Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended June 2011

25 July 2011

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.1b for the quarter ended 30 June 2011, down 11% QoQ and down 26% YoY. Reported PAT before exceptional and extraordinary items decreased by 13% QoQ and 44% YoY to ₹212m. Broking-related revenues was ₹770m, a decline of 12% QoQ and 31% YoY. Fund-based income was up 19% QoQ and up 46% YoY to ₹209m. Asset management fees was down 25% QoQ but up 34% YoY to ₹103m, while investment banking fees decreased by 60% on a QoQ basis to ₹22m.

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 June 2011. This presentation is available at www.motilaloswal.com.

Corporate Participants

Mr Motilal Oswal

Chairman and Managing Director

Mr Raamdeo Agrawal

Joint Managing Director & Co-founder

Mr Navin Agarwal

Director

Mr Sameer Kamath

Chief Financial Officer

Ladies and gentlemen, good afternoon and welcome to the Q1 FY12 earnings conference call of Motilal Oswal Financial Services Limited. We have with us today Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agarwal, 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 question and answer 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)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Total Revenues	1,120	1,260	-11%	1,120	1,514	-26%	6,004
EBIDTA	348	436	-20%	348	613	-43%	2,296
PBT (before E & EOI)	312	394	-21%	312	567	-45%	2,107
PAT (before E & EOI)	212	243	-13%	212	375	-44%	1,371
PAT (after E & EOI)	212	243	-13%	212	375	-44%	1,371
EPS - Basic (before EOI)	1.5	1.7		1.5	2.6		9.5
EPS - Diluted (before EOI)	1.5	1.7		1.5	2.6		9.5
No. of Shares O/s (Mn) - FV ₹1/share	144	144		144	143		144

E & EOI = Exceptional & extraordinary items   *Source: MOFSL's presentation on June 2011 earnings*

REVENUE COMPOSITION (₹ Mn)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Brokerage & Operating Income	770	877	-12%	770	1,112	-31%	4,334
Investment Banking Fees	22	54	-60%	22	129	-83%	398
Fund Based Income	209	175	19%	209	143	46%	738
Asset Management Fees	103	137	-25%	103	77	34%	427
Other Income	17	17	-3%	17	53	-69%	107
Total Revenues	**1,120**	**1,260**	**-11%**	**1,120**	**1,514**	**-26%**	**6,004**

E & EOI = Exceptional & extraordinary items   *Source: MOFSL's presentation on June 2011 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 first quarter ending June 2011. I will start by giving a quick backdrop of the broad markets, the business segments that we operate in and then run you through our own performance for the quarter ending June 2011.

Equity markets

The market sentiments for the June quarter were weak on the back of subdued corporate performance, in turn led by rising input cost and higher interest rates. BSE Sensex remained largely range-bound during the current quarter ending 3% down on a QoQ basis and up 6% on a YoY basis. The market cap on the BSE was US$1.5t at the end of this quarter which was down by 1% on a QoQ basis.

The poor market sentiments were, in turn, reflected in the trading volumes. The average daily market turnover (ADTO) of equities during the quarter was ₹1.33t which was down by 14% on a QoQ basis. Looking at the various segments, the ADTO in F&O Segment was ₹1.2t during the current quarter, down by 15% QoQ, while the ADTO in the cash segment was ₹0.14t, down 13% QoQ and down 20% YoY.

This quarter saw a marginal shift in volume composition with cash at 11% of total volume, up from 10% in Q4 FY11. The proportion of delivery to total volumes has gone up marginally from 2.8% in the previous quarter to 3% in the current quarter. On a YoY basis, the proportion of cash volumes in total volumes at 11% is materially lower than the 16% in the same quarter last year, largely a result of the disproportionate growth in option volumes last year. The decline in the F&O volumes this quarter was seen across both futures and options, although the fall was sharper in the futures segment. Options constitute a dominant segment of the market volumes and have gone up from 65% to 67% of the market volumes on a QoQ basis, although this is a moderate rise as compared to the disproportionate rise seen in some of the earlier quarters.

In the month of July, the cash ADTO was largely held at the levels seen in Q1 FY12 while the F&O ADTO has declined further. As a result, the proportion of cash has gone up to about 12% of total market volumes in July. In the cash market, the participation of the various segments like retail, FII, DII and proprietary remain largely unchanged on a QoQ basis. However on a YoY basis, the proportion of FII volumes is up from 14% to 18% and the retail volumes are down from 56% to 53%.

Institutional activity

FII net flows into equities during Q1 FY12 were inflows of US$1.1b, as compared to outflows of US$600m in the previous quarter. These are miniscule flows as compared to an average of US$11b of net inflows seen in the preceding two quarters. June and July months have seen some uptick in the net inflows from FIIs.

DIIs continued with net inflows into equities this quarter, although the net inflows of US$800m were much lower than the US$2.4b seen in the sequentially previous quarter.

Investment banking and private equity

M&A activity saw a slowdown this quarter. The last 3 months saw deal value of mere US$66m across the major advisors while the last 6 months and the last 12 months saw deal values of US$216m and US$417m respectively, clearly indicating that the average deal value on a 3-monthly basis over the last year has been consistently declining. Fund raising via IPOs picked up to US$1.6b by 14 companies in Q1 FY12 from a mere US$300m by 9 companies in the preceding quarter, but this spike is largely attributed to the billion dollar Power Finance FPO in May. Fund raising via QIPs declined with US$200m being raised by 2 companies this quarter as compared to US$500m raised by 2 companies in the preceding quarter.

Private equity deal value was US$2.9b across 114 deals this quarter, lower than the US$3.4b deal value seen in the preceding quarter.

Asset management

The AUM of mutual funds was ₹6.7t as of June 2011, higher than the ₹5.9t as of March 2011. Indian ETF assets grew to US$1.7b as of June 2011, as compared with US$1.2b as of March 2011. At US$1.7b, the ETF assets are still a tiny 1% of the total mutual fund assets but this trend is expected to rise going forward.

MOFSL's Performance

- Consolidated revenues for Q1 FY12 were ₹1.1b, down 11% as compared to Q4 FY11 and down 26% as compared to Q1 FY11.
- Reported profit after tax for the quarter was ₹212m, down 13% on a QoQ basis.
- EBITDA margin was down to 31% during Q1 FY12 as compared to 35% in Q4 FY11. This was largely due to the provisioning done during the current quarter which is not expected to recur in the coming quarters (Explained in the notes to standalone results).
- PAT margins at 19% were flat on a QoQ basis.

Segment-wise business performance:

- Broking and related revenues were ₹770m in Q1 FY12, down 12% QoQ and down 31% YoY. The growth of options within the volume mix continued during this quarter as well. Our market share was 1.8% during Q1 FY12, as compared with 2% in Q4 FY11. However, our market share in the high yield cash segment continues to remain largely stable which is reflected in our blended yield. This was 5.1 bps during the current quarter compared to 4.6 bps in the sequentially previous quarter. Our total customer base increased during the quarter to over 722,000. Our Pan-India distribution reach stood at 1607 outlets across 586 cities. The number of outlets is lower on a sequential basis due to our proactive initiatives to consolidate the nonperforming outlets.
- Fund based income was ₹209m, up 19% on a QoQ basis and up 46% on a YoY basis. The loan book size increased to ₹3.3b, as of 30th June 2011.
- Investment banking fees in Q1 FY12 were ₹22m, down 60% on a QoQ basis. Revenues from this business continued to be adversely impacted by delays in deal closure for the entire industry.
- Asset management fees in Q1 FY12 were ₹103m which is up 34% on a YoY basis. However, there is a 25% fall on a QoQ basis as annual performance fees in the PMS business is recognized in the fourth quarter of every fiscal. The group's assets under management were ₹23.1b, including assets managed under portfolio management services and mutual fund business and also assets under advice for private equity funds. Our PMS assets were ₹12.9b while the mutual fund AUM across the three ETFs was ₹3.1b, as of 30th June 2011.
- Other income for the quarter was ₹17m.

As of 30th June 2011, the group's net worth stood at ₹10.8b and net cash was ₹1.6b.

MOFSL General Highlights

- Wealth Management business - "Purple Client Group" advised assets worth ₹12b, as of 30^{th} June 2011.
- Motilal Oswal Securities won the Best Market Analyst Award for a few sectors at India's Best Market Analyst Awards, organized by Zee Business in April 2011. Mr. Raamdeo Agarwal, the Co-Founder and Joint Managing Director of the firm, was also honored with a special award for the contribution to the Indian Capital Markets during the current quarter.
- Motilal Oswal Group won two awards, Excellence in HR through Technology and Excellence in Healthcare at the Asia's Best Employer Brand Awards which was held in Singapore on July 22, 2011. Companies from 37 countries participated in these awards.
- Motilal Oswal Asset Management organized the 1^{st} edition of the Motilal Oswal MOSt Shares ETF Conclave 2011 in Mumbai in June 2011. With ETF growing in prominence in India, the ETF Conclave was held as a part of our efforts to further customer education and awareness about the opportunities, the trading strategies, advantages, and outlook of ETF and also to address popular myth and providing learning from the global experience.
- Motilal Oswal, in association with Zee Business, hosted its 1^{st} seminar under its investor education initiative - 'Investor Ki Kahani Usi Ki Zubani' in Mumbai in July 2011. Over 750 investors attended and this session is now being replicated on a Pan-India basis.
- Motilal Oswal Private Equity is currently working on raising its second growth capital fund - India Business Excellence Fund-II (IBEF-II), having largely completed the deployment of its first growth capital fund, the IBEF-I.

Outlook

Despite the poor market sentiments in the short term, we believe that the long-term India growth story is intact. With increasing savings as well as discretionary income pools, we believe there would be tremendous growth opportunities for financial services companies in general and for companies such as ours in particular.

We continue to invest in all of our businesses and we believe that we have laid a strong foundation to scale up each of these businesses and grab these opportunities in a meaningful manner. 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)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY	FY11
Total Revenues	864	985	-12%	864	1,272	-32%	4,871
EBIDTA	260	299	-13%	260	461	-44%	1,667
PBT (before E & EOI)	226	258	-12%	226	416	-46%	1,490
PAT (before E & EOI)	154	182	-15%	154	280	-45%	1,008
PAT (after E & EOI)	154	182	-15%	154	280	-45%	1,008

E & EOI = Exceptional & extraordinary items *Source: MOFSL's presentation on June 2011 earnings*

In terms of the structural change of F&O going up to 90% of the total volumes, do you think we have bottomed out or is there a further scope for increase?

We think it is done on the retail side. We have never seen these kinds of numbers on F&O and our sense is that cash will start improving and retail will come in larger numbers once we see stable market conditions and markets trending upwards.

Given the scenario of falling market volumes, most organized players, particularly the domestic firms, are also losing their market shares. Why is this happening?

Market shares that are reported are on the overall market volumes. The mix change in favor of options has been very dramatic, so a bulk of the fall in the market share can be attributed to the mix change in favor of lower commission F&O volumes. This is in turn impacting the market share of players who are not so keen on the low commission bearing volume segments.

Is the growth in option volumes driven only by the foreign players, considering firms like MOSL are not increasing scale in the options space due to its low yield?

We have tried to understand who is contributing to the option volumes. Unfortunately much market data is not available on this. But we know that overall FII participation in the option volumes has gone up. Our own analysis shows that in 2006 it was ~2-3% of the total option volumes and this has gone up to ~8-9% as of the last financial year. This means a portion of this increased volume activity has happened from perhaps the prop books of FIIs or the prop books in India itself. This is a segment which is a low yield segment and also more risky. Most of our brokerage commission comes from cash – especially delivery, and to some extent from futures. We would like to focus on that because it is the more profitable and remunerative segment of the market. We do not think our strategy would be changing immediately based on just the market volume numbers.

With the brokerage rates coming down and option volumes going up, what is the outlook on the industry and the company's strategy for the next 2-3 years?

The main factor affecting broking is the changing volume mix, with the high yield cash segment reducing in size within the overall composition. We have not seen much pressure on the intra-segment rates right now. It is the mix change which is hurting the market and this situation has been very surprising. The Government, SEBI and exchanges are all concerned to bring back the investors. The government is working towards rationalizing the STT. Why investors move out and when they come back is cyclical in character. It is a question of change of sentiment, and at some point of time, investors will come back as it has always happened in the past. This would positively contribute to the growth in the total brokerage pool.

Do you think there will be an upward trend in the brokerage rates over the next 1-2 years, just like the cable or telecom industry revised their rates upwards?

That is hard to forecast as of now. Usually, higher volumes more than offsets the impact of the negative yield changes. That has not happened this time as the total cash volumes are down materially from the highs that have been seen. So we believe as and when cash volumes are on an upward path again, the commission pools will secularly rise. The difference between telecom and brokerages is that the entry barriers in our business are much lower. Even of the 11-12 telecom players, almost 7-8 are in serious losses. So the consolidation there is natural and as they go from a buyer's market to a seller's market now, their prices will rise. But in our case, the entry barriers are low - some are closing shop today while at the same time many bigger shops are coming in. So the supply of services is not going to be a constraint. What could go up is the high quality, advice driven, research intensive services and that is why we will not be so much in trouble as the pure execution only brokerage rates. So we do not see the rates rising the same way, but volumes can surprise everybody in the years to come.

The scenario in the market volumes may not change for perhaps the next 1-2 years. In light of that, would you look at focusing more or completely diversifying into new areas or would you want to continue focus on this business per se?

The management is clearly aware of the fact that this scenario is inherently cyclical in its character. One cannot give up at the bottom of the cycle. This will turn around. Also, the longer it takes, the bigger will be throw-back. So we are building continuously and we are trying to differentiate our offerings as much as possible so that it helps us gain market share. Though it is very tough in a market like this to differentiate and actually gain market share because customer loyalties do not change easily, but the whole effort within the company is to build stronger franchise, better brand, better research and better customer experience, rather than trying to diversify into something which we do not know. So we will definitely not do anything which would be a surprise.

With entry of strong houses like Jeffries, Barclays and Standard Chartered and exit of some smaller brokers, how do you see competition in retail and institutional going forward?

As far as the institutional business is concerned, usually the first impact is on the cost side. Market share loss may happen if one does not have a differentiated product or if one has relatively weak relationships. But the first impact is usually in the form of cost and that is what the industry is facing. With new brokerages setting up shop, the number of players has clearly gone up. But clients are really not interested in dealing with more and more brokers. Some brokerages may make way for new players who are offering a differentiated product. We are confident that we have a differentiated product and would be able to hold on to our market share and eventually see an improvement in it too. With more foreign shops coming in, the global ranking of Indian market in terms of size should also rise over the long-term as they are long term players. So, while today India ranks 7th or 8th in the world, it is projected to be amongst the top 3-4 markets by 2020. So the feeling in these foreign houses will be that the FIIs flows going forward could be of much bigger magnitude than what we have seen so far.

On the retail side, we are not seeing any new players coming in. In fact smaller and regional players are getting marginalized. We think there is a premium for good research, good brand, technology and product support. So we are in a sweet position to get the benefit of this competition. Also, there are a lot of bigger players who have a huge amount of infrastructure expenses through their branches, whereas our model is more of a variable cost model where we have got the larger number of franchisees outlets.

How do you see the competition from the foreign players in the options market?

Although there has been competition in all the segments - cash, futures or options, the competitive intensity has been much greater on the futures and options segment because of the higher use of technology as compared to the cash segment.

Sometime back, players like Reliance and Religare came out with products like a single flat fee for the whole year. Are we still seeing such aggressive price competition in the retail segment?

Looking at the last quarter, we are not seeing such aggressive competition. We do not see those kinds of schemes right now being pushed aggressively. Competition is not as aggressive as it was in the past because most of the competitors have got a huge number of their own outlets and are now looking at profitability and productivity due to their own compulsions. So our sense is that business is coming down to the basics where people are looking at profitability rather than number of outlets or branches or customers. That is a good sign for the market to bottom out from the lower yield.

How are you planning to grow your distribution?

Practically every month, we have been adding 20- 30 new outlets. But at the same time, we have also taken some stand to close down the outlets which have completed more than a year or so but are not producing revenues. So net-to-net on a quarter-on-quarter basis, the quality has gone up but overall number has gone down slightly.

Would you consider buying small brokerages at this point of time given you might get slightly reasonable valuations because of the weakness in the markets?

We will be open to it provided it meets our strategic objectives. If we think somebody is bringing in competitive edge in terms of distribution, number of customers or skilled people, we would be definitely open to it.

Given MOSL's strength in the broking business, it has been relatively weak in the internet broking space. Are there any plans of becoming more aggressive in this?

Over the last several quarters, we have been building this business. Today, we have a state-of-the-art platform and we have seen good traction in it. We have more than 100,000 customers on the online side and we have got very sticky relationships. We have also launched several initiatives. We realize that trading is not just the only thing online customers look for. Over the last 1 year, we have initiated a lot of customer engagement initiatives like 'MyMotilalOswal.com' which is a unique single sign on for a client to access a customized web page. We have also got state-of-the-art tools and technologies which can be used by customers for making the right decision for acting on advice and we think these initiatives will help us build a strong market share in the online space.

There was news that SEBI is thinking of making fund houses pay the brokerage fee as well as STT from their own pockets versus charging it to the schemes. What is the probability of it happening and how will it affect the brokerage pool, i.e. do you see overall volumes coming down as mutual funds might churn less then?

This is a draft that SEBI has recently proposed and it is still under discussion with AMFI and other forums. Most mutual funds are not tuned to this idea as of now. The mitigation for us is that we enjoy very high ranking amongst the mutual fund industry, meaning that the number of brokerages will have to be reduced by the mutual funds if they start paying these commissions out of their own kitty. We think we should be on the positive side of the consolidation and hence, I think we are less likely to be affected by the overall changes if they were to arrive in the future. But if the commission pool itself contracts materially, then that is a consequence that the entire industry will have to face. So it is early days to take a prediction of what that would entail for the brokerage pool as such. We will wait for these regulations to shape up before concluding anything on them.

Fund Based Income

MOFSL STANDALONE FINANCIALS (₹ Mn)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Total Revenues	332*	102	224%	332	263*	26%	642
EBIDTA	272	81	234%	272	250	9%	577
PBT (before E & EOI)	271	81	234%	271	250	9%	565
PAT (before E & EOI)	249	53	372%	249	213	17%	427
PAT (after E & EOI)	249	53	372%	249	213	17%	427

E & EOI = Exceptional & extraordinary items *Source: MOFSL's presentation on June 2011 earnings*

*** Note:**
Revenues for Q1 FY12 and Q1 FY11 includes dividend received from subsidiaries (₹201.3m from Motilal Oswal Investment Advisors (P) Ltd and Motilal Oswal Securities Ltd in Q1 FY12, and ₹134.1m from Motilal Oswal Investment Advisors (P) Ltd in Q1 FY11) which gets adjusted in the consolidated financials

Is there anything apart from margin funding in the loan book of ₹3.3b? Do you plan to enter other segments in the funding business like most broking players?

Majority of the loan book is margin funding related. We also have certain bridge loans that we give out, but this is a very small amount. We are focused on those lending businesses which directly compliment our capital market agency business and have no plans to enter any other segments.

Is there any momentum shift in the revenue stream towards the funding book?

Historically our margin funding book has been low so the change seen is mainly because of the base effect. We have been using this book to supplement our main agency broking business. As and when we see clients who have an interest for margin funding, we provide them within the strong risk guidelines that we have. But this is purely done to support our main broking business, especially our cash delivery business.

How do you plan to grow the margin funding book and what will be the numbers?

We have grown the book on a quarter-on-quarter basis. It is also a function of the market conditions, which has not been great. We are pushing to expand it gradually through our distribution. If market conditions improve, the scale up could be faster. However, if the market conditions remain challenging the way they have been, then growth could be relatively muted.

So, would we see any aggression on expanding the margin funding book or will it just be a tool to support the main broking business?

If you are talking about aggressive in terms of expanding the list of the companies where we can fund, the answer is no. We have got a small list in terms of the companies where we can fund and we are also very stringent about the margin norms. So we will really lend to our good customers but we do not want to make it too risky for us.

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹ Mn)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Total Revenues	36	56	-35%	36	131	-73%	418
EBIDTA	(0)	28	-101%	(0)	43	-100%	197
PBT (before E & EOI)	(0)	28	-102%	(0)	42	-101%	196
PAT (before E & EOI)	0	19	-99%	0	29	-99%	130
PAT (after E & EOI)	0	19	-99%	0	29	-99%	130

E & EOI = Exceptional & extraordinary items *Source: MOFSL's presentation on June 2011 earnings*

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (₹ Mn)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Total Revenues	76	113	-33%	76	1	5525%	195
EBIDTA	(4)	10	-137%	(4)	(22)	-84%	(84)
PBT (before E & EOI)	(4)	9	-143%	(4)	(22)	-82%	(85)
PAT (before E & EOI)	(4)	(20)	-80%	(4)	(15)	-74%	(85)
PAT (after E & EOI)	(4)	(20)	-80%	(4)	(15)	-74%	(85)

E & EOI = Exceptional & extraordinary items *Source: MOFSL's presentation on June 2011 earnings*

Private Equity

KEY FINANCIALS: PRIVATE EQUITY (₹ Mn)

	Q1 FY12	Q4 FY11	CHG. QOQ	Q1 FY12	Q1 FY11	CHG. YOY %	FY11
Total Revenues	29	27	5%	29	30	-3%	128
EBIDTA	4	1	309%	4	11	-69%	34
PBT (before E & EOI)	3	1	416%	3	11	-70%	33
PAT (before E & EOI)	2	0	378%	2	8	-70%	23
PAT (after E & EOI)	2	0	378%	2	8	-70%	23

E & EOI = Exceptional & extraordinary items *Source: MOFSL's presentation on June 2011 earnings*

Overall

Can you share some color on the balance sheet?

As of June, our net worth was ₹10.8b and our sundry debtors was ₹2.7b. We have about ₹200m of borrowing and ₹1.8b of cash and bank balance, so our net cash was ₹1.6b.

This is one of the lowest profit quarters we have seen. Has it is bottomed out now?

As we discussed, the volumes are down significantly from the highs that we have seen and costs have gone up over time. We believe that companies which have a highly flexible and variablized cost structure will be able to withstand the poor market sentiments and the resulting weak volumes much better than those with high fixed costs. So while we are hoping for a recovery in the market volumes to capitalize on the distribution network that we have created, the strong brand that we enjoy and the highly rated research team that we have, it is hard to exactly pin point whether this quarter has marked the bottom quarter for the industry.

What is your latest employee base?

Our employee base is about 1350, as against about 1540 people as of March.

There is an Advance tax and TDS of ₹2b in the loans and advances. Out of this, does TDS constitute the larger proportion?

This is a gross item because the provision for tax comes under current liability. Till the assessment, both these items have to be shown gross, we cannot net it off. So whatever advance tax is paid will come in the balance sheet under asset and the provisioning under liability. Also, advance tax is paid over a period of time; it is not just for this year.

Of the ₹2,084m in advance tax and TDS, advance tax & self assessment tax constitutes ₹1,617m while TDS & others constitutes the remaining ₹467m.

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q1 FY12 topline of ₹1.1 billion, reported PAT of ₹212 million

Mumbai, July 22, 2011: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended June 30, 2011 post approval by the Board of Directors at a meeting held in Mumbai on July 22, 2011.

Performance Highlights

₹Million	Q1 FY12	Q4 FY11	Comparison (Q4 FY11)
Total Revenues	1,120	1,260	↓ 11%
EBIDTA	348	436	↓ 20%
PAT (before E& EOI^)	212	243	↓ 13%
EPS- ₹(FV of ₹1)	1.5	1.7	

^ E & EOI = Exceptional items & Extraordinary items

Performance for the Quarter ended June 30, 2011

- Revenues for the quarter at ₹1.1 billion is down 11% as compared to Q4 FY11.
- Reported PAT for Q1 FY12 at ₹212 million is down 13% compared to Q4 FY11.
- EBITDA and PAT margins for Q1 FY12 were 31% (35% in Q4 FY11) and 19% (19% in Q4 FY11), respectively
- Strong balance sheet as on June 30, 2011, with net worth of ₹10.8 billion, net cash of ₹1.6 billion.

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

"The Indian markets witnessed multiple challenges this quarter with volatile FII net flows, muted retail participation into equities, rising interest rates and slow down of M&A activity. Despite all the short-term headwinds, we believe that the long-term growth prospects of India hold strong and the consequent growth in discretionary income and savings will throw good opportunities for financial services firms. Our efforts remain focused to build our capabilities in order to grab a meaningful share of these opportunities."

Segment results for Q1 FY 2012

- Broking and related revenues were ₹770 million this quarter, down 12% from Q4 FY11. The growth of options within the volume mix continued during this quarter as well. Our equity market share was 1.8% in Q1 FY12 versus 2% in Q4 FY11. However, our market share in the high-yield cash segment remains largely stable which is also reflected through an increase in our blended yield to 5.1 bps in Q1 FY12 from 4.6 bps in Q4 FY11
- Fund based income was ₹209 million, up 19% as compared to Q4 FY11. The loan book stood at ₹3.3 billion, as of June 30, 2011
- Asset Management fees were ₹103 million, down 25% as compared to Q4 FY11 (which included annual performance fees in PMS business amounting to ₹42.6 million)
- Investment banking fees were ₹22 million, down 60% as compared to Q4 FY11.
- Other income was ₹17 million in Q1 FY12

Business highlights for Q1 FY 2012

- Total customer base increased to 722,303, and distribution reach stood at 1,607 outlets across 586 cities, as of June 30, 2011
- Total Assets under Management for the Group were ~₹23.1 billion as of June 30, 2011, which includes assets under portfolio management, mutual funds and also assets under advice in private equity business. Within this, mutual funds AUM across the 3 ETFs was ₹3.1 billion and PMS AUM was ₹12.9 billion
- Wealth Management business - "Purple Client Group" managed assets of ~₹12.0 billion as of June 30, 2011
- Depository assets of ₹117 billion as of June 30, 2011
- Motilal Oswal Securities won the Best Market Analyst Award for the Infrastructure and Energy equity sectors respectively, at the 'India's Best Market Analyst Awards 2011 held in April 2011 and Mr. Raamdeo Agrawal, Co-Founder and Joint Managing Director, was honoured with an award for Special Contribution to Indian Capital Markets
- Motilal Oswal Asset Management organized the 1st edition of the Motilal Oswal MOSt Shares ETF Conclave 2011 held in Mumbai in June 2011. With ETFs growing in prominence in India, the ETF conclave was held as part of Motilal Oswal's efforts in furthering customer education and awareness about the opportunity, trading strategies, advantages and outlook in the ETF space, and addressing popular myths and learnings from the global experience
- Motilal Oswal, in association with Zee Business, hosted its 1st seminar under its investors' education initiative -'Investor Ki Kahani Usi Ki Zubani' in Mumbai in July 2011. Over 750 investors attended the session.
- Motilal Oswal Private Equity is currently working on raising its second growth capital fund, IBEF-II.

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 1,607 business locations spread across 586 cities and the online channel to over 722,303 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 the Asia Money Brokerage Polls for India. In the StarMine India Broker Rankings 2009 from Thomson Reuters, we won awards in 3 out of 4 categories and also bagged the No. 1 Broker Award in the ET Now – StarMine Analyst Awards 2009. We were adjudged as the 'Best Performing Equity Broker (National)' at the CNBC TV18 Financial Advisors Awards – 2010. MOSL won 4 awards in the ET-Now Starmine Analyst Awards 2010-11, placing it amongst the Top-3 award winning brokers, and was ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category. Our mutual fund product, M-50 ETF bagged the 'Most Innovative Fund of the Year' award at the CNBC TV18 CRISIL Mutual Funds Awards 2011.

For further details contact:

Mr. Hari Krishnan	Mr. Sameer Kamath	Mr. Anirudh Rajan / Alpesh Nakrani
Motilal Oswal Financial Services	Motilal Oswal Financial Services	Paradigm Shift Public Relations
Ph - +91-22-39825500	Ph - +91-22-39825554	Mob- +91-9892343828/ +91-9869121167
Mob- +91-9820520392	Mob- +91-9820130810	Tel- +91-22 22813797 / 98

MOTILAL OSWAL FINANCIAL SERVICES LTD

Registered Office: Palm Spring Centre, Palm Court Complex, 2nd Floor, Link Road, Malad (W), Mumbai - 400 064
Tel: +91-22-30801000, Fax: +91-22-28449044 Email:investors@motilaloswal.com

CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2011

(Rs in Lacs)

Particulars	**Quarter Ended**		**Year Ended**
	30.06.2011	**30.06.2010**	**31.03.2011**
1. (a) Income from Operations	10,713	14,242	57,669
(b) Other Operating Income	317	369	1,316
Total	**11,030**	**14,611**	**58,985**
2. Expenditure			
a. Operating Cost	2,702	3,352	14,551
b. Employees cost	2,908	3,887	14,219
c. Depreciation	275	310	1,313
d. Other expenditure	2,108	1,768	8,311
e. Total	**7,993**	**9,317**	**38,394**
3. Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	**3,037**	**5,294**	**20,591**
4. Other Income	166	529	1,052
5. Profit before Interest & Exceptional Items (3+4)	3,203	5,823	21,643
6. Interest	79	152	569
7. Profit after Interest but before Exceptional Items (5-6)	3,124	5,671	21,074
8. Exceptional Items - Expense/(Income)	-	-	-
9. Profit / (Loss) from Ordinary Activities before tax (7-8)	**3,124**	**5,671**	**21,074**
10. Tax expense	999	1,848	7,124
11. Net Profit / (Loss) from Ordinary Activities after tax but before minority interests (9-10)	2,125	3,823	13,950
12. Share of minority interests in (profits)/ loss	(7)	(68)	(244)
13. Net Profit from Ordinary Activities after tax and Minority Interests (11-12)	**2,118**	**3,755**	**13,706**
14. Paid-up equity share capital (Face Value of Re. 1/- Per Share)	1,444	1,432	1,444
15. Reserves excluding Revaluation Reserves			104,499
16. Earnings Per Share (EPS)			
a) Basic EPS	1.47	2.62	9.52
b) Diluted EPS	1.47	2.62	9.52
17. Dividend Per Share (Face Value Re. 1 each)			1.40
18. Public shareholding			
- Number of shares	44,409,645	43,430,116	44,531,979
- Percentage of shareholding	30.75%	30.32%	30.84%
19. Promoters and promoter group Shareholding			
a) Pledged/Encumbered			
- Number of shares	8,500,000	8,500,000	8,500,000
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	8.50%	8.52%	8.51%
- Percentage of shares (as a% of the total share capital of the company)	5.89%	5.93%	5.89%
b) Non-encumbered			
- Number of shares	91,509,584	91,304,500	91,387,250
- Percentage of shares (as a% of the total shareholding of promoter and promoter group)	91.50%	91.48%	91.49%
- Percentage of shares (as a % of the total share capital of the company)	63.36%	63.75%	63.28%

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, 22nd July, 2011. The results for the quarter ended 30th June, 2011 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 (87.50%), Motilal Oswal Private Equity Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (97.55%), Motilal Oswal Capital Markets Private Limited (99.95%), Antop Traders Private Limited (99.95%), Motilal Oswal Insurance Brokers Private Limited (99%), Motilal Oswal Asset Management Company Limited (99.95%) and Motilal Oswal Trustee Company Limited (99.95%), Motilal Oswal Securities International Private Limited (99.95%).

3) During the quarter ended 30th June 2011, the subsidiary Company Motilal Oswal Securities Ltd has floated a 100% subsidiary Company "Motilal Oswal Securities International Private Ltd".

4)The previous financial quarter /year figures have been regrouped/rearranged wherever necessary to make them comparable.

5)Standalone financial results are summarised below and also available on the Company's website: www.motilaloswal.com.

Particulars	**Quarter Ended**		**Year Ended**
	30.06.2011	**30.06.2010**	**31.03.2011**
Gross Revenue	3,316	2,633	6,425
Profit Before Tax	2,709	2,496	5,654
Profit After Tax	2,487	2,127	4,266

6) Information on investor complaints pursuant to Clause 41 of the Listing Agreement for the quarter ended 30th June, 2011

	Opening balance	**Additions**	**Disposal**	**Closing balance**
Number of complaints	NIL	2	2	NIL

7) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER ENDED 30TH JUNE 2011

(Rs in Lakhs)

Particulars	Quarter Ended		Year Ended
	30.06.2011	30.06.2010	31.03.2011
1. Segment Revenue			
(a) Equity Broking & Other related activities	8,576	12,629	48,299
(b) Financing & Other activities	1,303	1,293	5,084
(c) Investment Banking	346	1,293	4,052
(d) Unallocated	1,512	642	4,893
Total	**11,737**	**15,857**	**62,328**
Less: Inter Segment Revenue	540	717	2,291
Income From Operations, Other Operating income & Other Income	**11,196**	**15,140**	**60,037**
2. Segment Results Profit / (Loss) before tax and interest from Each segment)			
(a) Equity Broking & Other related activities	2,280	4,220	14,955
(b) Financing & Other activities	696	1,156	4,314
(c) Investment Banking	(20)	402	1,832
(d) Unallocated	249	59	524
Total	**3,205**	**5,837**	**21,625**
Less: Interest	81	166	551
Profit/(Loss) from Ordinary Activities before Exceptional Items & Tax	**3,124**	**5,671**	**21,074**
3. Capital Employed			
(Segment assets – Segment Liabilities)			
(a) Equity Broking & Other related activities	42,658	50,906	51,842
(b) Financing & Other activities	48,005	51,696	54,149
(c) Investment Banking	964	718	1,050
(d) Unallocated	16,770	(4,896)	(1,090)
Total	**108,396**	**98,424**	**105,951**

Notes:

1. The above Segment information is presented on the basis of the unaudited consolidated financial statements. The company's operations predominantly relate to Equity broking and other related activities, financing and other activities, Investment banking, Private Equity, Asset Management & Commodities broking . In accordance with Accounting Standard -17 on segment reporting and Company (Accounting Standards) Rules,2006, the Company has Equity broking and other related activities, Financing and other activities & Investment banking as reportable segments. The balance is shown as unallocated items.

2.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, 22nd July, 2011
investors@motilaloswal.com.