

ConCall Summary & Earnings Release

Quarter ended Dec 2013

22 Jan 2014

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.2b for the quarter ended 31 Dec 2013, up 1% QoQ and up 2% YoY. Adjusted PAT at ₹162m was down 14% QoQ and down 14% YoY. Reported PAT at ₹35m was down 37% QoQ and down 88% YoY. Broking-related revenues was ₹738m, marginally up by 1% on a QoQ basis and down 5% on a YoY basis. Fund-based income at ₹199m was up 11% QoQ and marginally down by 1% on a YoY basis. Asset management fees was down 6% on a QoQ basis and up 39% on a YoY basis to ₹193m. Investment banking fees at ₹5m was down by 73% 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 Dec 2013. This presentation is available at www.motilaloswal.com

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

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 Q3 FY14 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)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	1,175	1,160	1%	1,175	1,150	2%	3,443	3,388	2%	4,729
EBIDTA	309	358	-14%	309	378	-18%	1,023	1,144	-11%	1,744
PBT (before E & EOI)	239	290	-18%	239	300	-20%	817	930	-12%	1,437
Adjusted PAT	162	188	-14%	162	189	-14%	535	621	-14%	969
Reported PAT	35	56	-37%	35	292	-88%	276	724	-62%	1,091
EPS - Basic	0.3	0.5		0.3	2.0		2.1	5.0		7.6
EPS - Diluted	0.3	0.5		0.3	2.0		2.1	5.0		7.6
Shares O/S (mn) - FV Rs 1/share	139	139		139	145		139	145		145

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Dec 2013 earnings

REVENUE COMPOSITION (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Brokerage & operating income	738	732	1%	738	779	-5%	2,149	2,220	-3%	2,964
Investment banking fees	5	35	-84%	5	20	-73%	48	70	-31%	78
Fund based income	199	179	11%	199	200	-1%	645	620	4%	1,005
Asset management fees	193	206	-6%	193	139	39%	524	418	25%	599
Other income	40	8	370%	40	12	228%	76	60	27%	82
Total Revenues	1,175	1,160	1%	1,175	1,150	2%	3,443	3,388	2%	4,729

Source: MOFSL's presentation on Dec 2013 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 2013. 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 2013

Equity markets

After a good start in Oct, the Indian markets remained range-bound with a sharp correction in market volumes during Nov and Dec. The quarter ended with a 9% market return and poor exit volumes in the second half of the quarter. BSE market cap was US\$1.1t as of Dec 2013, up by 14% QoQ but down by 10% YoY versus market return of 9%, showing the broad based nature of the market and the participation of several midcaps, which actually led to strong growth in retail volumes. FIIs returned as large net buyers of equities this quarter. Weakness in INR drove Indian corporate earnings and earnings upgrades for the results that have been reported for the current quarter.

Average daily volumes were ₹1.9t in 3QFY14, a 15% drop on a QoQ basis. This was largely led by an 18% QoQ drop in options. Options now comprise 75% of market volumes, as compared to 78% in the previous quarter. Cash volumes were down by 4% QoQ to ₹131b, and its proportion within market volumes picked up from 6.2% to 7%. In terms of cash segment participation, retail cash volumes increased by 11% QoQ and its proportion went up from 44% to 50%. The other 3 segments – i.e. FII, DII and Prop, all registered drops in their respective cash volumes on a QoQ basis. Proportion of FII within cash market volumes dipped from 23% to 19%. Cash volumes in Jan 2014 (till 17th Jan) at ₹132b have largely held firm at the levels seen in 3QFY14. Its proportion within overall volumes has been 8.6%.

Institutional activity

After seeing net outflows from equities from Jun to Aug, net inflows into equities by FIIs picked up strongly from Sep onwards, and continued into Oct and Dec. FII net inflows into equities was ~US\$6.4b, much higher than the ~US\$0.2b in the previous quarter. This is now comparable to the average levels clocked during the last three quarters of FY2013. DIIs have seen net outflows from equities in the last 6 consecutive quarters. The net outflow of ~US\$4.7b clocked this quarter was much higher than in the earlier quarters, except for ~US\$6.3b seen in 4QFY13.

Investment banking and private equity

M&A deal value was ~US\$7.1b in 3QFY14, slightly up from ~US\$5.5b in 2QFY14 though down from ~USD10.1b in 3QFY13. On a calendar year basis, cross-border deals saw increased activity, largely led by the outbound deal segment. While inbound deals also saw an uptick for the year, domestic deals saw a drop this year. Energy, power, healthcare, industrials and telecom clocked the highest proportion of deals during CY2013.

IPO activity remained dry, with only few issues on the SME platform. QIPs too remained depressed for the second consecutive quarter, after having clocked good volumes between 3QFY13 to 1QFY14. US\$1.1b Power Grid follow-on issue was the only large capital raising in the quarter. Debt raising volumes showed a slight uptick on a QoQ basis, with higher volumes seen in domestic bond issues and foreign loans.

Private equity deal value was US\$1.9b in 3QFY14, as compared to US\$1.7b in 2QFY14. Average value per deal also picked up on the back of 1 large USD400m + deal during the quarter.

Asset management

Assets under management of mutual funds were ₹8.3t as on Dec 2013, up from ₹7.5t as on Sep 2013. All the mutual fund segments, except for liquid funds, saw net outflows this quarter. Equity funds specifically have seen net outflows in the last 8 consecutive quarters. Indian ETF assets were US\$1.7b as of Dec 2013, lower than the US\$1.9b as of Sep 2013. This drop is attributable to the decline in Gold ETF assets.

MOFSL's Performance

- Revenues in 3QFY14 were ₹1.2b (up 1% QoQ and up 2% YoY)
- Adjusted PAT in 3QFY14 was ₹162m (down 14% QoQ and down 14% YoY)
- Reported PAT was ₹35m (down 37% QoQ and down 88% YoY). Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL). However, NSEL has not been able to adhere to its payment obligations. The Group has perused legal action against NSEL. Pending final outcome which is uncertain, the company has provided for an amount of ₹126.8m (post tax) in respect of these positions for the quarter ending Dec 2013 (cumulative ₹258.4m post tax till date), which is disclosed under the head "Exceptional Items"
- EBITDA and Adjusted PAT margins for 3QFY14 were 26% (31% in 2QFY14) and 14% (16% in 2QFY14) respectively
- The balance sheet had net worth of ₹11.8b and net cash of ₹1.5b, as of Dec 2013
- Pursuant to the commencement of the buy-back programme of the company's shares at a price not exceeding ₹90 per share of upto a maximum of 7.5m shares, the company has bought back 6.5m shares as of Dec 2013

Segment-wise business performance:

- Broking and related revenues were ₹738m in 3QFY14, marginally up by 1% on a QoQ basis and down 5% on a YoY basis. Our overall equity market share increased from 1.4% to 1.7% on a QoQ basis, led by gains in both the cash and F&O market shares. Our blended yield, at 3.7 bps, has held firm on a QoQ basis
- Fund based income was ₹199m, up 11% from 2QFY14 and marginally down by 1% from 3QFY13. The loan book was ₹4.3b, as of Dec 2013
- Asset Management fee were ₹193m for 3QFY14, down 6% QoQ and up 39% YoY. This includes fees booked on final closing of the offshore leg of the new private equity fund, IBEF II. Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹35.2b. Within this, our mutual funds AUM was ₹4.8b, PE AUA was ₹17.0b, while PMS AUM was ₹13.4b
- Investment banking fees at ₹5m was down 73% YoY. Transaction closures remain impacted as multiple macro concerns continue to affect the investment mood
- Other income was ₹40m in 3QFY14

MOFSL General Highlights

- Total client base increased to 792,858 which includes 695,663 retail broking and distribution clients
- Pan-India retail distribution reach stood at 1,546 business locations across 519 cities, as of Dec 2013
- Private Wealth Management managed assets of ~₹23.2b, as of Dec 2013
- Depository assets were ₹129.0b, as of Dec 2013
- Motilal Oswal Investment Banking won 'M&A Boutique Firm of the Year' and 'Best Mid-Market Deal of the Year' awards at the M&A Atlas Awards in Mumbai

- Motilal Oswal Private Equity received final approval from SEBI for its 2nd real estate fund, India Real Estate Fund-II. It is currently in fund raising mode
- MOFSL conducted its 18th Annual Wealth Creation Study in Dec 2013

Outlook

The various macro indicators have delivered a mixed performance during the last few months, and markets await the results of the upcoming elections for better clarity on future policy roadmap. Being a focused financial services player, despite market activity slowdown we have continued to invest in people, processes and technology to significantly strengthen our value offering in each of our businesses. We believe these investments will reap significant benefits as market activity within this sector picks up.

With these remarks, I would now like to open the floor for Q&A. Thank you.

Broking & Distribution & Institutional Broking

KEY FINANCIALS: BROKING & DISTRIBUTION & INSTITUTIONAL BROKING (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	817	774	6%	817	842	-3%	2,366	2,486	-5%	3,369
EBIDTA	222	212	5%	222	242	-8%	668	790	-15%	1,076
PBT (before E & EOI)	177	169	5%	177	192	-8%	542	653	-17%	887
Adjusted PAT	123	122	0%	123	115	6%	369	430	-14%	588
Reported PAT	9	4	112%	9	218	-96%	138	533	-74%	821

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Dec 2013 earnings

Is consolidation now a reality in retail stock broking business, given that some of the players have exited retail broking? There has been some addition this quarter in terms of clients, expansion, city presence, etc. Are these trends structural in nature? Should we expect similar trends in the coming quarters as well?

Since the last few quarters, the overall market volumes have remained quite stable. The options segment which had gone up substantially, has, in fact, come down slightly this quarter. In the past, whatever inorganic consolidation happened, have not really worked out for those companies. So it is really organic consolidation which is happening. We, as a focused player, have been strengthening our position. Our market share and yields have remained quite stable. Our competitive strength has gone up substantially. We are increasing our distribution presence and are adding a lot of skills in products, research, and advisory. At a time when reduction in manpower is common across the industry, our own manpower is up by almost double digit percentage on a year-on-year basis. The office space that we occupy is up substantially after having moved into the new office premises. In terms of number of people, processes, office space and every other form of commitment, we are actually up, while a lot of peers would actually be down in terms of commitment to people, processes, space etc. We believe we are in sweet spot as far as broking is concerned. One cannot control the markets levels, but what we can control is what efforts we are putting in. So we are investing a lot, be it in technology, brand, distribution or products. As of now, markets are not supporting, but we are ready for any kind of market eventuality. Hopefully, these efforts should bear fruit whenever volumes return, which are as of now, substantially lower in the cash markets at least.

Given the trends in consolidation, what is the overall market size of the broking industry as of now? How have the overall brokerage revenues for the industry moved in 9MFY14 vs. 9MFY13?

On a year-on-year basis, the market volumes are actually slightly lower on the cash side. If one looks at the full year volumes for cash, then it is stable. Overall, the industry would not have de-grown so much in the current financial year as compared to the previous year, but we must be down about 40% from the peak.

Market returns have been negative on a dollar-adjusted basis while FII ownership is at an all-time high and inflows are coming in on the back of bullish sentiments. Has the recent rupee depreciation been a concern for the FII investors?

Foreign investors now own over 20% of the Top-200 Indian companies and over 40% of all the free-float. They have invested US\$20b last year and the average runrate for the last five years is about US\$18b per annum despite poor macro and a slowdown in earnings growth. However, a lot of these investments have been concentrated in certain sectors and certain stocks which have delivered performance, notwithstanding the slowdown in the economy and corporate earnings. The bottom up stock picking approach that the foreign investors have followed is only likely to continue going forward and there is unlikely to be any big shift in the trend from a 12 month perspective at least. It is hard to say how this money will react because of tapering over the next three to six months' time. One of the biggest concern in investing in emerging markets is always the currency trends. We saw about almost zero investment during the third quarter of the last calendar year, a period which coincided with sharp currency volatility. Since September till date, we have seen the INR appreciate by ~10% from the lows and the currency has been reasonably stable led by current account deficit which has come down as a percent of GDP. Resultantly, this period has seen strong FIIs flows. In summary, the currency seems to be stabilizing as of now which is unlikely to have an adverse bearing on the FII flows.

What were the total delivery volumes this quarter in the market? Has there been any improvement in the delivery volume because of the higher retail participation? What were the institutional volumes this quarter?

Delivery average daily volumes in Q3FY14 were about ₹39b. This was about ₹41b whereas for the previous quarter sequentially. So it is actually marginally down this quarter. Overall cash volumes are down by about 4% QoQ. Within that, institution has fallen by about 20% and retail has gone up by about 11%. The absolute institutional cash volumes for this quarter were about ₹36b. This was about ₹45b in the previous quarter. The institutional volumes in Q2 look higher than the total delivery volumes that quarter due to an anomaly in the volume data received from BSE/NSE. We have highlighted this to NSE as well as had discussion with them. But this is the data which is available as of now. But these trends are largely accurate over a longer period of time.

Is it fair to assume that despite the yield in institution segment coming down, the total market pie between retail and institution will be equal in terms of revenue? What are the current yields in the institutional side, and in retail?

It is a very dynamic number and one cannot really draw conclusions because industry data is not available. However, having said that, retail cash volumes have picked up this quarter. On yields, we only report our blended yield and don't share the segmental numbers. Regarding trends in the yields in the overall market, the data is actually not available. Hence, we would not be able to comment on that.

Fund Based Income

MOFSL STANDALONE FINANCIALS (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	310	313	-1%	310	307	1%	798	657	21%	949
EBIDTA	222	247	-10%	222	269	-17%	602	536	12%	836
PBT (before E & EOI)	137	178	-23%	137	214	-36%	393	398	-1%	618
Adjusted PAT	140	163	-14%	140	192	-27%	356	339	5%	498
Reported PAT	136	160	-15%	136	192	-29%	350	339	3%	387

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Dec 2013 earnings

Financing and other activities' profit in segmental reporting declined from ₹29m to a loss of ₹8m on a quarter to quarter basis. Why did such a big drop occur?

During the quarter, we have made some additional provisions which forms part of normal business operations. This has impacted the bottom-line of the financing segment.

There is net cash of ₹1.5b. Is there any plan for that going ahead?

The net cash reported in the balance sheet is actually used for working capital lines. In the broking business, in order to put the margins in the exchange, we need to place fixed deposits for bank guarantees. So, it is not really idle cash. It is cash which is used for working capital purposes.

Asset Management and Private Equity

KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	66	69	-5%	66	79	-17%	205	260	-21%	348
EBIDTA	(8)	(8)	nm	(8)	13	nm	(29)	47	nm	58
PBT (before E & EOI)	(9)	(9)	nm	(9)	11	nm	(32)	43	nm	53
Reported PAT	(9)	(9)	nm	(9)	11	nm	(31)	43	nm	53

Source: MOFSL's presentation on Dec 2013 earnings

KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	135	143	-6%	135	71	91%	338	184	83%	274
EBIDTA	70	83	-16%	70	29	140%	175	51	246%	82
PBT (before E & EOI)	69	82	-16%	69	28	146%	172	48	259%	78
Reported PAT	46	54	-15%	46	19	141%	114	33	250%	53

Source: MOFSL's presentation on Dec 2013 earnings

Please could you quantify the one-offs in the asset management fee? What should be the sustainable run rate here on, given the significant jump on a YoY basis? Do we expect some carry to come in, given that we have returned some money to investors?

The year-on-year jump is largely because of the ₹10b raised and closed in the current financial year for the new PE fund. The additional fee booked in this quarter is about ₹80m, as well as a similar amount in the previous quarter. Barring this, the standard run rate of 2% fees is what one can expect on this book going forward. Also, we are already in the process of raising money for the new real estate fund. This is also part of the private equity business. So there might be some additional income booked based on when we close it. We do not expect any carry to come in during this financial year.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	Q3 FY14	Q2 FY14	CHG. QOQ	Q3 FY14	Q3 FY13	CHG. YOY	9M FY14	9M FY13	CHG. YOY	FY13
Total Revenues	11	45	-75%	11	20	-42%	65	72	-9%	80
EBIDTA	(19)	16	nm	(19)	(9)	nm	(25)	(39)	nm	(60)
PBT (before E & EOI)	(23)	12	nm	(23)	(11)	nm	(36)	(44)	nm	(68)
Reported PAT	(15)	8	nm	(15)	(8)	nm	(24)	(32)	nm	(52)

Source: MOFSL's presentation on Dec 2013 earnings

Others

There is a significant increase in Operating and Other costs. Are there any one-off items?

Our operating expense line item includes franchisee sharing, which typically moves in tandem with the retail volumes. In this quarter, the retail volumes have gone up higher than institutional volumes. Hence, this line item also moved since it is variable to the growth in retail topline. On the exceptional side, we regularly review our loan book and as a part of normal provisioning process, some of those have been assessed in December. The impact due to additional provisioning is about ₹20-30m for this quarter. It forms the part of the other expense line which has spiked up on a quarter-on-quarter basis. This is part of the normal operations. We review the collateral risk, the liquidity of the stock, the impact cost of liquidation, and that is how we make an assessment on those provisions.

What segment is the housing finance business targeting? Will it start with some specific geography or we will it have a pan India operation?

It will target the mid-size segment. Average loan size is expected at about ₹1.5-2m. So it will be the low to middle income segment. We are currently waiting for the regulatory approval from NHB. As soon as we get that approval, we will share further details about this business.

What is the capital deployment for the housing finance business, and within what timeline? What are the growth plans for this business?

Our commitment is ₹1b to this venture, of which we have capitalized only ₹150m as of now which is required for regulatory reasons. The core team has already joined. So we are just waiting for the regulatory approval.

The total amount in the NSEL exposure was ₹570m. How much was provided for in Q2FY14?

The ₹570m is being provided for in three equal tranches between Q2, Q3, and Q4. So, two-thirds has been provided for so far across Q2 and Q3, and another one-third will be written off in next quarter. The write off in the quarter is approx ₹190m pre-tax, which is about ₹130m post-tax. Thus, the three tranches would eventually add up to the ₹570m.

The employee cost has grown by 20% YoY. Is this due to the new businesses added?

The net headcount is up by about 180 people on a YoY basis. We are adding capabilities in our existing businesses as well as new businesses. So it is a combination of the two.

In your employee cost, what would be the proportion of the research team's cost?

We have about 30 people in our research team. We do not break-up our employee cost into sub-segments that we operate in.

What is the plan for adding employees in FY2015?

We have seen a fairly strong addition to our overall manpower this year. A key driver to manpower addition would be the housing finance business, since the entire hiring there is still ahead. We have just hired a few key senior people as of now, but the entire distribution network-related hiring will follow the NHB approval. So, that is a certain addition that will occur in FY2015 over FY2014. The rest of it is going to be dynamic on how the overall market volumes shape up, and we will review that. As of now, we have added enough resources to take care of any volume growth in the next few quarters.

Are the senior people for the HFC business already finalized and on board?

The appointment of the CEO was shared earlier on our concall. We have added a few more senior people. Once we have the NHB approval in place, we will share more details about the management team as well as our detailed business plan for the HFC business.

What is the total debt figure, as on December 2013?

We have zero debt of balance sheet as of date.

Currently, broking is still a substantial part of the business and the company is getting into housing finance. Even the asset management business is growing. What do you expect the revenue mix to be like after 3 years?

If we can bring down the mix to 50:50 between broking and non-broking, that would be the aspiration over the next three years. Housing finance is a fund based business completely, and it depends on how big the balance sheet becomes and how fast that is achieved, so we would not count it in the overall pie at this juncture.

Are there any businesses which have closed down, or any business which you would like to enter but have not as yet due to the slowdown?

There is no business which has been closed or downsized. All the verticals that we have set up in the past still remain. We have, in fact, added one more vertical with housing finance. Right now the focus is on deepening all the existing businesses. The two mature businesses, institutional and retail broking are growing. The remaining businesses are under construction, whether it is wealth, private equity, AMC, investment banking. So as of now, we have enough portfolios of work-in-progress businesses. We will see how these pan out in the next two to three years. We would like to remain focused and grow these businesses before we go into the next one.



INVESTOR UPDATE

Motilal Oswal Financial Services reports Q3 FY14 Consolidated Revenues of ₹1.2 billion; Adjusted PAT of ₹162 million

Mumbai, Jan 21, 2014: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Dec 31, 2013 post approval by the Board of Directors at a meeting held in Mumbai on Jan 21, 2014.

Performance Highlights

₹Million	Q3 FY14	Comparison (Q2 FY14)
Total Revenues	1,175	↑1%
EBIDTA	309	↓ 14%
Adjusted PAT	162	↓ 14%
Reported PAT	35	↓ 37%
EPS- ₹(FV of ₹1)	0.3	

Performance for the Quarter ended Dec 31, 2013

- Revenues in Q3 FY14 were ₹1.2 billion (up 1% QoQ and up 2% YoY)
- Adjusted PAT in Q3 FY14 was ₹162 million (down 14% QoQ and down 14% YoY)
- Reported PAT was ₹35 million (down 37% QoQ and down 88% YoY). Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL). However, NSEL has not been able to adhere to its payment obligations. The Group has perused legal action against NSEL. Pending final outcome which is uncertain, the company has provided for an amount of ₹126.8 million (post tax) in respect of these positions for the quarter ending Dec 2013 (cumulative ₹258.4 million post tax till date), which is disclosed under the head "Exceptional Items"
- EBITDA and Adjusted PAT margins for Q3 FY14 were 26% (31% in Q2 FY14) and 14% (16% in Q2 FY14) respectively
- The balance sheet had net worth of ₹11.8 billion and net cash of ₹1.5 billion, as of Dec 2013
- Pursuant to the commencement of the buy-back programme of the company's shares at a price not exceeding ₹90 per share of upto a maximum of 7.5 million shares, the company has bought back 6.5 million shares as of Dec 2013

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

"After a good start in Oct, the benchmark Sensex remained largely range-bound during Nov and Dec with high volatility. FII's turned net buyers from Sep onwards, indicating a trend reversal from

the previous quarter. However due to continued redemptions pressures from mutual funds, DII's remained net sellers in the market. Retail participation within cash volumes showed a slight uptick, however one has to wait and watch to see whether this continues. Market volumes dipped this quarter largely led by a decline in options volumes marking a reversal in the robust growth demonstrated by options over the past years. Cash and futures volumes also showed moderate declines. Being a focused financial services player, despite market activity slowdown we have continued to invest in people, processes and technology to significantly strengthen our value offering in each of our businesses. We believe these investments will reap significant benefits as market activity within this sector picks up."

Segment results for Q3 FY14:

- **Broking and related revenues** were ₹738 million in Q3 FY14, marginally up by 1% on a QoQ basis and down 5% on a YoY basis. Daily volumes in the equity markets were ₹1.9 trillion in Q3 FY14, a 15% drop on a QoQ basis. This was largely led by an 18% QoQ drop in options specifically. Options now comprise 75% of market volumes, as compared to 78% in the previous quarter. Cash volumes were down by 4% QoQ to ₹130.9 billion, and its proportion within market volumes picked up from 6.2% to 7%. Our overall equity market share increased from 1.4% to 1.7% on a QoQ basis, led by gains in both the cash and F&O market shares. Our blended yield, at 3.7 bps, has held firm on a QoQ basis
- **Fund based income** was ₹199 million, up 11% from Q2 FY14 and marginally down by 1% from Q3 FY13. The loan book was ₹4.3 billion, as of Dec 2013
- **Asset Management fee** were ₹193 million for Q3 FY14, down 6% QoQ and up 39% YoY. This includes fees booked on final closing of the offshore leg of the new private equity fund, IBEF II
- **Investment banking fees** at ₹5 million was down 73% YoY. Transaction closures remain impacted as multiple macro concerns continue to affect the investment mood in the economy
- **Other income** was ₹40 million in Q3 FY14

Business Highlights for Q3 FY14

- Total client base increased to 792,858 which includes 695,663 retail broking and distribution clients
- Pan-India retail distribution reach was 1,546 business locations across 519 cities, as of Dec 2013
- Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹35.2 billion. Within this, our mutual funds AUM was ₹4.8 billion, PE AUA was ₹17.0 billion, while PMS AUM was ₹13.4 billion
- Private Wealth Management managed assets of ~₹23.2 billion, as of Dec 2013
- Depository assets were ₹129.0 billion, as of Dec 2013
- Motilal Oswal Investment Banking won 'M&A Boutique Firm of the Year' and 'Best Mid-Market Deal of the Year' awards at the M&A Atlas Awards in Mumbai
- Motilal Oswal Private Equity received final approval from SEBI for its 2nd real estate fund, India Real Estate Fund-II. It is currently in fund raising mode
- MOFSL conducted its 18th Annual Wealth Creation Study in Dec 2013

About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. (NSE: MOTILALOFS, 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 1,546 business locations spread across 519 cities and the online channel to over 792,858 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 2013, for the 3rd 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. Motilal Oswal Private Equity won 'Best Growth Capital Investor-2012' award at the Awards for Private Equity Excellence 2013. MOSL was adjudged amongst the Top 20 innovators in BFSI for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012, and won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013

For further details contact:

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<p align="center">MOTILAL OSWAL FINANCIAL SERVICES LIMITED Registered Office: Palm Spring Centre, Palm Court Complex, 2nd Floor, Link Road, Malad (W), Mumbai - 400 064 Tel: +91-22-30801000, Fax: +91-22-28449092 Email:shareholders@motilaloswal.com CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31ST DECEMBER 2013</p>						
Particulars	Quarter Ended			Nine Months Ended		(Rs. in Lacs)
	31.12.2013	30.09.2013	31.12.2012	31.12.2013	31.12.2012	Year Ended (Audited) 31.03.2013
1. Income from Operations						
(a) Income from Operations	10,662	10,836	10,685	31,598	30,876	42,471
(b) Other Operating Income	692	677	689	2,068	2,404	3,992
Total Income	11,354	11,513	11,374	33,666	33,280	46,463
2. Expenditure						
a. Operating Expense	2,635	2,403	2,882	7,452	8,206	11,061
b. Employees' Benefit Expense	3,284	3,292	2,677	9,551	7,852	10,796
c. Depreciation and Amortisation Expenses	618	604	657	1,811	1,931	2,585
d. Other Expenditure	2,741	2,318	2,159	7,191	6,376	7,991
Total Expenses	9,278	8,617	8,375	26,005	24,365	32,433
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	2,076	2,896	2,999	7,661	8,915	14,030
4. Other Income	397	85	121	759	598	825
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	2,473	2,981	3,120	8,420	9,513	14,855
6. Finance Cost	84	81	121	251	208	480
7. Profit from Ordinary Activities after Finance Cost but before Exceptional Items (5-6)	2,389	2,900	2,999	8,169	9,305	14,375
8. Exceptional Items - (Expense)/Income	(1,877)	(1,948)	1,523	(3,825)	1,523	1,808
9. Prior Period Items - (Expense)/Income	2	14	-	33	-	-
10. Profit from Ordinary Activities before Tax (7-8+9)	514	966	4,522	4,377	10,828	16,183
11. Tax Expense	90	325	1,567	1,436	3,538	5,184
12. Net Profit from Ordinary Activities after Tax but before Minority Interests (9-10)	424	641	2,955	2,941	7,290	10,999
13. Share of Minority Interests in (Profits)/ Loss	(69)	(79)	(33)	(177)	(53)	(90)
14. Net Profit after Tax and Minority Interests (12-13)	355	562	2,922	2,764	7,237	10,909
15. Paid-Up Equity Share Capital	1,388	1,389	1,452	1,388	1,452	1,452
(Face Value of Re. 1/- Per Share)						
16. Reserves excluding Revaluation Reserves	-	-	-	-	-	120,334
17. i. Earnings Per Share (EPS) (before Extraordinary Items) (of Re. 1/- each)						
a) Basic EPS	0.30	0.45	2.01	2.08	4.98	7.57
b) Diluted EPS	0.30	0.45	2.01	2.08	4.98	7.57
17. ii. Earnings Per Share (EPS) (after Extraordinary Items) (of Re. 1/- each)						
c) Basic EPS	0.30	0.45	2.01	2.08	4.98	7.57
d) Diluted EPS	0.30	0.45	2.01	2.08	4.98	7.57
Particulars of Shareholding						
18. Public Shareholding						
- Number of shares	36,331,845	36,461,059	43,384,636	36,331,845	43,384,636	43,143,928
- Percentage of shareholding	26.18%	26.25%	29.87%	26.18%	29.87%	29.71%
19. Promoters' and Promoter Group Shareholding						
a) Pledged/Encumbered						
- Number of Shares	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of Shares (as a % of the Total Shareholding of Promoter and Promoter Group)	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of Shares (as a % of the Total Share Capital of the Company)	NIL	NIL	NIL	NIL	NIL	NIL
b) Non-Encumbered						
- Number of Shares	102,430,692	102,430,692	101,851,140	102,430,692	101,851,140	102,091,848
- Percentage of Shares (as a % of the Total Shareholding of Promoter and Promoter Group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
- Percentage of Shares (as a % of the Total Share Capital of the Company)	73.82%	73.75%	70.13%	73.82%	70.13%	70.29%
20. Investors' Complaints						
Pending at the Beginning of the Period	NIL	NIL	NIL	NIL	1	1
Received during the Period	3	11	3	14	8	11
Disposed off during the Period	3	11	3	14	9	12
Remaining Unresolved at the end of the Period	NIL	NIL	NIL	NIL	NIL	NIL
Notes						
1) The above results were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its Meeting held on Tuesday, 21st January, 2014. The results for the quarter & nine months ended 31st December, 2013 have been reviewed by the Statutory Auditors of the Company.						
2) The Company obtained approval from the shareholders, by way of Postal Ballot process on 21st June, 2013 and from SEBI on 2nd July, 2013 to buyback the shares of the Company at a price not exceeding Rs. 90/- per share of upto a maximum of 75,00,000, fully paidup equity shares of Re. 1/- each. Pursuant to this the Company has bought back 64,75,584 shares upto 31st December, 2013. The amount utilised for buyback is Rs. 5,109 Lacs. Out of the said equity shares bought back, 2,345 equity shares have been extinguished post 31st December 2013.						
3) Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL) of Rs 5,561 Lacs with respect to the proprietary positions and Rs 131 Lacs with respect to the funded positions. NSEL has not been able to adhere to its payment obligations over the past few months. Motilal Oswal group has perused legal action against NSEL and others by filing writ petition in Bombay High Court and Criminal complaint in Economic Offences Wing (EOW). Pending final outcome which is uncertain, the Company has provided for an amount of Rs 1,877 Lacs (Previous quarter 1,948 Lacs) in this respect for the quarter ending 31st December 2013, which is disclosed under the head "Exceptional Items".						
4) Effective this quarter ended December 2013, the Company has adopted principles of Accounting Standard -30 "Financial Instruments : Recognition and Measurement. Accordingly for this quarter, the company has designated its Stock-in-trade of Securities and Corresponding Derivatives positions at "Fair Value through Profit or Loss" in order to ensure consistency in recognition and/or measurement of such financial instruments. These instruments are measured at fair value and changes therein are recognized in the profit or loss. All other outstanding derivative contracts in the nature of futures/options/embedded derivatives are measured at fair value. Pursuant to this change, profit after tax for the quarter & nine months ended 31st December 2013 has increased by Rs.7.06 lacs						
5) 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%), MOPE Investment Advisors Private Limited (formally known as 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 (99.67%), 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) Pre Ltd (99.95%), Motilal Oswal Capital Markets (Hong Kong) Private Limited (99.95%), Motilal Oswal Real Estate Investment Advisors Private Limited (85%) and Aspire Home Finance Corporation Limited (99.95%)						
6)The previous financial quarter / year figures have been regrouped/rearranged wherever necessary to make them comparable.						
7) 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 (Audited)
	31.12.2013	30.09.2013	31.12.2012	31.12.2013	31.12.2012	31.03.2013
Gross Revenue	3,096	3,128	3,065	7,984	6,572	9,490
Profit Before Tax	1,319	1,739	2,141	3,833	3,980	4,540
Profit After Tax	1,364	1,600	1,916	3,498	3,394	3,875

8) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER AND NINE MONTH ENDED 31ST DECEMBER 2013						
						(Rs. in Lacs)
Particulars	Quarter Ended			Nine Months Ended		Year Ended (Audited)
	31.12.2013	30.09.2013	31.12.2012	31.12.2013	31.12.2012	31.03.2013
1. Segment Revenue						
(a) Broking & Other Related Activities	7,918	7,601	8,459	23,526	25,463	34,411
(b) Financing & Other Activities	1,735	1,678	1,615	5,191	4,397	7,315
(c) Asset Management & Advisory	2,146	2,382	1,577	6,078	4,489	6,602
(d) Investment Banking	114	448	200	648	700	780
(e) Unallocated	833	577	541	1,915	1,392	2,077
Total	12,746	12,686	12,392	37,358	36,441	51,185
Less: Inter Segment Revenue	993	1,089	897	2,914	2,563	3,897
Income From Operations, Other Operating Income & Other Income	11,753	11,597	11,495	34,444	33,878	47,288
2. Segment Results Profit / (Loss) before Tax and Interest from Each Segment						
(a) Broking & Other Related Activities	1,274	1,270	1,797	4,386	6,515	8,877
(b) Broking & Other Related Activities (Exceptional Item)	(1,829)	(1,903)	1,523	(3,732)	1,523	3,446
(c) Financing & Other Activities	(82)	289	691	1,000	1,805	4,003
(d) Financing & Other Activities (Exceptional Item)	(48)	(45)	-	(93)	-	(1,638)
(e) Asset Management & Advisory	438	677	274	1,102	644	1,196
(f) Investment Banking	(198)	147	(98)	(284)	(438)	(661)
(g) Unallocated	1,070	639	513	2,198	1,326	1,936
Total	625	1,074	4,699	4,577	11,376	17,159
Less: (i) Interest	111	108	178	200	548	976
Profit/(Loss) from Ordinary Activities before Tax	514	966	4,522	4,377	10,828	16,183
3. Capital Employed						
(Segment Assets – Segment Liabilities)						
(a) Broking & Other Related Activities	29,561	42,292	39,218	29,561	39,218	48,212
(b) Financing & Other Activities	56,280	54,659	58,809	56,280	58,809	58,852
(c) Asset Management & Advisory	839	946	82	839	82	478
(d) Investment Banking	628	844	712	628	712	746
(e) Unallocated	30,832	20,770	21,221	30,832	21,221	13,498
Total	118,140	119,511	120,042	118,140	120,042	121,786
Notes:						
9. 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.						
10. The previous financial quarter / year figures have been regrouped/rearranged wherever necessary to make them comparable.						
<p style="text-align: right;">On behalf of the Board of Directors Motilal Oswal Financial Services Limited</p> <p style="text-align: right;">Motilal Oswal Chairman & Managing Director</p>						
Mumbai, 21st January, 2014 shareholders@motilaloswal.com						

