

ConCall Summary & Earnings Release

Quarter ended Dec 2014

2 Feb 2015

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.9b for the quarter ended 31 Dec 2014, up 59% YoY and up 4% QoQ. Adjusted PAT at ₹359m was up 121% YoY and up 10% QoQ. Broking-related revenues were ₹1.2b, up 61% YoY and marginally down 1% QoQ. Fund-based income at ₹362m was up 63% YoY and up 1% QoQ. Asset management fees at ₹287m was up 49% YoY and up 34% QoQ. Investment banking fees at ₹16m was up 195% 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 2014. 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.

Welcome to the Q3 FY15 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 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	1,859	1,170	59%	1,859	1,786	4%	5,321	3,439	55%	4,681
EBITDA	617	304	103%	617	577	7%	1,772	1,021	74%	1,422
PBT (before E & EOI)	466	239	95%	466	477	-2%	1,415	820	72%	1,151
Adjusted PAT	359	162	121%	359	327	10%	1,007	535	88%	771
Reported PAT	359	35	915%	359	327	10%	1,007	276	264%	395
EPS - Basic	2.62	0.30		2.62	2.40		7.38	2.08		2.95
EPS - Diluted	2.57	0.30		2.57	2.35		7.23	2.08		2.95
Shares O/S (mn) - FV Rs 1/share	139	139		139	139		139	139		139

E & EOI = Exceptional & extraordinary items

REVENUE COMPOSITION (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Brokerage & operating income	1,181	735	61%	1,181	1,190	-1%	3,504	2,146	63%	2,870
Investment banking fees	16	5	195%	16	6	159%	101	48	111%	68
Fund based income	362	222	63%	362	358	1%	979	683	43%	937
Asset management fees	287	193	49%	287	214	34%	682	525	30%	758
Other income	13	14	-4%	13	19	-30%	54	37	47%	49
Total Revenues	1,859	1,170	59%	1,859	1,786	4%	5,321	3,439	55%	4,681

Opening remarks

Good afternoon. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services earnings call for the Third Quarter ended Dec 2014. 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 2014.

Equity markets

The benchmark BSE Sensex delivered a lukewarm performance of 3% on a QoQ basis, although this was significant on a YoY basis at 30%. The positive news is that the decline in inflation seems well entrenched in the system now. This bodes positive expectations for rate cuts in CY2015, which should help fuel the investment cycle of companies. This should also trigger domestic flows into equities. Recent trends in global commodity prices should also augur well for companies dependant on key inputs, and for the economy's current account as a whole. Retail investors, who had largely shied away from markets in recent years, are showing definite signs of revival. This is evidenced by the higher retail volumes in cash equities and positive net inflows into equity mutual funds.

Average daily market turnover (ADTO) of equities reached highs on the back of higher option volumes. Cash volumes were ₹197b in 3QFY15 down 3% sequentially. Number of trading days was also lower this quarter by 8% on a QoQ basis, owing to more holidays this quarter. These factors resulted in lower actionable broking pool at industry level of 11%.

In terms of broader trends, Retail cash volumes are 60% higher than the volumes reported in last 3 years but are 18% lower than previous yearly peak (in FY10). Institutional activities have far surpassed the past peak by almost 40%+ and are 57% higher than last 3 years average. However cash proportion within volumes have been at all time low of 6% whereas past peak (FY10) it was 24%.

Cash volumes have improved in January, which is encouraging. Average cash volumes till Jan 29th were ₹214b. More interestingly, it increased steadily as the month progressed, reaching a high of ₹257b between Jan 21st-29th.

Institutional activity

FII net inflows have been reducing since the last couple of quarters. This was ~US\$2.2b in 3QFY15, as compared to ~US\$3.9b in 2QFY15 and ~US\$6.3b in 1QFY15. Although November month saw good inflows, both the months of December and October months saw significantly lower interest.

The positive news is that DIIs finally registered positive net inflows this quarter, after several quarters of net outflows. Equity mutual funds have seen increased mobilizations, on the back of renewed investor interest.

Investment banking and private equity

M&A deal values have been damp at ~US\$6.2b in 3QFY15, as compared to deal values in earlier quarters. However, 2QFY15 had also been impacted by the United Spirits-Diageo transaction

ECM activity saw a slight dip this quarter, despite the sharp uptick in the previous quarter. Much of the renewed interest has been in the Additional segment (FPOs, OFS), while the IPO pipeline is yet to take off in a big way. While QIPs had picked up in the previous quarter, these were less in 3QFY15

DCM activity saw a spike in the foreign loans segment this quarter, while the INR loan segment tapered on a QoQ basis. Overall, DCM volume levels remained largely constant on a QoQ basis

Average deal values in the PE industry have picked up this quarter, as compared to earlier levels. This is even after excluding the Flipkart and Snapdeal deals this quarter, which were ~\$650-700m each. Sectors like IT/ITES, BFSI and Energy saw maximum deal activity this quarter.

Asset management

AUM of mutual funds were ₹10.5t as on Dec 2014, as compared ₹9.6t as on Sep 2014. Overall AUM picked up owing to traction in both equity and income funds this quarter. Equity funds saw asset expansion due to both positive net sales and market movement. Equity fund net inflows were positive for the 3rd successive quarter, after 9 successive quarters of net outflows.

MOFSL's Performance

- Revenues in 3QFY15 were ₹1.9b (up 59% YoY and up 4% QoQ), led by upticks in AMC, PWM, HFC and IB incomes on both YoY and QoQ basis and in Broking income on YoY basis
- Adjusted PAT was ₹359m (up 121% YoY and up 10% QoQ)
- EBITDA and PAT margins in 3QFY15 were 33% (32% in 2QFY15) and 19% (18% in 2QFY15) respectively
- Balance sheet had net worth of ₹12.9b and borrowings of ₹4.5b as of Dec 2014. In line with the long term strategy to grow Return on Equity (RoE) sustainably, 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
- In line with this, our allocation to Motilal Oswal's mutual fund products stands at ₹4.51 billion, as of Dec 2014. The unrealized gain on these investments is ₹968 million, as of Dec 2014 (versus ₹462 million in previous quarter). The same is not reflected in the reported profit and loss account for the year
- Our investments in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.47 billion, as of Dec 2014
- The NBFC lending business of loan against shares, which was done earlier from equity capital, will now be run as a spread business with a healthy mix of short term and long term borrowings. In line with this, during the 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 ₹4 billion as of Dec 2014. This has resulted in incremental interest cost (ex Aspire) of approx ₹41 million as compared to previous quarter and ₹72 million as compared to same quarter of the previous year
- RoE (based on quarterly reported PAT and average net worth) has shown slight uptick on a QoQ basis, from 10.7% in Q2 FY15 to 11.3% in Q3 FY15. However as mentioned above this does not include the unrealised gains mentioned above.

Segment-wise business performance:

- Broking and related revenues were ₹1.2b in 3QFY15, up 61% YoY and down 1% QoQ. The agency volumes in the market in same time period registered 44% growth YoY basis and 11% degrowth sequentially. Our out-performance to market validates our belief that a focused approach will help garner market share profitably. While our consolidated market share decreased from 1.5% to

1.3% sequentially owing to the disproportionate rise in options in the market our cash market share increased this quarter, especially in high-yield delivery which is our area of focus. This is reflective in our blended yield growth from 3.7 bps to 4.1 bps sequentially. Total client base increased to 829,974, owing to traction across retail, institution, PMS and commodity clients. Retail and distribution clients stood at 728,081. The last three successive quarters have seen strong monthly run-rate in retail client base. Distribution stood at 1,727 locations across 519 cities. We added to our distribution footprint this quarter, across both branches and franchisee outlets

- Fund based income was ₹362m, up 63% YoY and up 1% QoQ. This includes interest earned on LAS book, Housing Finance business and income on investments. The NBFC loan book stood at ₹4.4b. 3QFY15 includes profit of ₹94 million earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Likewise, 2QFY15 included capital gains of ₹147.9 million on re-allocation of investments in Motilal Oswal's mutual fund products from passive to active strategies. Following commencement of operations in May 2014, Aspire Home Finance has already sanctioned 1,945 applications amounting to ~₹2.07b, and disbursed 1,396 applications amounting to ~₹1.36b. Aspire Home Finance has also reported a positive PAT in Q3FY15
- Asset Management fee were ₹287m for 3QFY15, up 49% YoY and up 34% QoQ. Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹67.1b up 90% YoY on the back of strong investment performance and traction of net sales across the distribution fraternity. We are gaining market share on incremental equity flows into the asset management products. Within this, the mutual fund AUM was ₹17.4b, PE AUA was ₹21.3b and PMS AUM was ₹28.4b.
- Investment banking fees at ₹16m was up 195% YoY and up 159% QoQ due to low base effect; however it is far lower than its peak performance. The deal pipeline continues to be robust and we have made systematic investments to build competency in areas which we believe will help take this business to the peak levels of performance.
- Other income was ₹13m in 3QFY15, down 30% QoQ.

MOFSL General Highlights

- Wealth management business managed assets of about ₹36.3b. Asset mobilization has seen traction following a revival of equity investor interest
- Motilal Oswal Private Equity announced the third close of its 2nd real estate fund, IREF 2, raising commitments of ~₹4.27b
- Our superior research and broking services were recognized once again, as Motilal Oswal Securities was ranked Best Local Brokerage (India) for trading and execution by Trade Asia Poll 2014 and won the 'Best Research as Research Showcase Partner' at Research Bytes IC Awards 2014. Motilal Oswal Institutional Equities has also launched some innovative thematic reports in recent quarters to enhance its research product offering to clients.

- Motilal Oswal Asset Management (Mauritius) Pvt. Ltd., which will manage the India Zen Fund, has been incorporated in Mauritius
- Conducted the 19th Annual Wealth Creation Study in Dec 2014, on the theme “100X: The Power of Growth”

Outlook

Backed by renewed investor interest and positive market outlook, our businesses showed significant traction across asset mobilization, volumes, market share and revenue in recent months. We had invested into key areas like operations, manpower, technology and sales channels, and these efforts are showing healthy results now. As the market activity gains further momentum going forward, all our businesses seem rightly poised for growth.

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

Broking & Distribution and Institutional Broking

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

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	1,328	816	63%	1,328	1,410	-6%	3,986	2,365	69%	3,216
EBITDA	458	222	106%	458	524	-13%	1,402	668	110%	902
PBT (before E & EOI)	381	177	114%	381	455	-16%	1,188	542	119%	737
Adjusted PAT	310	123	153%	310	321	-3%	877	369	138%	507
Reported PAT	310	9	3211%	310	321	-3%	877	138	537%	171

E & EOI = Exceptional & extraordinary items

How is the growth in traded volumes from the mobile trading application?

Mobile trading is gaining traction. Following the launch of our new mobile application, we have seen significant number of downloads and higher activity levels from customers. We estimate about 10-15% of our customers are registered as online. Going forward, we expect a significant volume from the mobile space. While there is still a long way to go, the products we have launched have seen good acceptance.

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	160	66	143%	160	132	21%	386	207	86%	354
EBITDA	(10)	(8)	nm	(10)	(8)	nm	(44)	(27)	nm	(2)
PBT	(12)	(9)	nm	(12)	(9)	nm	(49)	(31)	nm	(6)
PAT	(12)	(9)	nm	(12)	(9)	nm	(49)	(31)	nm	(6)

What are the constraints to grow the PMS business to a larger AUM of ₹50-60 billion? What is the typical profile of customers and how is the stickiness of long-term investors ensured?

Our PMS is one of the oldest in the industry, and we have a 12 year track record now. The first challenge is that this segment has been maligned as some practitioners misused it to generate a lot of churn and bought bad stocks during 2007-08. Those investors have bad memories of PMS as an asset class, and distributors do not have the face to go back to the clients. Hence, even though PMS is a fantastic vehicle for people and it is very transparent as compared to mutual funds, the past experience for some clients has not been the best. Secondly, IT Department has not been very forthcoming from taxation of the capital gains. Thirdly, public data on PMS is not available on Bloomberg, Value Research, Moneycontrol, etc, whereas mutual funds are tracked on a daily basis on these platforms. This causes information opacity for prospective investors, and they cannot make product comparisons easily.

On the other hand, our Focused 35 Multicap fund, which is amongst the top 10 performing mutual funds in the last six months, has garnered over ₹10 billion in assets within 10 months of its inception, partially because all the comparable information on funds is readily available on public platforms.

Is the recent growth in the PMS AUM a result of market growth in last 2 quarters or due to sales mobilization from clients?

Till Dec 2013, we were seeing redemption pressures despite good performance. These redemptions were matching the gross sales, and hence, net sales were limited. Since early 2014, the market trend has changed, and net sales have become almost 80-90% of gross mobilization. During the 9 months in this financial year, we have mobilized ~₹7.2 billion net assets during the last year, which is significantly higher as compared to the same period last year. This shows that the acceptance of our products within the distributor fraternity is quite good.

What is the typical profile of customers in PMS? Do you see repeat customers, or do you always need to target new customers?

In terms of our customer focus, we are putting a lot of stress in mining the same clients so that we get a bigger share from them. However, we are also seeing some significantly large and interesting clients starting with a very small contribution, like a ₹1 billion client starting with ~₹50-100 million. So we are seeing a new set of clients coming in, including reputed industrialists and businessmen. More recently, a number of direct portfolios managed by the people themselves, ranging between ₹500 million to ₹1 billion in size, are also evincing interest. This is because many direct portfolios have not performed well, since their holdings comprised a number of low-quality stocks. These people are feeling left out since the markets have moved up, while their portfolios are lagging. So, we are seeing a number of such portfolios being liquidated and those monies would also enter the PMS.

The three mutual funds launched in the last two years have worked well. Is it due to stock selection, no-load structure, distribution, or the existing client base?

There are two aspects to this:- one is the product and second is the distribution. In our understanding of this business, after 4-5 years of effort, about 10% of the success comes from the product and 90% of the success comes from sales & marketing. But in the initial stage, if you do not have a successful product, cutting-edge sales & marketing cannot do anything. So initially, 90% success is due to the product and 10% is due to sales & marketing.

Our product is the result of our investment philosophy, which is QGLP - Quality, Growth and Longevity at Reasonable Price. This philosophy is the result of our 19 Wealth Creation Studies. We are probably one of the few AMCs to have such a well-

documented equity investing framework. While no one in the industry can guarantee performance, what we can guarantee is the investing philosophy we are practicing. We will add to this philosophy to make it even better, as our newer wealth creation studies come up. So product design and performance is the starting point.

Then, due to the rich experience of our new CEO, Aashish Somaiyaa, in building up sales & marketing channels, there has been traction in our distribution reach as well. This push towards sales & marketing efforts has resulted in increased mobilization in our mutual fund assets.

What is the vision for the mutual fund business for the next 2-3 years?

Investing has two parts, private equity and public equity. We have about ~₹67 billion combined in private equity and public equity, of which ~₹50 billion is in public equity and ~₹20 billion in private equity. In the mutual funds business, you need a very defined capability to manage money of others, while performing better than the index and competition over the long-term. The opportunity size itself is very large, with the equity AUM in the industry at ~₹3 trillion. This could reach ~₹25 trillion by 2025. Moreover, the opportunity is not only local but also global. However, in order to have a meaningful role in that opportunity, we first need to prove our right to exist. We are still in early days and have to go with a lot of patience as we build it brick-by-brick.

Do you have any plans of a new fund offering in this quarter?

In our mutual funds business, we have just launched a new ELSS fund. We now have a very focused investment philosophy comprising both large cap and midcap equities. We do not have any further plans right now to launch any new product in the near term. Our existing products are very small right now, and they have to scale up before we think of any new product. As of now, we feel that there is enough opportunity to go deeper within these existing products itself.

Private Equity

KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	70	135	-48%	70	67	5%	193	338	-43%	400
EBITDA	32	70	-54%	32	36	-10%	94	175	-46%	205
PBT	31	69	-55%	31	34	-10%	90	172	-48%	201
PAT	16	46	-65%	16	27	-40%	58	114	-49%	134

What is the vision for the private equity business for the next 2-3 years?

We have raised two growth funds under the Private Equity business, of which one fund is already in exit. We will launch the third fund when we see bulk of the exits from the first fund occurring. We have returned about 60% capital of the first fund so far. By the next 12 months, we would hopefully not only have returned 100% but also delivered significant returns to the clients. Once we have exited and returned monies from existing funds, only then we would know where we really stand and whether we have the right to become big in the Private Equity space.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	17	11	50%	17	7	134%	106	65	63%	85
EBITDA	(31)	(19)	nm	(31)	(47)	nm	(31)	(25)	nm	(36)
PBT	(35)	(23)	nm	(35)	(50)	nm	(41)	(36)	nm	(51)
PAT	(24)	(15)	nm	(24)	(34)	nm	(28)	(24)	nm	(37)

What is the outlook on the investment banking business?

The pipeline for the investment banking business continues to remain quite robust. However, the closures have been delayed since the last few quarters. Our previous peak in revenues was significantly higher, in upwards of ~₹600-650 million, as compared to the ₹16-17 million revenues which we reported during the current quarter. We think the team which we have in place is capable of going back to those earlier highs. The existing pipeline itself is supportive of significant scale up from the current revenue numbers. We are unable to give any number guidance, but we do expect a meaningful ramp up from the minuscule numbers seen currently.

Fund-Based Business:

A) NBFC Income

MOFSL STANDALONE FINANCIALS (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	290	304	-5%	290	593	-51%	1,075	793	36%	977
EBITDA	232	217	7%	232	519	-55%	904	596	52%	735
PBT (before E & EOI)	133	137	-3%	133	440	-70%	640	393	63%	462
Adjusted PAT	103	140	-26%	103	431	-76%	580	356	63%	402
Reported PAT	103	136	-24%	103	431	-76%	580	350	66%	393

E & EOI = Exceptional & extraordinary items

Given the plan to use the balance sheet more actively to generate higher ROEs, with the Loan against Shares book be scaled up with strategic intent, or would it only continue to be only opportunistic growth?

As a Group, we have so far focused more on the advisory side of the business with Loan against Shares being more of an additional support facility. We will grow this book opportunistically and it will not be a driver for getting new clients. It is strategic from the perspective of retaining customers, but not from the perspective of acquisition of new customers.

B) Aspire Home Finance

KEY FINANCIALS: ASPIRE HOME FINANCE (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	52	2	2098%	52	24	113%	79	2	3266%	5
EBITDA	20	(2)	nm	20	(11)	nm	1	(2)	nm	(3)
PBT	14	(2)	nm	14	(12)	nm	(6)	(2)	nm	(3)
PAT	14	(1)	nm	14	(12)	nm	(6)	(1)	nm	(3)

What is the target for the housing finance business?

Home finance is a very large opportunity. This business is less than 12 months for us, so we are still learning. For the first time, we are utilizing our balance sheet. We have capitalized the company with ₹1 billion. In this Board meeting, we have committed another ₹1 billion which they can draw as required. So this is a serious effort to transfer some of the capital we generate on the agency side into housing finance. Creating a trillion rupee loan book in the next 15 to 20 years should ideally be the objective. But we have just started out, and it is too early to say anything.

Private Wealth Management

KEY FINANCIALS: PRIVATE WEALTH MANAGEMENT (₹Mn)

	Q3 FY15	Q3 FY14	CHG. YOY	Q3 FY15	Q2 FY15	CHG. QOQ	9M FY15	9M FY14	CHG. YOY	FY14
Total Revenues	84	20	319%	84	57	47%	188	82	129%	137
EBITDA	27	(9)	nm	27	22	20%	60	(9)	nm	24
PBT	26	(10)	nm	26	22	20%	57	(11)	nm	20
PAT	17	(7)	nm	17	14	19%	38	(9)	nm	12

Overall

Is the increase in employee costs due to increased hiring or bonus provisioning? Which specific businesses are hiring currently?

Provisioning of variable pay might have caused some aberration this quarter on a sequential basis. On a year-on-year basis, we have seen a significant ramp up in headcount as well. We started the year with about 1,200 employees and are now at about 1,650 employees. So both factors have contributed to the growth.

While selective hiring has occurred across all our business, the retail broking and housing finance businesses have seen significant addition to their headcount.

Is there any update on the NSEL recovery?

Our write-off as of March 2014 was about ₹580 million and there is no carry-forward in our books. Given the legal battle, it is very difficult to say when the money will come. However, we are hopeful that some money should come.



INVESTOR UPDATE

Motilal Oswal Financial Services reports Q3 FY15 Consolidated Revenues of ₹1.9 billion, up 59% YoY; Adjusted PAT of ₹359 million, up 121% YoY

Mumbai, Jan 30, 2015: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Dec 31, 2014 post approval by the Board of Directors at a meeting held in Mumbai on Jan 30, 2015.

Performance Highlights

₹Million	Q3 FY15	Q3 FY14	Comparison (Q3 FY14)	Q2 FY15	Comparison (Q2 FY15)
Total Revenues	1,859	1,170	↑59%	1,786	↑4%
EBITDA	617	304	↑103%	577	↑7%
Reported PAT	359	35	↑915%	327	↑10%
Adjusted PAT	359	162	↑121%	327	↑10%
Diluted EPS - ₹(FV of ₹1)	2.6	0.3		2.4	

Performance for the Quarter ended Dec 31, 2014

- Revenues in Q3 FY15 were ₹1.9 billion (up 59% YoY and up 4% QoQ)
- Adjusted PAT was ₹359 million (up 121% YoY and up 10% QoQ)
- Higher revenues and control over Admin costs resulted in Margin improvement
- EBITDA and PAT margins were 33% (26% in Q3 FY14) and 19% (14% in Q3 FY14) respectively
- Declared an interim dividend of ₹2 per share (on face value of ₹1 per share) for FY2015
- Balance sheet had net worth of ₹12.9 billion and borrowings of ₹4.5 billion as of Dec 31, 2014

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

"Backed by renewed investor interest and positive market outlook, our businesses showed significant traction across asset mobilization, market share and revenue. We had invested into operations, manpower, technology and sales channels during recent quarters, and these efforts are showing healthy results now, which is encouraging. We gained market share in the high-yield cash segment, which is our area of focus. Monthly run-rate of retail client addition has been strong. Our asset management and wealth management businesses have seen higher net mobilization of AUM. Our housing finance business is expanding methodically, as per plan. The ECM investment banking team is now in place to tap capital raising opportunities. Our innovative thematic research reports have seen good interest from clients. All in all, all our businesses seem rightly poised for growth from here. Going forward, as the market activity gains further momentum, our machinery is in place to capture an incremental share from the emerging opportunities"

Segment results for Q3 FY15:

- Broking and related revenues were ₹1.2 billion in Q3 FY15, up 61% YoY and down 1% QoQ. Equity market ADTO reached highs on the back of higher option volumes. Number of trading days was lower by 8% (58 days) versus the previous quarter (63 days). Cash volumes dropped sequentially by 3% whereas F&O volumes grew sequentially by 10%. Due to this, proportion of cash within daily volumes dropped this quarter to 5%, from 6% in previous quarter. However, YoY cash volumes were up by 50%. Retail participation in cash markets saw a slight dip on a QoQ basis, while institutional participation went up. Our market share decreased owing to the disproportionate rise in options in the market. It was 1.3% in Q3 FY15, as compared to 1.7% in Q3 FY14 and 1.5% in Q2 FY15. However, our cash market share increased this quarter, especially in high-yield delivery which is our area of focus. Due to the uptick in our cash volumes, our blended yield increased to 4.1 bps this quarter, as compared to 3.7 bps in both Q3 FY14 and Q2 FY15.
- Fund based income was ₹362 million, up 63% from Q3 FY14 and up 1% from Q2 FY15. NBFC loan book was ₹4.4 billion and Housing Finance disbursements were ₹1.36 billion. Fund based income in Q3 FY15 includes ₹94 million of profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. Likewise, Q2 FY15 included capital gains of ₹147.9 million on re-allocation of investments in Motilal Oswal's mutual fund products from passive to active strategies. Following commencement of operations in May 2014, Aspire Home Finance has already sanctioned 1,945 applications amounting to ~₹2.07 billion, and disbursed 1,396 applications amounting to ~₹1.36 billion. Aspire Home Finance has also reported a positive PAT in Q3 FY15. The NBFC lending business of loan against shares, which was earlier done from equity capital, will now be run as a spread business with a healthy mix of short term and long term borrowings. In line with this, during the quarter, MOFSL raised long-term NCDs of ₹1.5 billion at annualized cost of 10.05% (payable annually)
- Asset Management fee were ₹287 million for Q3 FY15, up 49% YoY and up 34% QoQ. Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹67.1 billion. Within this, the mutual fund AUM was ₹17.4 billion, PE AUA was ₹21.3 billion and PMS AUM was ₹28.4 billion; Significant traction was seen in AUM due to both higher net mobilization and market conditions.
- Investment banking fees at ₹16 million was up 195% YoY and up 159% QoQ
- Other income was ₹13 million in Q3 FY15, down 4% YoY and down 30% QoQ

Highlights for Q3 FY15

- Total client base increased to 829,974, owing to traction across retail, institution, PMS and commodity clients; Retail and distribution clients stood at 728,081
- Distribution reach stood at 1,727 locations across 519 cities; Both branches and franchisee were added this quarter
- Wealth management business managed assets of about ₹36.3 billion
- Depository assets were ₹205.1 billion
- Our superior research and broking services were recognized once again, as Motilal Oswal Securities was ranked Best Local Brokerage (India) for trading and execution by Trade Asia Poll 2014 and won the 'Best Research as Research Showcase Partner' at Research Bytes IC Awards 2014

- Motilal Oswal Private Equity announced the third close of its 2nd real estate fund, IREF 2, raising commitments of ₹4.27 billion
- Motilal Oswal Asset Management (Mauritius) Pvt. Ltd., which will manage the India Zen Fund, has been incorporated in Mauritius
- Our investments in Motilal Oswal's mutual fund products stand at ₹4.51 billion, as of Dec 2014. The unrealized gain on these investments is ₹968 million, as of Dec 2014 (versus ₹462 million in previous quarter). 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 ₹1.47 billion, as of Dec 2014
- Conducted the 19th Annual Wealth Creation Study in Dec 2014, on the theme "100X: The Power of Growth"

About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. (NSE: MOTILALOF, 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 1,727 business locations spread across 519 cities and the online channel to over 829,974 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 4th 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

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MOTILAL OSWAL FINANCIAL SERVICES LIMITED Registered Office: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025 Tel: +91-22-39804200, Fax: +91-22-33124997 Email:shareholders@motilaloswal.com CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2014						
(Rs. in Lacs)						
Particulars	Quarter Ended (Unaudited)			Nine Months Ended (Unaudited)		Year Ended (Audited)
	31.12.2014	30.09.2014	31.12.2013	31.12.2014	31.12.2013	31.03.2014
1. Income from Operations						
(a) Income from Operations	17,148	16,359	10,904	49,211	32,127	44,005
(b) Other Operating Income	1,412	1,418	683	3,757	1,918	2,393
Total Income	18,560	17,777	11,587	52,968	34,045	46,398
2. Expenditure						
a. Operating expense	4,171	4,621	2,635	13,415	7,452	10,534
b. Employees benefit expense	5,073	3,837	3,284	12,654	9,551	12,732
c. Depreciation and amortisation expense	748	707	617	2,129	1,811	2,426
d. Other expenditure	3,178	3,631	2,736	9,425	7,175	9,326
Total expenses	13,170	12,796	9,272	37,623	25,989	35,018
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	5,390	4,982	2,315	15,345	8,056	11,380
4. Other Income	30	83	110	241	342	414
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	5,420	5,065	2,425	15,586	8,398	11,794
6. Finance Cost	759	293	33	1,441	197	286
7. Profit from Ordinary Activities after Finance Cost but before Exceptional Items (5-6)	4,661	4,772	2,392	14,145	8,202	11,508
8. Exceptional Items - (Expense)/Income	-	-	(1,877)	-	(3,825)	(5,559)
9. Profit from Ordinary Activities before Tax (7-8)	4,661	4,772	514	14,145	4,376	5,949
10. Tax expense	1,022	1,434	90	3,919	1,436	1,792
11. Net Profit from Ordinary Activities after Tax but before Minority Interests (9-10)	3,639	3,338	424	10,226	2,940	4,157
12. Share of minority interests in (profits)/ loss	(48)	(72)	(69)	(162)	(177)	(205)
13. Net Profit after Tax and Minority Interests (11-12)	3,591	3,265	355	10,065	2,763	3,952
14. Paid-up equity share capital (Face Value of Re. 1/- Per Share)	1,394	1,387	1,388	-	-	1,382
15. Reserves excluding Revaluation Reserves	-	-	-	-	-	115,648
16. i. Earnings Per Share (EPS) (before Extraordinary items) (of Re. 1/- each)						
a) Basic EPS	2.62	2.41	0.30	7.38	2.08	2.95
b) Diluted EPS	2.57	2.38	0.30	7.23	2.08	2.95
16. ii. Earnings Per Share (EPS) (after Extraordinary items) (of Re. 1/- each)						
c) Basic EPS	2.62	2.41	0.30	7.38	2.08	2.95
d) Diluted EPS	2.57	2.38	0.30	7.23	2.08	2.95
Particulars of Shareholding						
17. Public shareholding						
- Number of shares	37,044,325	36,409,939	36,331,845	37,044,325	36,331,845	35,735,139
- Percentage of shareholding	26.58%	26.24%	26.18%	26.58%	26.18%	25.86%
18. 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	102,310,930	102,328,236	102,430,692	102,310,930	102,430,692	102,430,692
- 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)	73.42%	73.76%	73.82%	73.42%	73.82%	74.14%
19. Investors' Complaints						
Pending at the beginning of the period	1	Nil	Nil	Nil	Nil	Nil
Received during the period	4	4	3	10	14	15
Disposed off during the period	4	3	3	9	14	15
Remaining unresolved at the end of the period	1	1	Nil	1	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 Friday, 30th January, 2015. The results for the quarter and nine months ended 31st December, 2014 have been reviewed by the Statutory auditors of the Company. 2) Pursuant to the exercise of Employee Stock Option, the company has allotted 6,17,080 and 1,192,180 equity shares to the employees during the quarter and nine months ended 31st December 2014 respectively. 3) 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 (85%), Motilal Oswal Commodities Broker Private Limited (97.55%), Motilal Oswal Capital Markets Private Limited (99.95%), Motilal Oswal Wealth Management 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) Pte Ltd (99.95%), Motilal Oswal Capital Markets (Hong Kong) Private Limited (99.95%), Motilal Oswal Real Estate Investment Advisors Private Limited (76.5%) , Motilal Oswal Real Estate Investment Advisors II Private Limited (68.85%), Aspire Home Finance Corporation Limited (99.95%), India Business Excellence Management Co (85.00%). 4) During the quarter ended 31st December, 2014, the Company & its subsidiary has raised funds by way of private placement issue of 2,000 Secured, Listed, Redeemable Non-Convertible Debentures having face value of 10,00,000 each aggregating to Rs. 20,000 Lacs. During the quarter ended 31st December, 2014, the Company redeemed 2,500 Principal protected secured redeemable Non-Convertible Debentures of the face value of Rs. 1,00,000 each aggregating to Rs. 2,500 Lacs. 5) The Board of Directors at its meeting held on January 30, 2015, has declared an interim dividend of Rs.2 per equity share (on face value of Re 1/- per equity share) for the financial year 2014-15. 6) The previous financial quarter / nine months / 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 (Unaudited)			Nine Months Ended (Unaudited)		Year Ended (Audited)
	31.12.2014	30.09.2014	31.12.2013	31.12.2014	31.12.2013	31.03.2014
Gross Revenue	2,896	5,933	3,041	10,746	7,929	9,773
Profit Before Tax	1,328	4,402	1,319	6,402	3,833	4,490
Profit After Tax	1,031	4,316	1,364	5,798	3,498	3,931

8) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2014

Particulars	Quarter Ended (Unaudited)			Nine Months Ended (Unaudited)		Year Ended (Audited)
	31.12.2014	30.09.2014	31.12.2013	31.12.2014	31.12.2013	31.03.2014
1. Segment Revenue						
(a) Broking & Other related activities	11,808	12,365	7,581	35,711	22,001	29,274
(b) Fund Based activities	5,226	4,059	2,850	12,518	8,300	11,597
(c) Asset Management & Advisory	4,136	3,160	2,147	9,841	6,109	9,109
(d) Investment Banking	172	74	114	1,062	648	843
(e) Unallocated	13	4	54	49	243	324
Total	21,355	19,661	12,746	59,181	37,302	51,147
Less: Inter Segment Revenue	2,765	1,800	1,049	5,972	2,914	4,335
Income From Operations, Other Operating income & Other Income	18,590	17,860	11,697	53,209	34,388	46,811
2. Segment Results Profit / (Loss) before tax and interest from Each segment						
(a) Broking & Other related activities	2,150	2,588	(518)	7,170	3,405	1,995
(b) Broking & Other related activities (exceptional item)	-	-	(153)	-	(311)	-
(c) Fund Based activities	3,310	2,125	2,549	7,176	3,804	7,842
(d) Fund Based activities (exceptional item)	-	-	(1,725)	-	(3,514)	(5,559)
(e) Asset Management & Advisory	546	625	438	1,126	1,118	1,862
(f) Investment Banking	(321)	(483)	(198)	(343)	(285)	(409)
(g) Unallocated	(777)	98	232	(430)	437	510
Total	4,908	4,952	625	14,697	4,654	6,242
Less: (i) Interest	246	181	111	552	277	294
(ii) Other Un-allocable Expenditure net off						
(iii) Un-allocable income						
Profit/(Loss) from Ordinary Activities before Tax	4,661	4,772	514	14,145	4,377	5,948
3. Capital Employed						
(Segment assets - Segment Liabilities)						
(a) Broking & Other related activities	35,051	33,175	23,324	35,051	23,324	19,943
(b) Fund Based activities	97,475	111,220	91,519	97,475	91,519	88,279
(c) Asset Management & Advisory	9,184	7,973	2,924	9,184	2,924	2,296
(d) Investment Banking	480	381	628	480	628	432
(e) Unallocated	(13,082)	(28,268)	(255)	(13,082)	(255)	6,079
Total	129,108	124,481	118,140	129,108	118,140	117,030

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, Fund Based activities, Asset Management & Advisory and Investment banking. In accordance with Accounting Standard -17 on Segment reporting, Broking and other related activities, Fund Based 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.

On behalf of the Board of Directors
Motilal Oswal Financial Services Limited

Motilal Oswal
Chairman & Managing Director

Mumbai, 30th January, 2015
shareholders@motilaloswal.com,

