Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended Jun 2014

21 Jul 2014

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.7b for the quarter ended 30 Jun 2014, up 36% QoQ and up 51% YoY. Adjusted PAT at ₹321m was up 32% QoQ and up 74% YoY. Reported PAT at ₹321m was up 155% QoQ and up 74% YoY. Broking-related revenues were ₹1.2b, up 56% QoQ and up 72% YoY. Fund-based income at ₹203m was up 1% QoQ and down 25% on a YoY basis. Asset management fees at ₹181m was down 20% QoQ and up 44% YoY. Investment banking fees at ₹79m was up 309% on a QoQ basis.

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 Jun 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 Sameer Kamath

Chief Financial Officer

Good morning. Welcome to the Q1 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, 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. Sameer Kamath to make his opening remarks. Thank you and over to you sir….

MOFSL CONSOLIDATED FINANCIALS (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	**1,677**	**1,237**	**36%**	**1,677**	**1,109**	**51%**	**4,683**
EBITDA	577	403	43%	577	357	62%	1,422
PBT (before E & EOI)	471	338	40%	471	290	63%	1,151
Adjusted PAT	**321**	**243**	**32%**	**321**	**185**	**74%**	**771**
Reported PAT	321	126	155%	321	185	74%	395
EPS - Basic	2.4	0.9		2.4	1.4		3.0
EPS - Diluted	2.3	0.9		2.3	1.4		3.0
Shares O/S (mn) - FV Rs 1/share	138	139		138	145		138

E & EOI = Exceptional & extraordinary items

REVENUE COMPOSITION (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Brokerage & operating income	1,162	746	56%	1,162	674	72%	2,884
Investment banking fees	79	19	309%	79	8	862%	68
Fund based income	203	201	1%	203	272	-25%	858
Asset management fees	181	226	-20%	181	126	44%	759
Other income	51	44	18%	51	29	75%	114
Total Revenues	**1,677**	**1,237**	**36%**	**1,677**	**1,109**	**51%**	**4,683**

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 ended June 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 Jun 2014.

Equity markets

The markets posted a strong performance in May and Jun months, as the majority numbers won by the new government improved sentiments and raised expectations over the economic outlook. The benchmark was up 14% QoQ, with the entire gains coming during these two months. A positive feature has been that retail investors, who had gone into a shell in recent times, have shown some initial signs of a revival in interest on the back of the recent development in the country. If the government's decision-making and policy reforms pick up eventually, it should bode well for primary market activity, which could be a starting-point for new retail investors into the markets.

Average daily market turnover (ADTO) of equities ended Q1 FY15 at a high of ₹2.5t, up 22% QoQ. Both cash and futures volumes showed spurts this quarter. Options whose contribution to total volumes has seen linear rise over the past many years dropped for the first time from 77% in sequential quarter to 70% in this quarter. Cash segment ADTO spiked 64% QoQ to ₹226.1b in Q1 FY15 which is the highest-clocked quarterly cash volumes since Q2 FY10. Within cash segment, the high-yield delivery volumes also showed significant uptick. This was up 58% QoQ. A very encouraging feature seen this quarter was uptick in participation by retail investor with 70% sequential growth in the cash segment, which had otherwise remained very sluggish for many years now. Amongst other participants in the cash segment, prop ADTO was up 78% QoQ, while FII and DII were up 54% and 29% QoQ respectively

The uptick in cash segment activity seen in May and Jun have carried into Jul. Jul cash ADTO till date was ₹222b, only marginally down from ₹241b and ₹252 b in Jun and May respectively. Its proportion to total volumes is ~8.7%.

Institutional activity

FII net inflows in Q1 FY15 at ~US$6.3b were higher as compared to the ~US$3.6b in Q4 FY14 and ~US$3.0b back in Q1 FY14. Some FIIs are believed to have net bought in Apr and May to capitalize on the pre-election rally in Apr and May. However, Jun saw net outflows possibly due to some profit booking by the funds. While DIIs continued to see net outflows, the quantum of outflows reduced with each successive month during Q1 FY15. Net outflows in this quarter at ~US$2.7b were slightly higher than the ~US$2.3b in Q4 FY14 but lower than ~US$5.2b in Q1 FY14. Some retail investor interest seems to have returned in equity mutual funds in Jun.

Investment banking and private equity

M&A deal value was ~US$5.8b in Q1 FY15. This was down on a QoQ basis from ~US$10.5b in Q4 FY14, which was largely because Q4 FY14 had included two ~$2.5b deals related to ONGC's acquisitions in Mozambique fields; Overall deal activity remains largely dry as compared to earlier years

ECM activity remains dry this quarter, with only QIPs showing a slight uptick from last year levels. However, the outlook for ECM looks positive given the expectations on the policy and reforms front from the new government. DCM activity saw a spike in the foreign loans segment this quarter, as compared to last year levels. However, both domestic bonds and INR loans segments declined.

Private equity deal value was US$2.6b in Q1 FY15, flat as compared to Q4 FY14. With the number of large-ticket deals slightly higher this quarter, the average deal value was higher on a QoQ basis. BFSI sector clocked the largest deals in the quarter, led by the Kotak-CPPIB and Shriram-Piramal transactions.

Asset management

AUM of mutual funds were ₹9.7t as on Jun 30, 2014, as compared to ₹8.3t as on Mar 31, 2014. Equity mutual fund AUM saw an increase on QoQ basis, largely on account of price appreciation. However, their net inflows also started picking up from May onwards, and June saw amongst the highest monthly net inflows in recent years. Liquid funds also saw high inflows in the quarter. AUM of non-gold ETFs also picked up, despite seeing net outflows.

MOFSL's Performance

- Revenues in Q1 FY15 were ₹1.7b, up 36% QoQ and up 51% YoY
- Reported PAT in Q1 FY15 was ₹321m, up 155% QoQ and up 74% YoY
- Adjusted PAT in Q1 FY15 was ₹321m, up 32% QoQ and up 74% YoY
- EBITDA and Adjusted PAT margins for Q1 FY15 were 34% (33% in Q4 FY14) and 19% (20% in Q4 FY14) respectively
- The sequential performance for Q1 FY15 should be reviewed in lights of the following items:
  - Broking business contributed 69% of total revenues versus 60% in Q4 FY14. Within this a considerable part of the retail broking business is franchisee driven where operating costs (franchisee sharing) are variablised to the topline. The increase in the operating costs is in sync with the revenue growth seen in the broking business
  - Performance fees on PMS business accrued in the last quarter of the financial year. In Q4 FY14, ₹69.9m was booked as performance fees
  - During Q1 FY15, MOFSL has contributed approx ₹23m (~₹20m post-tax) for CSR initiatives in the field of Education and has thereby complied with the requirements under New Companies Act
  - As per the requirement of the Companies Act, 2013, the company has computed depreciation with reference to the useful life of respective assets specified in and in the manner prescribed in Schedule II of the Act. Consequently, depreciation for the quarter ended Jun 30, 2014 is higher by ~₹14.1 million, and an amount of ₹26.1 million has been charged to the opening balance of the retained earnings in respect of assets whose remaining useful life is Nil as at Apr 1, 2014. Based on current estimates the full year impact of this change is ₹47.5 million
  - Our investment in Motilal Oswal's mutual fund products stands at ₹2.34b, as of Jun 30, 2014. The unrealized gain on these investments is ₹297m, as of Jun. Likewise, our investment in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.01b, as of Jun. Both these investments have been carried at cost in the books.
- The balance sheet had net worth of ₹12.0b and net cash of ₹1.4b as of Jun 30, 2014
- The company closed its share buyback programme on Jun 9, 2014 and has bought back ~7.1m shares, i.e. ~94% of the maximum offered 7.5m shares, for a consideration of ~ ₹560m (excl. brokerage and other charges)

Segment-wise business performance:

- Broking and related revenues were ₹1.2b in Q1 FY15, up 56% QoQ and up 72% YoY. Our market share increased from 1.5% to 1.8% QoQ, and our market share in the high-yield cash segment also improved. Our blended yield increased from 3.9 bps to 4.3 bps QoQ. As on Jun 30, 2014, total client base increased to 808,912 which includes 710,101 retail broking and distribution clients. Our distribution stood at 1,590 business locations across 511 cities
- Fund based income was ₹203m, up 1% from Q4 FY14 and down 25% from Q1 FY14. The loan book was ₹5.3b, as of Jun 2014
- Asset Management fee were ₹181m for Q1 FY15, down 20% QoQ and up 44% YoY. During Q4 FY14, AMC revenues had included PMS performance fee of ₹69.9m as explained earlier. Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹47.5b. Within this, our mutual funds AUM was ₹9.6b, PE AUA was ~ ₹20.0b, while PMS AUM was ₹17.9b
- Investment banking fees at ₹79m was up 309% on a QoQ basis. Deal closures gathered some momentum during the quarter
- Other income was ₹51m in Q1 FY15

MOFSL General Highlights

- Wealth management business managed assets of about ₹30.0b
- MOSL was awarded the Best Performing National Financial Advisor – Equity Broker at UTI-CNBC TV18 Financial Advisor Awards for the 4th year in a row
- Motilal Oswal Private Equity made the second close of its 2nd real estate fund – India Realty Excellence Fund II (IREF II), raising total commitments of ₹2.9b till-date
- With additional capital infusion MOAMC is compliant with SEBI’s minimum requirement for net worth of ₹500m
- Aspire Housing Finance received its Certificate of Registration from NHB to commence the business; It has disbursed loans for 14 applications out of the 287 applications received as of Jun 2014

Outlook

Investor sentiments seem to be building up following the decisive mandate in the recent election results and favourable policy announcements made by the new government. Markets expect the new government should give the necessary fill-up to the country’s economic story by initiating action in the policies and reforms, which should augur well for capital market activity.

Being a focused financial services player, through the cycle we have made sustained investments in people, processes, customer centric products and technology to significantly strengthen our value offering of each of our businesses and we believe the our group is rightly poised to capture the opportunities that will arise within the capital markets space. 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)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	1,249	852	47%	1,249	775	61%	3,218
EBITDA	420	234	80%	420	233	80%	902
PBT (before E & EOI)	353	195	81%	353	195	81%	737
Adjusted PAT	246	138	78%	246	124	98%	507
Reported PAT	246	33	643%	246	124	98%	171

E & EOI = Exceptional & extraordinary items

Is the recent spurt in equity market volumes of about 50% sustainable, given that inflation and interest rates are still high? Also, the rupee depreciation has been a big concern for the FIIs. How are they seeing the India opportunity?

It is all about the market outlook. Due to the mandate which the new government has got, there is a lot of expectation. As we go from the first budget to the next budget, the economic activity should pick up pace. This may surprise negatively or positively, and that will set the tone in the market. During the past 4-5-years, equity as an asset class has not done well and the withdrawal of domestic investors has been breathtaking. The biggest change that can be seen now is the return of the domestic investors. They are still cautious, but if one is fearful about the last 10% downside, then they might be missing on hundreds of percent of appreciation over the next 4-5-years. We remain slightly bullish on the markets, and are trying to push the investors to come in now. So, one thing is the economic recovery.

The second is that India’s own positioning in the global market is climbing rapidly. This is because apart from the developed markets of US and Europe, the emerging market scene is also very challenging. Except for India and probably Indonesia, investors are not finding many places to go to. Brazil, China, Russia etc are also not in very good shape. India is clearly coming out as the market where the individual stocks have very good stories to back on.

Another fear had been the currency. The Indian currency has remained quite stable. I do not remember in last 10-15-years when the currency has remained as stable as it has been at about ₹60. The country’s forex is also building up every day. Earlier whenever the flows used to come, the rupee would appreciate and cause volatility. Now that volatility has reduced and the currency is more trade competitive, in the sense that irrespective of the reserve levels the currency is being determined based on what is good for the exports. So we might see a slightly weaker currency.

The real challenge is inflation. That is the foremost challenge of this government, and they would win the war on the economic front only when inflation comes under control. These things will happen in sequence. Better management of the economy will lead to lower inflation, higher growth, and more participation in the equities from the investors. It should open up like that in the days to come.

Commodity turnover is down by about 50-60% in this quarter. So has that also added to the equity volumes?

Speculative volume keeps on shifting from equities to commodities to currency. In any case, there has been a bit of bad experience in commodities last year and with the MCX ownership also changing, hence the commodity markets have been impacted in terms of activity levels. Some of the volumes must have shifted to equities from commodities.

Cash market volumes have gone up, but how is the participation distributed? In terms of delta, is it that the larger participants have started to churn more or is participation getting more uniform? One expects that in the initial part of the bull-run, it would be a little skewed before it is starts getting uniform?

Our network is quite widely distributed, and there is a fair mix between branches, franchisees and online. The number of active clients that have participated through this quarter has been higher. So it is not that just the existing customers are doing more. While that has been there, but even new investors, who were earlier sitting on the sidelines, have participated. Quite a few inactive investors have become active. To some extent, it is true that existing clients have become more active.

But what drives the business growth is more number of active customers. We have seen a healthy change in the number of active investors. The ARPU has not changed much, but the number of investors has increased. From a long-term perspective, that is a variable one needs to look at. We have been speaking to few franchisees as well, and all of them are saying that their business is better, even the smaller ones. So participation is across the country.

The intention would definitely be to expand more effectively right now. Our net head count is up, so that is an indication of how we are planning to build this business. Wherever we can find opportunity, be it in terms of geography, product or channel, we will not spare any effort.

There is a sharp incremental spike in Opex. What all are contributing to it? There is also a sharp growth in the financial interest cost?

A large part of our business is variablized due to the franchisee sharing. The retail business has a large contribution from franchisees. So any change in their top line is also commensurately reflected as higher sharing with franchisee. So that would have moved in line with the retail broking revenues

The higher financial cost is largely to do with the increased working capital requirement because of the growth in exchange volumes. As a part of our exchange requirements, we have to put bank guarantees to meet margin requirements. Since volumes have spurted so much, there is an increase in interest costs.

Fund Based Income

MOFSL STANDALONE FINANCIALS (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	192	184	4%	192	176	9%	977
EBITDA	153	139	11%	153	133	16%	735
PBT (before E & EOI)	67	69	-3%	67	77	-13%	462
Adjusted PAT	45	46	-1%	45	53	-15%	402
Reported PAT	45	43	4%	45	53	-15%	393

The loan book increased by ~20% on a YoY basis, then why has the fund based income declined by ~25% YoY?

The loan book increased largely towards the end of the quarter as there were some episodic opportunities. That is why it has not averaged out for the quarter, and one cannot calculate the interest income on the closing loan book. Also, the arbitrage book has significantly reduced as the working capital requirement increased at the exchange, and that arbitrage line item is also reported under fund based income. Hence, fund based income would have seen a drop as it is a blended line item.

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	94	147	-36%	94	72	31%	354
EBITDA	(26)	33	nm	(26)	(12)	121%	(2)
PBT	(27)	32	nm	(27)	(13)	110%	(6)
Reported PAT	(27)	32	nm	(27)	(13)	110%	(6)

Private Equity

KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	55	62	-11%	55	60	-8%	400
EBITDA	27	30	-11%	27	22	19%	205
PBT	25	29	-15%	25	21	16%	201
Reported PAT	16	20	-20%	16	14	9%	134

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	Q1 FY15	Q4 FY14	CHG. QOQ	Q1 FY15	Q1 FY14	CHG. YOY	FY14
Total Revenues	82	19	320%	82	9	843%	85
EBITDA	47	(11)	nm	47	(22)	nm	(36)
PBT	44	(16)	nm	44	(25)	nm	(51)
Reported PAT	30	(13)	nm	30	(17)	nm	(37)

Aspire Home Finance

Is the focus only on home loans or is the company considering loan against property as well? Given that most of the banks and NBFCs are also focusing on the low cost housing opportunity, what are Aspire's plans to differentiate? What is the scalability of this business?

We have been in Agency-based businesses so far, and have never used the balance sheet to do any business in a meaningful manner. We do not have any financial leverage; in fact, it is a net cash balance sheet. The strategy so far has been not to put the balance sheet in front, but leverage in terms of business – like a large broking network, asset management network or a wealth management network. So we were leveraging more on the business side in the last 5 years with a lot of fixed costs being absorbed in the operating side. Initially we thought that our business would become non-cyclical once the fee-based business was built. But then we realized that even asset management business is very cyclical. Investors do not come to the market to buy mutual funds or PMS in the depressed times. So how does one build an earnings profile even in bad times?

Then we saw the opportunity in housing finance. The housing gap and the funding gap in India is quite massive. So the opportunity size is immense but it requires special skill. We brought in a team whom we would like to fund and build a purely housing finance company to cater to the affordable houses segment. The team has large experience of doing these activities. At the Board level, our job is to fund this particular team in terms of equity. It is very early days, we just opened the doors a month back, and have little to report in terms of how it is shaping up. At least after a year we will be able to say how good we are doing and what would be our plans.

What is the RoE you are anticipating from Aspire? What is the hurdle rate, and is the time period being budgeted for the business to start driving profits?

Any business takes at least 3-4-years to get some meaningful shape. In the first year, we would like to understand whether we can do it profitably. First, one has to set the processes, the team has to be in place, customer satisfaction has to be high, everything else has to work – all this itself would take about 12-18-months. Then, as we start levering the balance sheet, and so other participants would also come in at that point of time. In terms of ROE, I would expect it should be upwards of 20%, by say Year 6 or 7. In any case, we do not think there is going to be loss in Year 1 itself, because we are starting with ₹1b capital. So that should at least give us enough revenue for a significant part of the costs to be met. So initially it should not have any negative impact on the PAT.

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q1 FY15 Consolidated Revenues of ₹1.7 billion, up 36% QoQ; Adjusted PAT of ₹321 million, up 32% QoQ

Mumbai, July 19, 2014: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended June 30, 2014 post approval by the Board of Directors at a meeting held in Mumbai on July 19, 2014.

Performance Highlights

₹Million	Q1 FY15	Q4 FY14	Comparison (Q4 FY14)	Q1 FY14	Comparison (Q1 FY14)
Total Revenues	1,677	1,237	↑36%	1,109	↑51%
EBITDA	577	403	↑43%	357	↑62%
Reported PAT	321	126	↑155%	185	↑74%
Adjusted PAT	321	243	↑32%	185	↑74%
Diluted EPS - ₹(FV of ₹1)	2.3	0.9		1.4	

Performance for the Quarter ended June 30, 2014

- Revenues in Q1 FY15 were ₹1.7 billion, up 36% QoQ and up 51% YoY
- Reported PAT in Q1 FY15 was ₹321 million, up 155% QoQ and up 74% YoY
- Adjusted PAT in Q1 FY15 was ₹321 million, up 32% QoQ and up 74% YoY
- EBITDA and Adjusted PAT margins for Q1 FY15 were 34% (33% in Q4 FY14) and 19% (20% in Q4 FY14) respectively
- The balance sheet had net worth of ₹12.0 billion and net cash of ₹1.4 billion as of Jun 30, 2014
- The company closed its share buyback programme on Jun 9, 2014 and has bought back ~7.1 million shares, i.e. ~94% of the maximum offered 7.5 million shares, for a consideration of ~₹560 million (excl. brokerage and other charges)

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

"The benchmark index clocked sharp gains in May and Jun, as the majority numbers won by the new government raised expectations over the economic outlook. A positive feature has been that retail investors, who had gone into a cocoon in recent quarters, have shown initial signs of a come-back during these two months. Retail volumes in the secondary markets picked up, as did retail net inflows into equity mutual funds. With decision-making and policy reforms hopefully gaining steam eventually, it should bode well for capital raising and primary market activity, which could be a starting-point for new retail investors into the markets. It would also spell the return in ECM and M&A deal activity in the

market. We remained committed to investing in technology, people and infrastructure during this challenging period, which should help us incrementally as market activity eventually picks up. Our new housing finance entity – Aspire Home Finance, received its approvals this quarter. Within a very short period of commencing business, it has already evinced high interest from customers across its points-of-presence."

Segment results for Q1 FY15:

- **Broking and related revenues** were ₹1.2 billion in Q1 FY15, up 56% QoQ and up 72% YoY. Daily volumes in the equity markets ended Q1 FY15 at a high of ₹2.5 trillion, up 22% QoQ. It reached an all-time high of ₹3.3 trillion during the month of June. Both cash and futures showed spurts this quarter, pulling down the proportion of options within overall volumes from 77% to 70% QoQ. Cash ADTO spiked 64% QoQ to ₹226.1 billion. These are the highest-clocked quarterly cash volumes since Q2 FY10. Within cash, delivery volumes showed significant uptick, up 58% QoQ. A very encouraging feature this quarter was an initial comeback of retail volumes within the cash segment, which had been sluggish of late. This was up 70% QoQ. Our market share increased from 1.5% to 1.8% QoQ, and our market share in the high-yield cash segment also improved. Our blended yield increased from 3.9 bps to 4.3 bps QoQ
- **Fund based income** was ₹203 million, up 1% from Q4 FY14 and down 25% from Q1 FY14. The loan book was ₹5.3 billion, as of Jun 2014
- **Asset Management fee** were ₹181 million for Q1 FY15, down 20% QoQ and up 44% YoY. During Q4 FY14, AMC revenues had included PMS performance fee of ₹69.9 million
- **Investment banking fees** at ₹79 million was up 309% on a QoQ basis. Deal closures gathered some momentum during the quarter
- **Other income** was ₹51 million in Q1 FY15

Highlights for Q1 FY15

- Total client base increased to 808,912 which includes 710,101 retail broking and distribution clients
- Pan-India retail distribution reach stood at 1,590 business locations across 511 cities, as of Jun 2014
- Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹47.5 billion. Within this, our mutual funds AUM was ₹9.6 billion, PE AUA was ~₹20.0 billion, while PMS AUM was ₹17.9 billion
- Wealth management business managed assets of about ₹30.0 billion
- Depository assets were ₹172.2 billion
- MOSL was awarded the Best Performing National Financial Advisor – Equity Broker at the UTI-CNBC TV18 Financial Advisor Awards for the 4th year in a row
- Motilal Oswal Private Equity made the second close of its 2nd real estate fund – India Realty Excellence Fund II (IREF II), raising total commitments of ₹2.9 billion till-date
- MOAMC launched the MOSt Focused Multicap 35 Fund during Q1FY15. The fund's mandate is to invest across sectors and the market capitalization spectrum. Stock-picking will be through bottom-up fundamental research based on the QGLP (Quality-Growth-Longetivity-Price) philosophy that MOAMC adheres to. The company has also complied with SEBI's minimum requirement for net worth of ₹500

million

- Aspire Housing Finance received its Certificate of Registration from NHB to commence the business; It has disbursed loans for 14 applications out of the 287 applications received as of Jun 2014
- During Q1 FY15, MOFSL has contributed approx ₹23 million (~₹20 million post-tax) for CSR initiatives in the field of Education
- As per the requirement of the Companies Act, 2013, the company has computed depreciation with reference to the useful life of respective assets specified in and in the manner prescribed in Schedule II of the Act. Consequently, depreciation for the quarter ended Jun 30, 2014 is higher by ~₹14.1 million, and an amount of ₹26.1 million has been charged to the opening balance of the retained earnings in respect of assets whose remaining useful life is Nil as at Apr 1, 2014
- Our investment in Motilal Oswal's mutual fund products stands at ₹2.34 billion, as of Jun 30, 2014. The unrealized gain on these investments is ₹297 million, as of Jun 30, 2014
- Our investment in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹1.01 billion, as of Jun 30, 2014

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 1,590 business locations spread across 511 cities and the online channel to over 808,912 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

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 - +91-22-39825500	Mob- +91-9892343828/ +91-9869121167
Mob- +91-9820520392	Mob- +91-9820130810	Tel- +91-22 22813797 / 98

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 ENDED 30TH JUNE 2014

(Rs. in Lacs)

Particulars	Quarter Ended			Year Ended (Audited)
	30.06.2014	31.03.2014	30.06.2013	31.03.2014
1. Income from Operations				
(a) Income from Operations	15,087	11,323	10,149	43,037
(b) Other Operating Income	1,166	610	651	2,647
Total Income	**16,253**	**11,933**	**10,800**	**45,684**
2. Expenditure				
a. Operating expense	4,613	2,990	2,352	10,534
b. Employees' benefit expense	3,744	3,181	2,975	12,732
c. Depreciation and amortisation expenses	674	616	590	2,426
d. Other expenditure	2,635	2,169	2,193	9,341
Total expenses	**11,666**	**8,956**	**8,110**	**35,034**
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	**4,587**	**2,977**	**2,690**	**10,650**
4. Other Income	514	435	294	1,143
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	5,101	3,412	2,984	11,793
6. Finance Cost	389	35	87	286
7. Profit from Ordinary Activities after Finance Cost but before Exceptional Items (5-6)	4,713	3,378	2,897	11,507
8. Exceptional Items - (Expense)/Income	-	(1,734)	-	(5,559)
9. Profit from Ordinary Activities before tax (7-8)	**4,713**	**1,644**	**2,897**	**5,948**
10. Tax expense	1,462	356	1,020	1,792
11. Net Profit from Ordinary Activities after tax but before minority interests (9-10)	3,250	1,288	1,877	4,156
12. Share of Minority Interests in (Profits)/Loss	(41)	(28)	(28)	(205)
13. Net Profit after Tax and Minority Interests (11-12)	**3,209**	**1,260**	**1,849**	**3,951**
14. Paid-up Equity Share Capital (Face Value of Re. 1/- Per Share)	1,382	1,382	1,452	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	2.35	0.93	1.29	2.95
b) Diluted EPS	2.34	0.93	1.29	2.95
16. ii. Earnings Per Share (EPS) (after Extraordinary Items) (of Re. 1/- each)				
c) Basic EPS	2.35	0.93	1.29	2.95
d) Diluted EPS	2.34	0.93	1.29	2.95
Particulars of Shareholding				
17. Public Shareholding				
- Number of shares	35,750,839	35,735,139	42,805,084	35,735,139
- Percentage of shareholding	25.88%	25.86%	29.47%	25.86%
18. Promoters' and Promoter Group Shareholding				
a) Pledged/Encumbered				
- Number of shares	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL
b) Non-encumbered				
- Number of shares	102,412,236	102,430,692	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%
- Percentage of shares (as a % of the total share capital of the company)	74.12%	74.14%	70.53%	74.14%
19. Investors' Complaints				
Pending at the beginning of the period	NIL	NIL	NIL	NIL
Received during the period	2	1	NIL	15
Disposed off during the period	2	1	NIL	15
Remaining unresolved at the end of the period	NIL	NIL	NIL	NIL

7) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER ENDED 30TH JUNE 2014

(Rs. in Lacs)

Particulars	Quarter Ended			Year Ended (Audited)
	30.06.2014	31.03.2014	30.06.2013	31.03.2014
1. Segment Revenue				
(a) Broking & Other related activities	12,089	8,083	8,007	31,617
(b) Financing & Other activities	1,925	1,846	1,760	6,979
(c) Asset Management & Advisory	2,537	2,864	1,566	8,976
(d) Investment Banking	817	195	87	843
(e) Unallocated	808	856	488	2,747
Total	**18,176**	**13,844**	**11,908**	**51,161**
Less: Inter Segment Revenue	1,409	1,476	814	4,335
Income From Operations, Other Operating Income & Other Income	**16,767**	**12,368**	**11,094**	**46,826**
2. Segment Results Profit / (Loss) before Tax and Interest from each segment				
(a) Broking & Other related activities	2,972	1,069	1,943	5,813
(b) Broking & Other related activities (exceptional item)	-	(1,550)	-	(5,429)
(c) Financing & Other activities	573	659	775	1,749
(d) Financing & Other activities (exceptional item)	-	(36)	-	(129)
(e) Asset Management & Advisory	(25)	685	20	1,714
(f) Investment Banking	461	(124)	(233)	(409)
(g) Unallocated	895	944	446	2,744
Total	**4,876**	**1,647**	**2,951**	**6,053**
Less: (i) Interest	163	3	54	105
Profit/(Loss) from Ordinary Activities before Tax	**4,713**	**1,644**	**2,897**	**5,948**
3. Capital Employed				
(Segment assets – Segment Liabilities)				
(a) Broking & Other related activities	14,756	22,639	44,892	22,639
(b) Financing & Other activities	56,200	52,869	59,487	52,869
(c) Asset Management & Advisory	2,259	2,296	353	2,296
(d) Investment Banking	568	432	426	432
(e) Unallocated	46,142	38,794	18,511	38,794
Total	**119,925**	**117,029**	**123,669**	**117,029**

Notes:

8. 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.

9.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, 19th July, 2014
shareholders@motilaloswal.com.