

ConCall Summary & Earnings Release

Quarter ended Sep 2013

28 Oct 2013

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.2b for the quarter ended 30 Sep 2013, up 5% QoQ and up 2% YoY. Adjusted PAT at ₹188m was up 2% QoQ and down 18% YoY. Reported PAT at ₹56m was down 70% QoQ and down 75% YoY. Broking-related revenues was ₹732m, up 8% QoQ and flat on YoY basis. Fund-based income at ₹179m was down 33% QoQ and down 16% on a YoY basis. Asset management fees was up 63% on a QoQ basis and up 52% on a YoY basis to ₹206m. Investment banking fees at ₹35m was up by 50% 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 Jun 2013. This presentation is available at www.motilaloswal.com

Corporate Participants

Mr Raamdeo Agrawal

Co Founder and Joint Managing Director

Mr Navin Agarwal

Director

Mr Sameer Kamath

Chief Financial Officer

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

Good morning, ladies and gentlemen. Welcome to the Q2 FY14 earnings conference call of Motilal Oswal Financial Services Limited. We have with us 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)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	1,160	1,108	5%	1,160	1,135	2%	2,267	2,238	1%	4,729
EBIDTA	358	356	1%	358	400	-10%	714	766	-7%	1,744
PBT (before E & EOI)	290	288	1%	290	332	-13%	578	630	-8%	1,437
Adjusted PAT	188	185	2%	188	229	-18%	373	431	-14%	969
Reported PAT	56	185	-70%	56	229	-75%	241	431	-44%	1,091
EPS - Basic	0.5	1.3		0.5	1.6		1.8	3.0		7.6
EPS - Diluted	0.5	1.3		0.5	1.6		1.8	3.0		7.6
Shares O/S (mn) - FV Rs 1/share	139	145		139	145		139	145		145

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Sep 2013 earnings

REVENUE COMPOSITION (₹Mn)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Brokerage & operating income	732	679	8%	732	733	0%	1,410	1,442	-2%	2,964
Investment banking fees	35	8	318%	35	23	50%	43	50	-14%	78
Fund based income	179	267	-33%	179	214	-16%	447	421	6%	1,005
Asset management fees	206	126	63%	206	136	52%	332	285	17%	599
Other income	8	28	-69%	8	30	-72%	36	40	-11%	82
Total Revenues	1,160	1,108	5%	1,160	1,135	2%	2,267	2,238	1%	4,729

Source: MOFSL's presentation on Sep 2013 earnings

Opening remarks

Good afternoon everybody. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services earnings call for the Second Quarter ended September 2013. I will start by giving a brief backdrop of the broad market, the industry segments, and then run you through our own performance for the quarter ended September 2013

Equity markets

It was quite a volatile quarter for the markets although the BSE Sensex ended the quarter flat on a QoQ basis and is up ~3% YTD. The recent uptick in the indices from the lows has been led by the overhang of Fed taper being pushed back, strong FII flows in October, reversal of some of the tightening measures announced by RBI effective July 15 and some improvement in corporate earnings led by INR depreciation. In terms of the broader market, the BSE market cap was US\$1tn as of Sep 2013, down 9% QoQ and down 17% on YTD basis, giving an indication of how the quarter fared for the broader market.

Equity market ADTO reached a high of ₹2.2tn in 2Q FY14, led by a 15% QoQ growth in both futures and options segments. Options now comprise over 78% of market volumes, while futures comprise over 15%. Cash volumes were up by 9% QoQ, led by increased volumes during Aug and Sep. It now comprises 6.2% of market volumes, marginally down from 6.5% in the previous quarter. Within cash, the high-yield delivery segment posted an 11% uptick on QoQ basis, and held its market share at ~2%. In terms of cash segment participation, all segments saw a QoQ increase in their cash volumes. However, retail has largely lagged the other segments, with its share falling to 44%, from ~50% levels seen during 2013. FII and DII comprise ~23% and ~9% of cash market volumes respectively.

Oct started on a relatively muted note in the cash segment, as compared to Aug and Sep levels. However, cash volumes picked up since Oct 10. Oct cash ADTO (till Oct 23) are ₹130b and its proportion to total volumes has increased to 8.7%.

Institutional activity

FII net inflows into equities slowed down in 2QFY14. It was ~US\$0.2bn, much lower than the ~US\$3.0bn in the previous quarter and the ~US\$7-10b inflows in each of the 3 quarters preceding that. July and Aug months, in fact, saw net outflows from FIIs. However, there was a reversal seen in Sep.

DII net outflows have continued unabated for the 5th successive quarter. However, the net outflows of ~US\$0.7b in 2QFY14 and ~US\$1.0b in 1QFY14 have been much lower than the average outflow of over USD4b seen in the 3 quarters preceding that.

Investment banking and private equity

M&A activity remained stressed due to the prevailing economic uncertainties. M&A deal value was ~US\$5.7b in 2QFY14, down from ~US\$7.7b in 1QFY14 and ~USD9.0b in 2QFY13. Both inbound and outbound deals slowed down given the uncertain environment.

IPO activity largely dried up in 2QFY14, with only few issues seen on the SME platform. QIPs, where some fundraising was seen in the last 3 quarters, saw no action in 2QFY14. Additional segments (FPOs/OFS etc) also saw significantly lower activity, as compared to earlier quarters. Debt raising volumes showed signs of moderation on a QoQ basis. Domestic bond issuance volumes slowed down, as many companies deferred their capital raising plans.

Private equity deal value was US\$1.4b in 2QFY14, as compared to US\$2.7b in 1QFY14. 1QFY14 saw higher volumes solely due to the ~ US\$1.3bn Bharti-Qatar Foundation deal. Otherwise, PE deal values have slowed down since the last 3 consecutive quarters, as compared to 2013 levels. Large-sized deals have also been lesser in recent months. With exits posing a significant challenge, a large proportion of PE transactions are still unrealized. This is adding to challenges of fundraising for new funds.

Asset management

Assets under management of mutual funds were ₹7.5t as on Sep 2013, down from ₹8.1t as on Jun 2013. All the major segments saw net outflows this quarter. Equity funds specifically have seen net outflows in the last 7 consecutive quarters. Indian ETF assets were US\$1.9b as of Sep 2013, lower than the US\$2.0b as of Jun 2013. This drop is attributable to the decline in Non-Gold ETF assets. Conversely, Gold ETFs picked up this quarter.

MOFSL's Performance

- Revenues in 2Q FY14 were ₹1.2 billion (up 5% QoQ and up 2% YoY)
- Adjusted PAT was ₹188 million (up 2% QoQ and down 18% YoY).
- Reported PAT in 2Q FY14 was ₹56 million (down 70% QoQ and down 75% YoY). Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL) of ₹570.7 million with respect to the proprietary positions and ₹13.6 million with respect to funded positions. NSEL has not been able to adhere to its payment obligations over the past few months. Motilal Oswal Group has perused legal action against NSEL and others by filing writ petition in Bombay High Court and criminal complaint in Economic Offences Wing (EOW). Pending final outcome which is uncertain, the Company has provided for an amount of ₹131.6 million (post tax) in respect of its proprietary and funded positions for the quarter and half year ending Sept 2013 which is disclosed under the head "Exceptional Items"
- EBITDA and Adjusted PAT margins for 2Q FY14 were 31% (32% in 1Q FY14) and 16% (17% in 1Q FY14) respectively
- Net worth as of Sep 30 was ₹12.0 billion and net cash of ₹1.7 billion
- Pursuant to the commencement of the buy-back programme of the company's shares at a price not exceeding ₹90 per share of upto a maximum of 7.5 million shares, the company has bought back 6.4 million shares as of Sep 2013
- Interim dividend of ₹1 per share was declared

Segment-wise business performance:

- Broking and related revenues were ₹732 million in 2Q FY14, up 8% on a QoQ basis and flat on a YoY basis. Given the continued disproportionate rise of derivatives volumes in the market, our overall equity market share dipped from 1.7% to 1.4% on a QoQ basis. However, we continue to maintain our market share in the cash segment, and have in fact, gained market share in the high-yield delivery segment specifically. Due to this, our blended yield has in fact picked up to 3.7 bps in 2Q FY14, up from 3.4 bps in 1QFY14
- Fund based income was ₹179 million, down 33% from 1Q FY14 and down 16% from 2Q FY13. The loan book was ₹4.4 billion, as of Sep 2013
- Asset Management fee were ₹206 million for 2Q FY14, up 63% QoQ and up 52% YoY. The uptick was largely owing to incremental fees related to our new private equity fund – IBEF-II, which saw its final close during this quarter. Total Assets under Management for the Group were ~₹33.0 billion. Within this, our mutual funds AUM was ₹4.1 billion, PE AUA was ~₹17.0 billion, while PMS AUM was ₹11.9 billion

- Investment banking fees at ₹35 million, up 50% YoY. Transaction closures remain impacted as multiple macro concerns continue to affect the investment mood in the economy
- Other income was ₹8 million in 2Q FY14

MOFSL General Highlights

- Total client base increased to 786,688 which includes 690,011 retail broking and distribution clients. Our Pan-India retail distribution reach stood at 1,495 business locations across 511 cities
- Private Wealth Management managed assets of ~₹20.5 billion, as of Sep 2013
- Motilal Oswal Private Equity made the final close of its 2nd growth capital fund – IBEF II with total commitments of approximately ₹9.5 billion raised from both domestic and offshore investors
- MOSL bagged Best Performing Equity Broker (National) Award at CNBC TV18 Financial Advisor Awards for 3rd year in a row
- Institutional Equities conducted the 9th Annual Global Investor Conference in Mumbai, which was very well received by global as well as domestic institutional investors
- We are investing into building a new housing finance company – Aspire Home Finance Corporation Limited. This will be led by Anil Sachidanand, who was previously with DHFL as CEO and brings with him 22 years of rich experience in the mortgage space. We are currently in the process of obtaining the necessary approvals for commencement of this business. It will be our endeavor to build a high quality institution with a strong value proposition which we believe can help us capture a sizable portion of this opportunity and add significant value for all stakeholders

Outlook

While WPI showed some signs of moderation in the initial months of this quarter, it picked up yet again. Industrial data is expected to be positively impacted in coming months, with the new cabinet committee turning the wheels of some of the stalled projects. However, a lot yet needs to be done to boost investor sentiments. We believe that despite all headwinds, the long-term Indian growth story would present several growth opportunities for financial services firms. We are focused on this opportunity and are methodically building a customer focused organization in the capital markets space.

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

Broking & Distribution & Institutional Broking

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

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	774	775	0%	774	852	-9%	1,549	1,644	-6%	3,369
EBIDTA	212	233	-9%	212	290	-27%	445	548	-19%	1,076
PBT (before E & EOI)	169	195	-13%	169	247	-31%	364	461	-21%	887
Adjusted PAT	122	124	-1%	122	171	-28%	246	315	-22%	588
Reported PAT	4	124	-96%	4	171	-97%	128	315	-59%	821

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Sep 2013 earnings

As per recent news, a large player is planning to shut down its retail business. Will this benefit the competitors? Are we continuing our focus on the retail side?

The retail business is our flagship business. As far as the focus on retail is concerned, we are still expanding and building a good quality distribution platform. We are recruiting people across various functions. So our commitment is, in fact, increasing day by day. A recent survey in the newspapers said that diversified mutual funds are considered more risky than stock investing in India. So there is a chance that whenever retail investors come back, they should save more or at least as much in direct equity as in mutual funds. We think there is scope for retail broking and do not have any hesitation in our commitment to building up the retail business.

Given the news of some big retail brokers planning to shut shop, is the situation really so bad in this business or are these individual issues with those companies?

The current aversion of retail investors from equities has been challenging. While we are still making money, it is not what one would expect in terms of effort and size of the network that has been put up. For somebody in whose scheme of the things this business has now become very small, it may not seem practical. But in our scheme of things, it is still a very significant portion of our business. If one looks at data, in the 5 years from 2008 till date, the market turnover has grown at 27% compounded from about ₹620b to about ₹2.1t. But in the same period, the cash volumes in the market have come down by 20% and retail itself has come down by 30%. So, cash turnover to total turnover has fallen from 27% to 6%. Global average is about 16%. At 25-26% in 2008 we were above the global average, but now we are significantly below the global average. So in the next 3-4 years, even if we maintain at 6%, we can still grow at 25% compounded. But if we come back to 12%, then the industry can surprise everybody by growing by 4 times.

Do you think MOFS would benefit from such exits in the retail space?

A lot of clients have double or triple broking accounts. If there are some accounts mapped between them and us and they stop servicing those clients, then there will be some shift of the business. But it is difficult to estimate how many accounts are mapped up between them and us. Our sense is the shift will not be meaningful at this juncture.

But as and when they do actually shut down in the next 15 or 20 months, or whatever the time length they have said, and if there is an upturn in the market in that period, then we do hope to gain some volume out of it.

In terms of segment-wise revenue and profits reported in the exchange disclosures, the broking margins have gone down from 27% to 17%. Is this the correct assessment? Also, is the ₹190m NSEL write-off related only to the broking segment?

The consolidated exchange disclosure is as per the accounting standard guidelines. The better way to get a color on the broking business and its profitability is to look at our quarterly earnings presentation. In this, MOSL is reported separately and this is the better representation of our broking business. Here, our operating profits have been more or less constant once you take out the NSE write-off, since it was partly in that entity itself. In fact, we have invested into some of our businesses, like people costs.

The ₹190m write-off is the pretax amount that we have provided at a Group level. At MOSL's level, it would be slightly less than that. MOSL is the broking company which had most of the exposure.

What would be the average daily commodity turnover?

It would be roughly about 0.5% of the market.

What are the issues in scaling up the wealth piece further? There is a very old PMS business running which has given decent returns?

In our initial years from 2007 to 2010, our wealth business was more of a distribution-led model as it was mostly cross-selling PMS and other products to our existing customers. But over the last 2 or 3 years, we have made a conscious effort to build a high quality wealth franchise including a significant focus on multi-asset class advisory. We have got a new CEO and a very competent advisory team who are building a high quality business. The business is up by about 60-70% from a YoY perspective and the composition is also towards multiple asset classes now, not just equity. We are methodically building the business and have to spend some more time on building the system and processes. It is not a cash guzzling business for us, and is funding for itself. Also, while PMS is being sold on the wealth management platform, it is being managed by the AMC. Despite its stable portfolio and good performance since the last few years, there have been some outflows or limited net inflows in the recent months. So the business of PMS has also been challenging as any other equity business because of investor fatigue with the nonperformance of the broad equity market since the last 5 years or so.

Fund Based Income

MOFSL STANDALONE FINANCIALS (₹Mn)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	313	176	78%	313	211	48%	489	351	39%	949
EBIDTA	247	133	86%	247	163	51%	380	267	42%	836
PBT (before E & EOI)	178	77	130%	178	120	49%	256	184	39%	618
Adjusted PAT	163	53	206%	163	105	55%	216	148	47%	498
Reported PAT	160	53	200%	160	105	52%	213	148	44%	387

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Sep 2013 earnings

Fund income was down on a QoQ basis despite the lending book remaining flat. Was this due to lower arbitrage income or have yields on the lending book fallen? Given the typical high cost of funds, what is the yield on loan against share currently and how has it moved QoQ?

The loan book and the returns were stable. It was the arbitrage business which saw lower returns, given the volatility. August especially had seen extreme volatility on both sides due to QE tapering, etc. So the returns on that book were muted. But we believe this is more of a one-time event and that over a period of time, we will see much more stable returns. Yield on loan against shares was about 15.5% this quarter, and about 14.5% in the previous quarter. So yield is actually up 1% incrementally. But we have negligible debt on our balance sheet, and so have not been much impacted by the increased cost.

Has the margin funding book gone up quarter on quarter?

Margin funding book has been more or less stable sequentially. It was about ₹4.41b last quarter, and now it is about ₹4.43b. There has not been a major change in that book quarter-on-quarter.

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	69	70	-1%	69	86	-19%	140	181	-23%	348
EBIDTA	(8)	(13)	nm	(8)	19	nm	(21)	34	nm	58
PBT (before E & EOI)	(9)	(15)	nm	(9)	18	nm	(23)	32	nm	53
Reported PAT	(9)	(13)	nm	(9)	18	nm	(22)	32	nm	53

Source: MOFSL's presentation on Sep 2013 earnings

Private Equity

KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	143	60	140%	143	52	176%	203	114	78%	274
EBIDTA	83	22	272%	83	16	414%	105	22	389%	82
PBT (before E & EOI)	82	21	288%	82	15	436%	103	20	420%	78
Reported PAT	54	14	274%	54	10	417%	68	14	405%	53

Source: MOFSL's presentation on Sep 2013 earnings

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	Q2 FY14	Q1 FY14	CHG. QOQ	Q2 FY14	Q2 FY13	CHG. YOY	6M FY14	6M FY13	CHG. YOY	FY13
Total Revenues	45	9	421%	45	23	96%	54	52	4%	80
EBIDTA	16	(22)	nm	16	(7)	nm	(6)	(30)	nm	(60)
PBT (before E & EOI)	12	(25)	nm	12	(9)	nm	(13)	(33)	nm	(68)
Reported PAT	8	(17)	nm	8	(6)	nm	(9)	(23)	nm	(52)

Source: MOFSL's presentation on Sep 2013 earnings

Others

What is the rationale for investing in housing finance? You have resisted getting into lending business for a long time, so what has changed over the last 3-4 months to get into this business? What will be the focus area, is it loan against property? How do we compete against banks or larger NBFCs?

The opportunity size in mortgages and housing finance is very big, and it is going to be for a very long period. But while the opportunity is very large, just having capital and desire does not give us right to win. We have a leadership team led by Anil Sachidanand, who brings with him 22 years of very successful career in mortgages. We are entering cautiously with the help of this experienced leadership team. We are not going to be in a race to build up a very large book very quickly. We are new to this business. We understand financing, but we are getting into balance sheet lending for the first time.

We were very close to the capital markets and we never went anywhere away from that. 100% of the balance sheet is committed here. All the effort is committed here, but we have seen the kind of depth of cyclicalities. We have seen 3-4 cycles and every cycle is deeper in kind of a correction and equally bigger in terms of uplift. We are not much worried about the cyclicalities because that is the nature of the market and that is the nature of the equities. In this 4-5 years of downturn, one of the things which we are seeing is a lot of structural changes in the equity markets and mass exodus of retail investors from equities. Cash equity's share to total market volumes, where we have some edge in terms of value addition, equity research etc, has come down to just 6%. We do believe that it

will come back to 10-15% in the years to come. But if the equity aversion remains prolonged or becomes even more severe, it might lead to further shrinkage of P&L and balance sheet of this company. So we wanted to get into something which is noncyclical in character and this is an opportune time to start something which is secular. All our businesses have been cyclical, whether it is asset management, IB or broking. So this is one effort to see if we can build some secular business. We do not think this is that volatile an asset class. Whether we will win or not, only time will tell. But the downside is limited. If you win, it could be significant. That is the thought process we have.

We are currently in the process of finalizing the detailed plans. We will make further announcements in subsequent quarters, once we get the license and once we capitalize it. Our plan is to capitalize it by ₹1b equity from our side and build upon it with the leverage as we go along. It will be a proper mortgage business vs. just loan against property. We are trying to position ourselves into mid-end of the market. It may not be in a city like Mumbai at all. It will be in Tier-2, Tier-3 cities or outside of Mumbai. It will typically be against construction in the sense that somebody has a plot of land and they want to build it. So the loan-to-value ratios are much more favorable because we have much more manufacturing capabilities than liability on our hand. We can process 500 applications, but we have a lendable capacity of 100 or 200. So we will pick and choose to build the initial portfolio. Then, as we will learn the game, as the team, processes, customer experience matures, we will scale up quickly.

Given the NSEL episode, is there any philosophy from the Board now in terms of capping such investments and instead just distribute the cash or do some more buyback?

Despite the setback of NSEL, we have declared Rs. 1 as interim dividend in this Board meeting. So the whole focus is exactly on the same lines. Unless we have a very compelling opportunity where we can deploy the cash, we will restrict the growth of balance sheet and will try to give out as much cash as possible. A buyback had already been announced and is going through. Approximately 85% of that buyback is completed as of Sep. Once this buyback is over, the only option left is either to pay out or deploy in some other meaningful asset.

Regarding the provision for the NSEL exposure, what is your view on the balance?

We have decided at the Board level to phase it out in three quarters before 31st March in equal portions. We are trying to pursue everything that we can legally on this matter for the investors and our own money. We think that the meaningful portion will be recovered. But while that process goes on, out of abundant caution and with the suggestion of our independent Board members, we have decided to go through with the provision process on one-third basis across three quarters.

Does MOFSL have any indirect exposure to NSEL? What is the client exposure?

There is no indirect exposure. We have mentioned our total exposure in our press release - about ₹570m of prop investment and ₹14m of funding. The total client exposure would be about ₹1.95b through our broking platform.

Regarding the NSEL exposure, is there any hypothetical scenario that MOFSL is liable to pay its clients?

Based on the current reading of the facts, we believe that we are not liable. We have been totally clear in our communication with our clients and they have seen the effort we are putting in terms of getting the right kind of attention on this matter. So we do not see any risk on that aspect.



INVESTOR UPDATE

Motilal Oswal Financial Services reports Q2 FY14 Consolidated Revenues of ₹1.2 billion; Adjusted PAT of ₹188 million; Interim dividend of ₹1 per share declared

Mumbai, Oct 26, 2013: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for the quarter ended Sep 30, 2013 post approval by the Board of Directors at a meeting held in Mumbai on Oct 26, 2013.

Performance Highlights

₹Million	Q2 FY14	Comparison (Q1 FY14)
Total Revenues	1,160	↑5%
EBIDTA	358	↑1%
Adjusted PAT	188	↑2%
Reported PAT	56	↓ 70%
EPS- ₹(FV of ₹1)	0.5	

Performance for the Quarter ended Sep 30, 2013

- Revenues in Q2 FY14 were ₹1.2 billion (up 5% QoQ and up 2% YoY)
- Adjusted PAT was ₹188 million (up 2% QoQ and down 18% YoY)
- Reported PAT in Q2 FY14 was ₹56 million (down 70% QoQ and down 75% YoY). Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL) of ₹570.7 million with respect to the proprietary positions and ₹13.6 million with respect to funded positions. NSEL has not been able to adhere to its payment obligations over the past few months. Motilal Oswal Group has perused legal action against NSEL and others by filing writ petition in Bombay High Court and criminal complaint in Economic Offences Wing (EOW). Pending final outcome which is uncertain, the Company has provided for an amount of ₹131.6 million (post tax) in respect of its proprietary and funded positions for the quarter and half year ending Sept 2013 which is disclosed under the head "Exceptional Items"
- EBITDA and Adjusted PAT margins for Q2 FY14 were 31% (32% in Q1 FY14) and 16% (17% in Q1 FY14) respectively
- The balance sheet had net worth of ₹12.0 billion and net cash of ₹1.7 billion, as of Sep 30, 2013
- Pursuant to the commencement of the buy-back programme of the company's shares at a price not exceeding ₹90 per share of upto a maximum of 7.5 million shares, the company has bought

back 6.4 million shares as of Sep 2013

- Interim dividend of ₹1 per share was declared.

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

“Markets were very volatile this quarter, on the back of domestic news and global events, especially in USA. Improvement in WPI inflation, as seen in the earlier part of the quarter, has not sustained. Markets might get some cheer in coming months with the new cabinet committee possibly turning the wheels of some stalled projects. Market volumes in the hi-yield cash segment, including delivery, increased QoQ. We succeeded in holding our market share in this space, reaffirming our well entrenched position in this profitable segment. Net inflows from FIIs slowed down this quarter, with July and August seeing net outflows. DIIs continued to see net outflows. Primary market activities have largely dried up. M&A and PE deal values also slowed down. Despite these challenges, we continue to invest in people, technology and processes which we believe will lay the foundation for growth as market activity picks up.”

Segment results for Q2 FY14:

- **Broking and related revenues** were ₹732 million in Q2 FY14, up 8% on a QoQ basis and flat on a YoY basis. Daily volumes in the equity markets reached a high of ₹2.2 trillion in Q2 FY14, led by a 15% QoQ growth in both futures and options. Options now comprise over 78% of market volumes, while futures comprise over 15%. Cash volumes were up by 9% QoQ, led by increased volumes in August and September. It now comprises 6.2% of market volumes, marginally down from 6.5% in the previous quarter. Within cash, the delivery segment showed an 11% uptick and held its share of market volumes at ~2%. Given the continued disproportionate rise of derivatives volumes in the market, our overall equity market share dipped from 1.7% to 1.4% on a QoQ basis. However, we continue to maintain our market share in the cash segment, and have in fact, gained market share in the high-yield delivery segment specifically. Due to this, our blended yield has in fact picked up to 3.7 bps in Q2 FY14, up from 3.4 bps in Q1FY14
- **Fund based income** was ₹179 million, down 33% from Q1 FY14 and down 16% from Q2 FY13. The loan book was ₹4.4 billion, as of Sep 2013
- **Asset Management fee** were ₹206 million for Q2 FY14, up 63% QoQ and up 52% YoY. The uptick was largely owing to incremental fees related to our new private equity fund – IBEF-II, which saw its final close during this quarter
- **Investment banking fees** at ₹35 million, up 50% YoY. Transaction closures remain impacted as multiple macro concerns continue to affect the investment mood in the economy
- **Other income** was ₹8 million in Q2 FY14

Business Highlights for Q2 FY14

- Total client base increased to 786,688 which includes 690,011 retail broking and distribution clients
- Pan-India retail distribution reach stood at 1,495 business locations across 511 cities
- Total Assets under Management for the Group were ~₹33.0 billion. Within this, our mutual funds

AUM was ₹4.1 billion, PE AUA was ~₹17.0 billion, while PMS AUM was ₹11.9 billion

- Private Wealth Management managed assets of ~₹20.5 billion, as of Sep 2013
- Depository assets were ₹110.0 billion, as of Sep 2013
- Motilal Oswal Private Equity made the final close of its 2nd growth capital fund – IBEF II with total commitments of approximately ₹9.5 billion raised from both domestic and offshore investors
- MOSL bagged Best Performing Equity Broker (National) Award at CNBC TV18 Financial Advisor Awards for 3rd year in a row
- Institutional Equities conducted the 9th Annual Global Investor Conference in Mumbai
- We are investing into building a new housing finance company – Aspire Home Finance Corporation Limited (<http://www.ahfcl.com>). This will be led by Anil Sachidanand, who was previously with DHFL as CEO and brings with him 22 years of rich experience in the mortgage space. We are currently in the process of obtaining the necessary approvals for commencement of this business. It will be our endeavor to build a high quality institution with a strong value proposition which we believe can help us capture a sizable portion of this opportunity and add significant value for all stakeholders

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 1,495 business locations spread across 511 cities and the online channel to over 786,688 registered customers. MOFSL has strong research capabilities, which enables them to identify market trends and stocks with high growth potential, facilitating clients to take well-informed and timely decisions. MOFSL has been ranked by various polls such as the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in Asia Money Brokerage Polls for India. MOSL won 4 awards in the ET-Now Starmine Analyst Awards 2010-11, placing it amongst the Top-3 award winning brokers, was ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category and won the 'Best Market Analyst' Award for 2 sectors at the India's Best Market Analyst Awards 2011. MOFSL won the 'Best Capital Markets and Related NBFC' award at the CNBC TV18 Best Banks and Financial Institutions Awards 2011. MOSL also won the 'Best Equity Broking House' award for FY11 at the Dun & Bradstreet Equity Broking Awards 2011. MOSL won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards 2013, for the 3rd year in a row. MOSL won 'Best Equity Broker' award at Bloomberg UTV Financial Leadership Awards 2012, 'Retailer of the Year (Banking & Financial Services)' award at Retail Excellence Awards 2012, and was ranked 2nd in the "Best Overall Brokerage" category by Asia Money in 2011. Motilal Oswal Private Equity won 'Best Growth Capital Investor-2012' award at the Awards for Private Equity Excellence 2013. MOSL was adjudged amongst the Top 20 innovators in BFSI for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012, and won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013

For further details contact:

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<p align="center">MOTILAL OSWAL FINANCIAL SERVICES LIMITED Registered Office: Palm Spring Centre, Palm Court Complex, 2nd Floor, Link Road, Malad (W), Mumbai - 400 064 Tel: +91-22-30801000, Fax: +91-22-28449092 Email:shareholders@motilaloswal.com CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER & HALF YEAR ENDED 30TH SEPTEMBER 2013</p>						
Particulars	Quarter Ended			Half Year Ended		Year Ended (Audited)
	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
1. Income from Operations						
(a) Income from Operations	10,836	10,100	10,136	20,936	20,203	42,471
(b) Other Operating Income	677	700	920	1,377	1,773	3,992
Total Income	11,513	10,800	11,056	22,313	21,976	46,463
2. Expenditure						
a. Operating expense	2,403	2,413	2,545	4,816	5,324	11,061
b. Employees' benefit expense	3,292	2,975	2,631	6,267	5,175	10,796
c. Depreciation and amortisation expenses	604	590	649	1,193	1,274	2,585
d. Other expenditure	2,318	2,132	2,177	4,450	4,219	7,991
Total expenses	8,617	8,110	8,002	16,726	15,991	32,433
3. Profit from Operations before other income, finance cost & exceptional items (1-2)	2,896	2,690	3,054	5,587	5,985	14,030
4. Other Income	85	277	298	362	405	825
5. Profit from Ordinary Activities before finance cost & exceptional items (3+4)	2,981	2,967	3,352	5,949	6,390	14,854
6. Finance Cost	81	87	31	167	87	480
7. Profit from ordinary activities after finance cost but before exceptional items (5-6)	2,900	2,880	3,321	5,782	6,303	14,374
8. Exceptional Items - (Expense)/Income	(1,948)	-	-	(1,948)	-	1,808
9. Prior period items - (Expense)/Income	14	17	-	31	-	-
10. Profit from Ordinary Activities before tax (7-8+9)	966	2,897	3,321	3,865	6,303	16,182
11. Tax expense	325	1,020	1,011	1,346	1,971	5,184
12. Net Profit from Ordinary Activities after tax but before minority interests (9-10)	641	1,877	2,310	2,519	4,333	10,998
13. Share of minority interests in (profits)/ loss	(79)	(28)	(20)	(107)	(20)	(90)
14. Net Profit after tax and minority interests (12-13)	562	1,849	2,290	2,412	4,313	10,909
15. Paid-up equity share capital (Face Value of Re. 1/- Per Share)	1,389	1,452	1,452	1,389	1,452	1,452
16. Reserves excluding Revaluation Reserves	-	-	-	-	-	120,334
17. i. Earnings Per Share (EPS) (before Extraordinary items) (of Re. 1/- each)						
a) Basic EPS	0.45	1.29	1.58	1.76	2.97	7.57
b) Diluted EPS	0.45	1.29	1.58	1.76	2.97	7.57
17. ii. Earnings Per Share (EPS) (after Extraordinary items) (of Re. 1/- each)						
c) Basic EPS	0.45	1.29	1.58	1.76	2.97	7.57
d) Diluted EPS	0.45	1.29	1.58	1.76	2.97	7.57
Particulars of Shareholding						
18. Public shareholding						
- Number of shares	36,461,059	42,805,084	43,368,614	36,461,059	43,368,614	43,143,928
- Percentage of shareholding	26.25%	29.47%	29.86%	26.25%	29.86%	29.71%
19. Promoters' and promoter group shareholding						
a) Pledged/Encumbered						
- Number of shares	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	NIL	NIL	NIL	NIL
- Percentage of shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL	NIL	NIL
b) Non-encumbered						
- Number of shares	102,430,692	102,430,692	101,867,162	102,430,692	101,867,162	102,091,848
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
- Percentage of shares (as a % of the total share capital of the company)	73.75%	70.53%	70.14%	73.75%	70.14%	70.29%
20. Investors' Complaints						
Pending at the beginning of the period	NIL	NIL	NIL	NIL	1	1
Received during the period	11	NIL	3	11	5	11
Disposed off during the period	11	NIL	3	11	6	12
Remaining unresolved at the end of the period	NIL	NIL	NIL	NIL	NIL	NIL
Notes						
1) The above results were reviewed by the Audit Committee and taken on record by the Board of Directors of the Company at its Meeting held on Saturday, 26th October, 2013. The results for the quarter & half year ended 30th September, 2013 have been reviewed by the Statutory Auditors of the Company.						
2) The Company obtained approval from the shareholders, by way of Postal Ballot process on 21st June, 2013 and from SEBI on 2nd July, 2013 to buyback the shares of the Company at a price not exceeding Rs. 90/- per share of upto a maximum of 75,00,000, fully paidup equity shares of Re. 1/- each . Pursuant to this the Company has bought back 63,88,944 shares upto 30th September, 2013. The amount utilised for buyback is Rs. 5,046.76 Lacs. Out of the said equity shares bought back, 44,919 equity shares have been extinguished post 30th September 2013.						
3) Motilal Oswal Group has exposure to National Spot Exchange Limited (NSEL) of Rs 5,707 Lacs with respect to the proprietary positions and Rs 136 Lacs with respect to the funded positions. NSEL has not been able to adhere to its payment obligations over the past few months. Motilal Oswal Group has perused legal action against NSEL and others by filing writ petition in Bombay High Court and criminal complaint in Economic Offences Wing (EOW). Pending final outcome which is uncertain, the Company has provided for an amount of Rs 1,948 Lacs in respect of its proprietary and funded positions for the quarter and half year ending 30th September 2013 which is disclosed under the head "Exceptional items".						
4) CIRISIL has re-affirmed the rating of 'CIRISIL A1+' (pronounced 'CIRISIL A one Plus') to the Short Term Debt Programme of the company for Rs. 1.5 billion . CIRISIL has also re-affirmed the rating of 'CIRISIL A1+' (pronounced 'CIRISIL A one Plus') to the Short Term Debt Programme of the subsidiary, Motilal Oswal Securities Ltd for Rs 1 billion. ICRA has re-affirmed the rating of "PP-MLD[ICRA]AA-" (pronounced 'CIRISIL double A minus rating with Stable Outlook') to the Long Term Debt Programme of the company for Rs. 25 Crores.						
5) The consolidated results of the Company include the results of the subsidiaries – Motilal Oswal Securities Limited (99.95%), Motilal Oswal Investment Advisors Private Limited (100%), MOPE Investment Advisors Private Limited (formally known as Motilal Oswal Private Equity Advisors Private Limited) (85%), Motilal Oswal Commodities Broker Private Limited (97.55%), Motilal Oswal Capital Markets Private Limited (99.95%), Motilal Oswal Wealth Management Private Limited (99.95%), Motilal Oswal Insurance Brokers Private Limited (99%), 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%).						
6) The Board of Directors at its meeting held on October 26, 2013, has declared an interim dividend of Re. 1/- per equity share (on face value of Re 1/- each equity share) for the financial year 2013-14.						
7) The previous financial quarter / year figures have been regrouped/rearranged wherever necessary to make them comparable.						
8) Standalone financial results are summarised below and also available on the Company's website: www.motilaloswal.com.						
Particulars	Quarter Ended			Half Year Ended		Year Ended (Audited)
	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
Gross Revenue	3,128	1,760	2,112	4,887	3,508	9,490
Profit Before Tax	1,739	775	1,201	2,514	1,841	4,540
Profit After Tax	1,600	534	1,055	2,134	1,480	3,875

9) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER & HALF YEAR ENDED 30TH SEPTEMBER 2013

(Rs. in Lacs)

Particulars	Quarter Ended			Half Year Ended		Year Ended (Audited)
	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
1. Segment Revenue						
(a) Broking & Other related activities	7,630	8,035	8,692	15,678	17,019	34,489
(b) Financing & Other activities	1,678	1,760	1,385	3,423	2,780	7,315
(c) Asset Management & Advisory	2,398	1,582	1,378	3,963	2,944	6,665
(d) Investment Banking	448	87	230	535	500	780
(e) Unallocated	548	444	501	1,008	804	1,936
Total	12,701	11,907	12,187	24,608	24,047	51,185
Less: Inter Segment Revenue	1,089	814	833	1,903	1,666	3,897
Income From Operations, Other Operating income & Other Income	11,612	11,093	11,354	22,705	22,381	47,288
2. Segment Results Profit / (Loss) before tax and interest from each segment						
(a) Broking & Other related activities	1,298	1,943	2,380	3,242	4,734	8,876
(b) Broking & Other related activities (exceptional item)	(1,946)	-	-	(1,946)	-	3,446
(c) Financing & Other activities	289	775	476	1,049	1,114	4,003
(d) Financing & Other activities (exceptional item)	(1)	-	-	(1)	-	(1,638)
(e) Asset Management & Advisory	707	20	240	710	402	1,196
(f) Investment Banking	147	(233)	(81)	(87)	(340)	(660)
(g) Unallocated	580	446	508	1,057	807	1,936
Total	1,075	2,951	3,523	4,026	6,717	17,158
Less: (i) Interest	108	54	201	162	412	976
Profit/(Loss) from Ordinary Activities before tax	967	2,897	3,322	3,864	6,305	16,182
3. Capital Employed						
(Segment assets – Segment liabilities)						
(a) Broking & Other related activities	42,292	44,892	40,942	42,292	40,942	48,212
(b) Financing & Other activities	54,659	59,487	58,252	54,659	58,252	58,852
(c) Asset Management & Advisory	1,247	662	80	1,247	80	791
(d) Investment Banking	844	426	614	844	614	746
(e) Unallocated	20,469	18,202	18,903	20,469	18,903	13,185
Total	119,511	123,669	118,791	119,511	118,790	121,786

Notes:

10. 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.

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

12) STATEMENT OF ASSETS & LIABILITIES (CONSOLIDATED)

(Rs in Lacs)

Particulars	As on	
	Unaudited	Audited
	30.09.2013	31.03.2013
A. EQUITY AND LIABILITIES		
1. Shareholder's Fund		
a) Share capital	1,389	1,452
b) Reserves & surplus	118,122	120,334
Sub-total - Shareholders' funds	119,511	121,786
2. Minority interest	411	304
3. Non-current liabilities		
a) Deferred tax liabilities (net)	952	1,791
b) Other long term liabilities	85	-
c) Long-term provisions	391	487
Sub-total - Non-current liabilities	1,428	2,277
4. Current liabilities		
a) Short term borrowings	69	-
b) Trade payables	49,080	45,917
c) Other current liabilities	4,056	2,586
d) Short-term provisions	3,741	4,418
Sub-total - Current liabilities	56,946	52,921
TOTAL - EQUITY AND LIABILITIES	178,296	177,289
B. ASSETS		
1. Non-current assets		
a) Fixed assets	30,244	31,106
b) Non-current investments	13,064	12,255
c) Long-term loans and advances	1,849	1,568
d) Other non-current assets	13	8
Sub-total - Non-current assets	45,170	44,937
2. Current assets		
a) Current investments	2,840	2,551
b) Inventories	12,608	14,557
c) Trade receivables	45,284	43,589
d) Cash and bank balances	17,550	21,438
e) Short-term loans and advances	54,692	49,991
f) Other current assets	152	227
Sub-total - Current assets	133,126	132,352
TOTAL - ASSETS	178,296	177,289

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

Motilal Oswal
Chairman & Managing Director

Mumbai, 26th October, 2013
shareholders@motilaloswal.com

