, mutual fund AUM was ₹6.0 billion, PE AUA was ₹12.4 billion and PMS AUM was ₹14.1 billion
- Wealth Management managed assets of ~₹18.4 billion, as of Dec 2012
- Depository assets were ₹126.7 billion, as of Dec 2012
- The asset management business has been strengthened with the appointment of Aashish Somaiyaa as CEO. He was earlier with ICICI Prudential Asset Management as Head of Retail Business, where he played a significant role in growing the sales and distribution of its offerings through retail, banking and wealth management channels. Prior to this, he was managing relationships with corporate and institutional treasuries for their investments
- Kishore Narne has joined Motilal Oswal Commodity Broker Pvt. Ltd. as Head of Commodity and Currency business. He was earlier the Head of Commodity and Currency Research at a local brokerage where he played a significant role in setting up their commodity division
- Motilal Oswal Securities International Pvt. Ltd, a subsidiary of MOSL, received its US broker-dealer license from FINRA
- MOSL was ranked among Top 3 in 4 different categories in the AsiaMoney Brokers Poll 2012. It was ranked No. 2 in Best Local Brokerage, Best Overall Sales Service, Best for Events and/or Conferences, and No. 3 in Best for Most Independent Research Brokerage
- MOSL received the 'Depository Participant of the Year' award at the Money Today FPCIL Awards 2012
- MOSL was also awarded as one of BSE's Top Performers in the Mutual Funds segment in Nov, 2012
- The 17th Annual Motilal Oswal Wealth Creation Study seminar was held in December 2012. This year's study covered the theme of 'Economic Moats: Fountainhead of Wealth Creation'
- Motilal Oswal Asset Management hosted the 2<sup>nd</sup> edition of Value Investing Forum in October 2012. The topic of discussion was 'Sources of Margin of Safety & its Importance in Value Investing'

## About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. (NSE: MOTILALOFSL, BSE: 532892, BLOOMBERG: MOFS IN) is a well-diversified, financial services company focused on wealth creation for all its customers, such as institutional, corporate, HNI and retail. Its services and product offerings include wealth management, retail broking and distribution, institutional broking, asset management, investment banking, private equity, commodity broking and principal strategies. The company distributes these products through 1,482 business locations spread across 526 cities and the online channel to over 756,159 registered customers. MOFSL has strong research capabilities, which enables them to identify market trends and stocks with high growth potential, facilitating clients to take well-informed and timely decisions. MOFSL has been ranked by various polls such as the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in Asia Money Brokerage Polls for India. MOSL won 4 awards in the ET-Now Starmine Analyst Awards 2010-11, placing it amongst the Top-3 award winning brokers, was ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category and won the 'Best Market Analyst' Award for 2 sectors at the India's Best Market Analyst Awards 2011. MOFSL won the 'Best Capital Markets and Related NBFC' award at the CNBC TV18 Best Banks and Financial Institutions Awards 2011. MOSL also won the 'Best Equity Broking House' award for FY11 at the Dun & Bradstreet Equity Broking Awards 2011. MOSL won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards 2012, for the 2nd year in a row. MOSL won 'Best Equity Broker' award at Bloomberg UTV Financial Leadership Awards 2012, 'Retailer of the Year (Banking & Financial Services)' award at Retail Excellence Awards 2012, and was ranked 2nd in the "Best Overall Brokerage" category by Asia Money in 2011. MOFSL won the 'Best Employer Brand' Award at the IPE Banking, Financial Services & Insurance Awards 2012. MOSL received the 'Depository Participant of the Year' award at the Money Today FPCIL Awards 2012 and was ranked among Top 3 in 4 categories in the AsiaMoney Brokers Poll 2012

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<b>MOTILAL OSWAL FINANCIAL SERVICES LTD</b> <b>Registered Office: Palm Spring Centre, Palm Court Complex, 2nd Floor, Link Road, Malad (W), Mumbai - 400 064</b> <b>Tel: +91-22-30801000, Fax: +91-22-28449002 Email:shareholders@motilaloswal.com</b> <b>CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER &amp; NINE MONTHS ENDED 31ST DECEMBER 2012</b>						
Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31.12.2012	30.09.2012	31.12.2011	31.12.2012	31.12.2011	31.03.2012
<b>1. Income from Operations</b>						
(a) Income from Operations	10,674	10,444	10,334	31,306	31,336	43,253
(b) Other Operating Income	549	537	469	1,737	1,714	2,891
<b>Total Income</b>	<b>11,223</b>	<b>10,981</b>	<b>10,803</b>	<b>33,043</b>	<b>33,050</b>	<b>46,144</b>
<b>2. Expenditure</b>						
a. Operating Expense	2,806	2,473	2,581	7,972	8,199	11,643
b. Employees Benefits Expense	2,646	2,607	2,677	7,762	8,233	11,386
c. Depreciation and Amortisation Expenses	657	649	269	1,931	814	1,297
d. Other Expenditure	2,166	2,196	1,721	6,438	5,737	7,956
<b>Total Expenses</b>	<b>8,275</b>	<b>7,925</b>	<b>7,248</b>	<b>24,103</b>	<b>22,983</b>	<b>32,282</b>
<b>3. Profit from Operations before Other Income, Finance Cost &amp; Exceptional Items (1-2)</b>	<b>2,948</b>	<b>3,056</b>	<b>3,555</b>	<b>8,940</b>	<b>10,067</b>	<b>13,862</b>
4. Other Income	173	297	283	574	677	461
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	3,121	3,353	3,838	9,514	10,744	14,323
6. Finance Cost	121	30	58	208	217	360
7. Profit from Ordinary Activities after Finance Cost but before Exceptional Items (5-6)	3,000	3,323	3,780	9,306	10,527	13,963
8. Exceptional Items - (Expense)/Income	1,522	-	-	1,522	1,299	1,299
<b>9. Profit from Ordinary Activities before Tax (7-8)</b>	<b>4,522</b>	<b>3,323</b>	<b>3,780</b>	<b>10,828</b>	<b>11,826</b>	<b>15,262</b>
10. Tax expense	1,567	1,012	1,164	3,538	3,590	4,844
11. Net Profit from Ordinary Activities after Tax but before Minority Interests (9-10)	2,955	2,311	2,616	7,290	8,236	10,418
12. Share of Minority Interests in (Profits)/ Loss	(33)	(20)	(14)	(53)	(21)	(29)
<b>13. Net Profit after Tax and Minority Interests (11-12)</b>	<b>2,922</b>	<b>2,291</b>	<b>2,602</b>	<b>7,237</b>	<b>8,215</b>	<b>10,389</b>
14. Paid-up Equity Share Capital (Face Value of Re. 1/- Per Share )	1,452	1,452	1,451	1,452	1,451	1,451
15. Reserves excluding Revaluation Reserves	-	-	-	-	-	112,642
<b>16. i. Earnings Per Share (EPS) (before Extraordinary items) (of Rs. 1/- each)</b>						
a) Basic EPS	2.01	1.58	1.80	4.98	5.67	7.17
b) Diluted EPS	2.01	1.58	1.80	4.98	5.67	7.17
<b>16. ii. Earnings Per Share (EPS) (after Extraordinary items) (of Rs. 1/- each)</b>						
c) Basic EPS	2.01	1.58	1.80	4.98	5.67	7.17
d) Diluted EPS	2.01	1.58	1.80	4.98	5.67	7.17
<b>Particulars of Shareholding</b>						
17. Public Shareholding						
- Number of shares	43,384,636	43,368,614	43,278,211	43,384,636	43,278,211	43,282,882
- Percentage of shareholding	29.87%	29.86%	29.82%	29.87%	29.82%	29.82%
18. Promoters and Promoter Group Shareholding						
a) Pledged/Encumbered						
- Number of shares	NIL	NIL	8,500,000	NIL	8,500,000	8,500,000
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	8.35%	NIL	8.35%	8.35%
- Percentage of shares (as a % of the total share capital of the company)	NIL	NIL	5.86%	NIL	5.86%	5.86%
b) Non-encumbered						
- Number of shares	101,851,140	101,867,162	93,341,258	101,851,140	93,341,258	93,339,987
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	91.65%	100.00%	91.65%	91.65%
- Percentage of shares (as a % of the total share capital of the company)	70.13%	70.14%	64.32%	70.13%	64.32%	64.32%
19. Investors Complaints						
Pending at the beginning of the period	NIL	NIL	NIL	1	NIL	NIL
Received during the period	3	3	7	8	11	14
Disposed of during the period	3	3	7	9	11	13
Remaining unresolved at the end of the period	NIL	NIL	NIL	NIL	NIL	1
<b>Notes</b>						
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 Saturday, 19th January, 2013. The results for the quarter and nine months ended 31st December, 2012 have been reviewed by the Statutory Auditors of the Company.						
2) The consolidated results of the Company include the results of the subsidiaries – Motilal Oswal Securities Limited (99.95%), Motilal Oswal Investment Advisors Private Limited (100%), Motilal Oswal Private Equity Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (97.55%), Motilal Oswal Capital Markets Private Limited (99.95%), Motilal Oswal Wealth Management Private Limited (99.95%), Motilal Oswal Insurance Brokers Private Limited (99%), Motilal Oswal Asset Management Company Limited (99.95%), Motilal Oswal Trustee Company Limited (99.95%), Motilal Oswal Securities International Private Limited (99.95%), Motilal Oswal Capital Markets (Singapore ) Pte Ltd (99.95%) & Motilal Oswal Capital Markets (Hong Kong ) Private Limited (99.95%).						
3) Exceptional items for the quarter and nine months ended 31st December 2012 represents profit on sale of office premises of Rs.1,971 lacs (previous period Rs. 1299 lacs) and settlement payment of Rs. 448 lacs.						
4) The previous financial quarter / nine months / year figures have been regrouped/rearranged wherever necessary to make them comparable.						
5) Management Certified accounts of two foreign subsidiaries have been considered for consolidation.						
6) Standalone financial results are summarised below and also available on the Company's website: www.motilaloswal.com.						
Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31.12.2012	30.09.2012	31.12.2011	31.12.2012	31.12.2011	31.03.2012
Gross Revenue	3,065	2,112	1,131	6,572	5,681	8,195
Profit Before Tax	2,141	1,201	888	3,980	4,537	6,622
Profit After Tax	1,916	1,055	617	3,394	3,754	5,630

7) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2012						
Particulars	Quarter Ended			Nine Months Ended		Rs Lacs
	Year Ended					
	31.12.2012	30.09.2012	31.12.2011	31.12.2012	31.12.2011	31.03.2012
<b>1. Segment Revenue</b>						
(a) Broking & Other related activities	10,374	8,618	8,204	27,232	26,627	38,747
(b) Financing & Other activities	1,615	1,388	1,132	4,397	3,673	4,732
(c) Asset Management & Advisory	1,593	1,378	-	4,536	-	5,098
(d) Investment Banking	200	230	160	699	733	1,144
(e) Unallocated	482	498	2,456	1,285	5,789	621
<b>Total</b>	<b>14,264</b>	<b>12,112</b>	<b>11,952</b>	<b>38,149</b>	<b>36,822</b>	<b>50,342</b>
Less: Inter Segment Revenue	897	833	866	2,562	1,796	2,439
<b>Income From Operations, Other Operating Income &amp; Other Income</b>	<b>13,367</b>	<b>11,279</b>	<b>11,086</b>	<b>35,587</b>	<b>35,026</b>	<b>47,903</b>
<b>2. Segment Results Profit / (Loss) before Tax and Interest from each segment</b>						
(a) Broking & Other related activities	3,363	2,380	2,595	8,096	8,603	12,396
(b) Financing & Other activities	691	476	889	1,805	2,524	3,157
(c) Asset Management & Advisory	290	240	-	692	-	150
(d) Investment Banking	(98)	(82)	(178)	(438)	(288)	(492)
(e) Unallocated	479	510	577	1,290	1,257	587
<b>Total</b>	<b>4,725</b>	<b>3,524</b>	<b>3,883</b>	<b>11,445</b>	<b>12,096</b>	<b>15,798</b>
Less: Interest	203	201	103	618	270	536
(ii) Other Un-allocable Expenditure net off						
(iii) Un-allocable income						
<b>Profit/(Loss) from Ordinary Activities before Tax</b>	<b>4,522</b>	<b>3,323</b>	<b>3,780</b>	<b>10,828</b>	<b>11,826</b>	<b>15,262</b>
<b>3. Capital Employed</b>						
<b>(Segment assets – Segment Liabilities)</b>						
(a) Broking & Other related activities	39,218	40,942	44,994	39,218	44,994	56,153
(b) Financing & Other activities	58,809	58,252	56,811	58,809	56,811	57,313
(c) Asset Management & Advisory	399	80	-	399	-	219
(d) Investment Banking	712	614	584	712	584	354
(e) Unallocated	20,904	18,903	12,204	20,904	12,204	54
<b>Total</b>	<b>120,042</b>	<b>118,791</b>	<b>114,593</b>	<b>120,042</b>	<b>114,593</b>	<b>114,093</b>
<b>Notes:</b>						
1. The above Segment information is presented on the basis of the unaudited consolidated financial statements. The company's operations predominantly relate to Broking and other related activities, Financing and other activities, Asset Management & Advisory and Investment banking.. In accordance with Accounting Standard -17 on Segment reporting ,Broking and other related activities, Financing and other activities , Asset Management & Advisory and Investment banking are classified as reportable segments. The balance is shown as unallocated items.						
2.The previous financial quarter / nine months / year figures have been regrouped/rearranged wherever necessary to make them comparable.						
On behalf of the Board of Directors Motilal Oswal Financial Services Limited						
Motilal Oswal Chairman & Managing Director						
Mumbai, 19th January, 2013 <a href="mailto:shareholders@motilaloswal.com">shareholders@motilaloswal.com</a>						



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