

Earnings Update – Q4 FY13 and FY13



April 27, 2013

Motilal Oswal Financial Services Limited

BSE: 532892 NSE: MOTILALOSF Bloomberg:MOFS:IN Reuters: MOFS.BO

www.motilaloswal.com



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Consolidated Financials

- Revenues in Q4 FY13 were ₹1.3 billion (up 17% QoQ and up 3% YoY); FY13 revenue was ₹4.7 billion (flat on a YoY basis)
- Adjusted PAT in Q4 FY13 was ₹328 million (up 67% QoQ and up 50% YoY); ₹969 million in FY13 (flat on a YoY basis)
- Reported PAT in Q4 FY13 was ₹367 million (up 26% QoQ and up 69% YoY); ₹1.1 billion in FY13 (up 5% YoY)
- EBITDA and Adjusted PAT margins for Q4 FY13 were 42% (34% in Q3 FY13) and 24% (17% in Q3 FY13) respectively. On a full year basis, EBITDA margin was 37% (FY12: 34%), while Adjusted PAT margin was 20% (FY12: 21%)
- Proposed final dividend for FY13 is ₹1 per share (Face Value of ₹1 per share)
- Board has proposed buy back from open market for an amount not exceeding ₹650 million in cash, subject to a price not exceeding ₹90/- per equity share; upto a maximum of 7.5 million equity shares and minimum of 1.875 million equity shares, subject to approval of shareholders
- The balance sheet had net worth of ₹12.2 billion and net cash of ₹2.1 billion as of Mar 31, 2013

Volumes and Market Share

- Total ADTO in secondary equities was ₹30.3 billion in Q4 FY13 (₹25.5 billion in Q3 FY13 and ₹29.5 billion in Q4 FY12)
- Equity market share was 1.7% in Q4 FY13 (1.5% in Q3 FY13 and 2.0% in Q4 FY12)

Distribution Reach

- Retail distribution stood at 1,484 business locations across 527 cities, as of Mar 2013
- Total client base increased to 773,716 which includes 679,848 retail broking and distribution clients

Assets Managed

- Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹30.3 billion. Within this, our mutual funds AUM was ₹4.6 billion, PE AUA was ₹13.1 billion, while PMS AUM was ₹12.6 billion
- Wealth management business managed assets of ₹20.2 billion
- Depository assets were ₹109.8 billion

Business Updates

- Launched the new advisory proposition with the motto 'Responsible Advisory' under 'Private Wealth Management' brand, based on comprehensive risk profiling leading to advice which can be objectively tracked for value addition
- Motilal Oswal Private Equity (MOPE) has achieved commitments of ₹5.6 billion from both domestic and offshore investors following the third closing of its 2nd growth capital PE fund, India Business Excellence Fund-II this quarter
- Currency trading started on MOSL's trading platform in USD, GBP, EUR and JPY, with a dedicated currency research desk

**Q4 FY13
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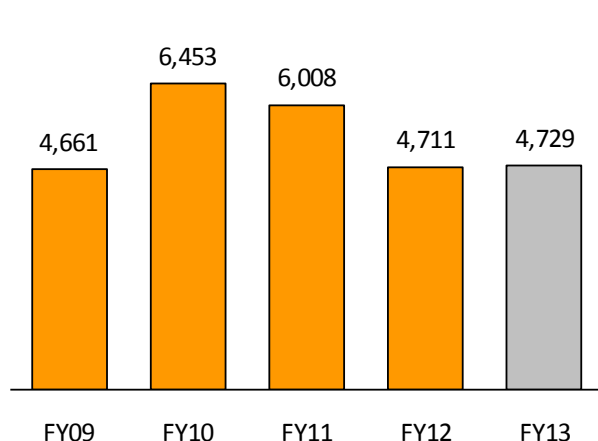
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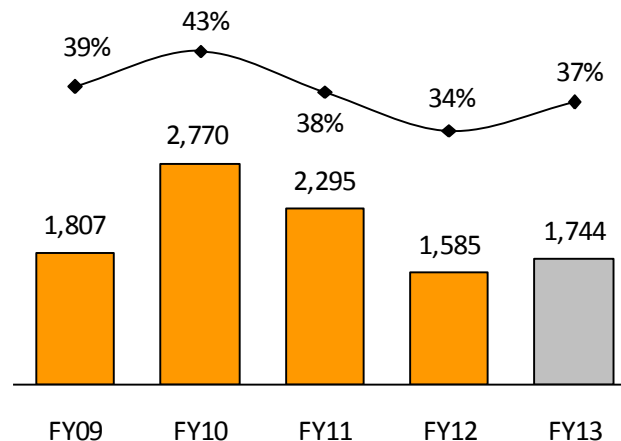
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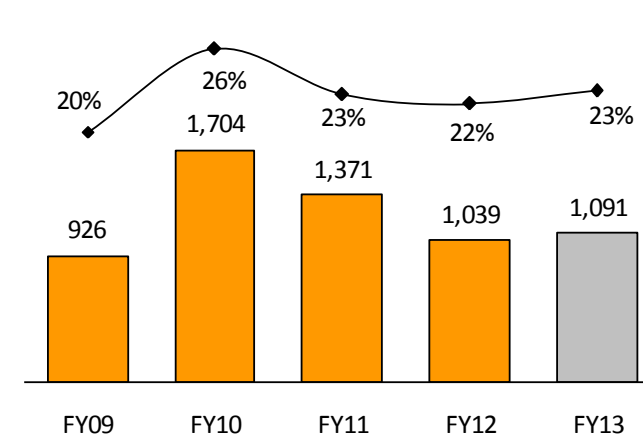
Consolidated revenues (₹ million)



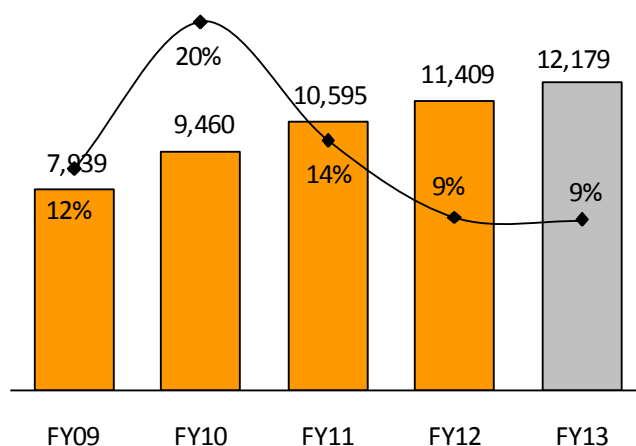
EBIDTA (₹ million, margin %)



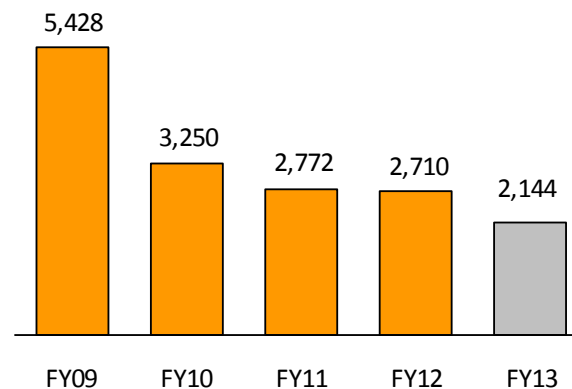
Reported PAT (₹ million, margin %)



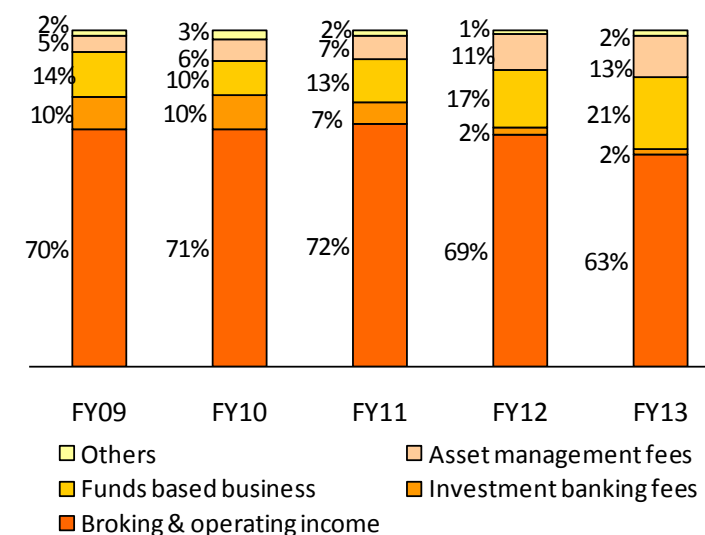
Net worth (₹ million); ROE % (based on Avg NW and Reported PAT)

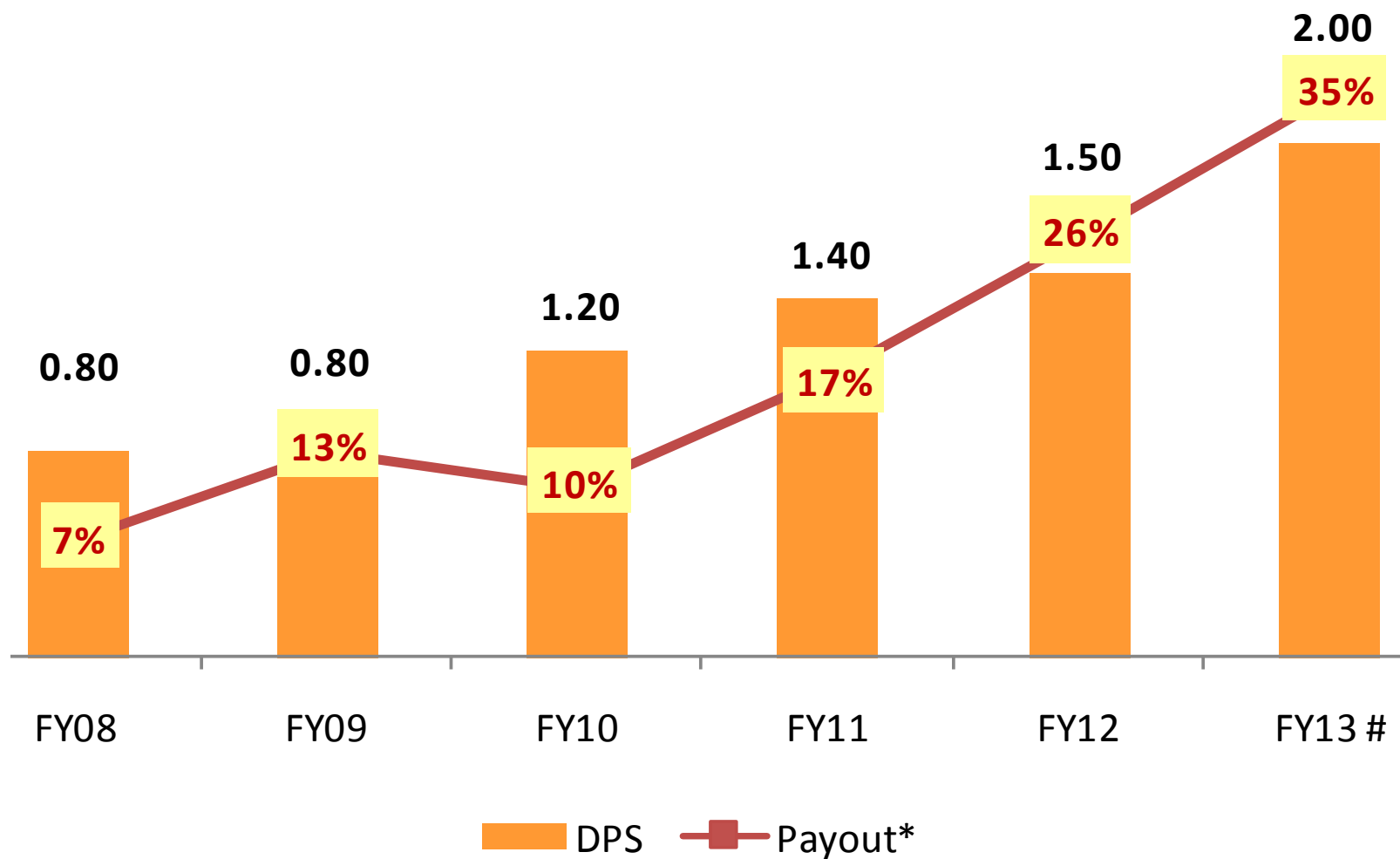


Net Cash (₹ million)



Revenue Composition (%)





For FY13; ₹1 is paid as interim dividend + ₹1 is proposed dividend; Buyback has been proposed

* Payout is calculated on Adjusted PAT for the respective years

Particulars	Q4 FY13	Q3 FY13	Change	Q4 FY13	Q4 FY12	Change	FY13	FY12	Change (%)
₹million	Mar 31, 2013	Dec 31, 2012	(%) Q-o-Q	Mar 31, 2013	Mar 31, 2012	(%) Y-o-Y	Mar 31, 2013	Mar 31, 2012	Y-o-Y
Total Revenues	1,341	1,150	17%	1,341	1,297	3%	4,729	4,711	0%
EBIDTA	570	388	47%	570	409	39%	1,744	1,585	10%
PBT (before E & EOI)	477	310	54%	477	345	38%	1,437	1,419	1%
Reported PAT	367	292	26%	367	217	69%	1,091	1,039	5%
Adjusted PAT (before E & EOI)	328	196	67%	328	218	50%	969	967	0%
EPS - Basic	2.6	2.0		2.6	1.5		7.6	7.2	
EPS - Diluted	2.6	2.0		2.6	1.5		7.6	7.2	
No.of shares outstanding (million) - FV Rs 1/share	145	145		145	145		145	145	

E & EOI = Exceptional items & Extraordinary items

- Adjusted PAT for Q4FY13 excludes total amount of ₹39 million representing profit from sale of fixed assets and provision for doubtful advances / write offs

Particulars	Q4 FY13	Q3 FY13	Change	Q4 FY13	Q4 FY12	Change	FY13	FY12	Change (%)
₹million	Mar 31, 2013	Dec 31, 2012	(%) Q-o-Q	Mar 31, 2013	Mar 31, 2012	(%) Y-o-Y	Mar 31, 2013	Mar 31, 2012	Y-o-Y
Brokerage & operating income	763	772	-1%	763	904	-16%	2,980	3,240	-8%
Investment banking fees	8	20	-59%	8	39	-79%	78	88	-11%
Fund based income	377	200	89%	377	225	67%	997	822	21%
Asset management fees	170	139	22%	170	130	31%	591	504	17%
Other income	23	19	19%	23	(1)	nm	83	59	41%
Total Revenues	1,341	1,150	17%	1,341	1,297	3%	4,729	4,711	0%

- Broking and related revenues were ₹763 million in Q4 FY13, down 1% on a QoQ basis and down 16% on a YoY basis. This segment contributed 57% of the total group revenues. On a full year basis, broking revenues at ₹3.0 billion were down 8% as compared to previous year
- Fund based income was ₹377 million, up 89% from Q3 FY13 and up 67% from Q4 FY12. These include profit earned on partial exits in few investments of the Private Equity Fund in which MOFSL made sponsor commitments. On a full year basis, fund based income at ₹997 million was up 21% over the previous year. The loan book was ₹4.3 billion, as of Mar 2013
- Asset Management fee were ₹170 million for Q4 FY13, up 22% QoQ and up 31% YoY. Higher revenue in Q4 FY13 is attributable to the fees related to the third close of the new IBEF-II fund. AMC revenues also includes PMS performance fee of ₹6.2 million accrued in Q4 FY13 (Q4 FY12: ₹11.5 million). On a full year basis, asset management fees at ₹591 million were up 17% as compared to previous year
- Investment banking fees at ₹8 million was down 59% from Q3 FY13, and down 79% YoY. On a full year basis, fees at ₹78 million were down 11% as compared to previous year due to delays in closure of few deals which are in advanced stages
- Other income was ₹23 million in Q4 FY13 and ₹83 million in FY13

₹million	As on Mar 31, 2013	As on Sep 30, 2012	As on Mar 31, 2012
Sources of Funds			
Networth	12,179	11,879	11,409
Loan funds	-	-	-
Minority interest	30	23	44
Deferred tax liability	179	51	47
Total	12,388	11,954	11,500

Application of Funds			
Fixed assets (net block)	3,111	3,311	3,445
Investments	1,481	2,691	941
Deferred tax asset	-	-	-
Current Assets (A)	13,138	9,892	11,062
- Sundry debtors	4,359	1,869	1,996
- Stock-in-trade	1,456	987	1,574
- Cash & Bank Balances	2,144	1,310	2,710
- Loans & Advances	5,156	5,693	4,736
- Other Assets	24	33	46
Current liabilities (B)	5,341	3,941	3,948
Net current assets (A-B)	7,797	5,952	7,114
Total	12,388	11,954	11,500

₹million	As on Mar 31, 2013	As on Sep 30, 2012	As on Mar 31, 2012
Networth	12,179	11,879	11,409
Debt (A)	-	-	-
Cash & Bank balances (B)	2,144	1,310	2,710
Net cash (B - A)	2,144	1,310	2,710
Debt : Equity	0.00x	0.00x	0.00x
Cash (% Networth)	18%	11%	24%

MOFSL's strategy of maintaining low gearing helped sustain strong performance in the high interest rate scenario

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Broking & Distribution, Institutional Equities & Wealth Management

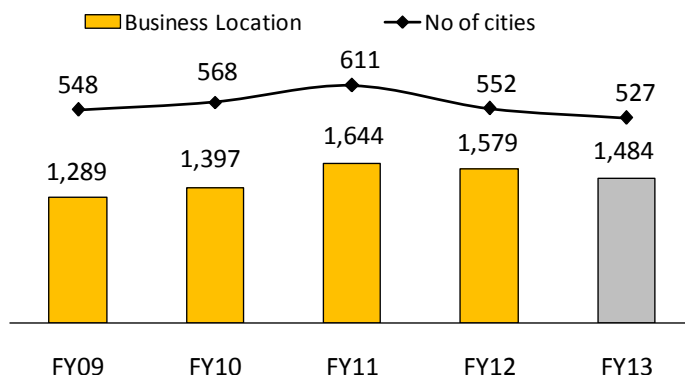
Particulars	Q4 FY13	Q3 FY13	Change	Q4 FY13	Q4 FY12	Change	FY13	FY12	Change (%)
₹million	Mar 31, 2013	Dec 31, 2012	(%) Q-o-Q	Mar 31, 2013	Mar 31, 2012	(%) Y-o-Y	Mar 31, 2013	Mar 31, 2012	Y-o-Y
Total Revenues	883	842	5%	883	1,024	-14%	3,369	3,632	-7%
EBIDTA	286	242	18%	286	347	-18%	1,076	1,182	-9%
PBT (before E & EOI)	233	192	21%	233	294	-21%	887	1,031	-14%
Reported PAT	288	218	32%	288	210	37%	821	815	1%
Adjusted PAT (before E & EOI)	158	115	37%	158	210	-25%	588	727	-19%

E & EOI = Exceptional items & Extraordinary items

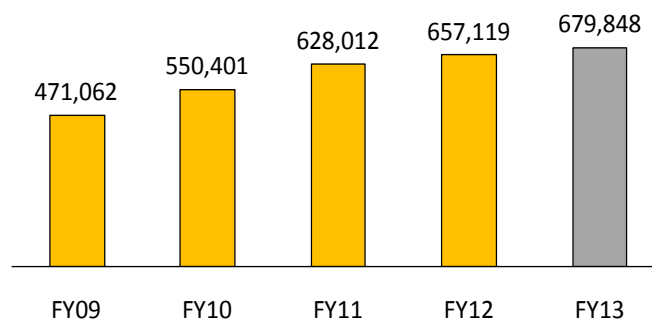
- Revenues were ₹883 million for Q4 FY13, up 5% from Q3 FY13 and down 14% as compared to Q4 FY12. On a full year basis, revenues at ₹3.4 billion were down 7% as compared to previous year
- Adjusted PAT (before E&EOI) was ₹158 million for Q4 FY13, up 37% from Q3 FY13 and down 25% from Q4 FY12. On a full year basis, adjusted PAT (before E & EOI) at ₹588 million was down 19% as compared to FY12
- MOSL ADTO was ₹30.3 billion in Q4 FY13 (₹25.5 billion in Q3 FY13 and ₹29.5 billion in Q4 FY12)
- Equity market ADTO reached a high of ₹1.8 trillion in Q4 FY13, pushed up by options. Options continue to comprise 76% of market volumes. Cash volumes grew 3% QoQ to ₹141 billion. The encouraging feature is that delivery volumes were up 8% QoQ. Also, delivery's proportion within overall market volumes picked up from 2.4% to 2.5% QoQ - both higher than the levels in the first two quarters of FY13. The main spurt in delivery volumes was during Jan and Dec, proving the adage that delivery normally see a disproportionate rise during periods of market uptick. Our overall equity market share rose from 1.5% to 1.7% QoQ. However, our blended yield decreased from 4.9 bps to 4.1 bps QoQ
- As of Mar 2013, total client base was 773,716 which includes 679,848 retail broking and distribution clients; Pan-India distribution reach stood at 1,484 locations across 527 cities

- Offers customized investment services to its retail customers
- The 'Customer first' philosophy is executed through strategic focus on:
 - Creating a robust Pan-India distribution network
 - Customer segmentation based on individual needs
 - Wide bouquet of offerings (equity, PMS, MFs, commodities)
 - Develop in-house technology for better customer experience
 - Intensify customer connect through seminars and feedback
- Introduced '*m.motilaloswal.com*' – the company's website on the mobile, including MOSL's research reports which can be accessed without login , advisory calls across horizons, news and statistics
- Currency trading was started on MOSL's trading platform in USD, GBP, EUR and JPY, with a dedicated currency research desk
- Adjudged amongst the Top 20 innovators in the BFSI space for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012
- Continued to conduct client meetings across cities on MOSL advisory products, investment strategies etc

Pan-India distribution footprint



Retail broking and distribution clients



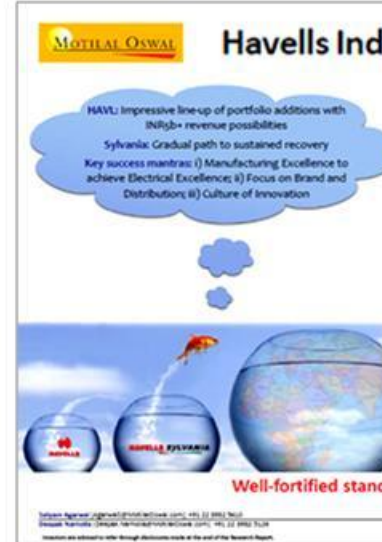
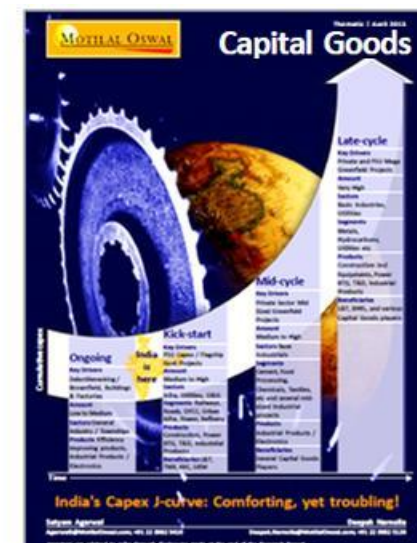
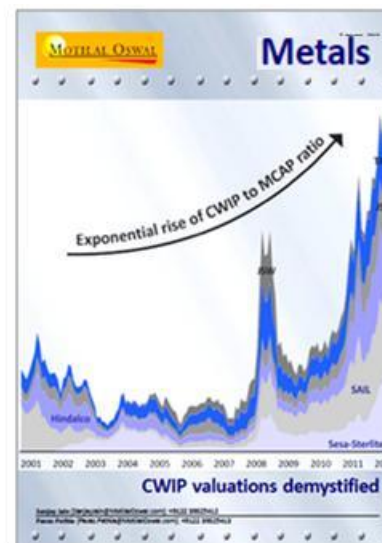
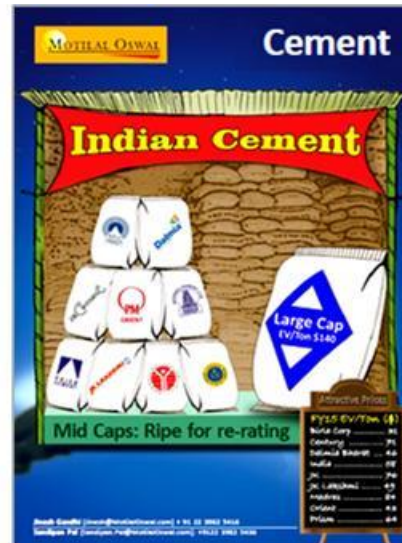
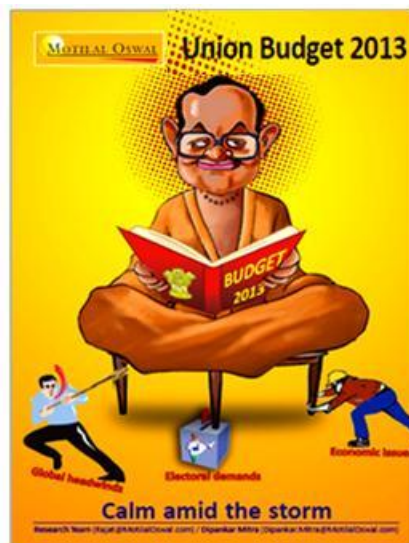
Adjudged amongst Top 20 innovators in BFSI space at the Banking Frontiers Finnovity Awards 2012



'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013

- Cash and derivatives broking to institutional clients, along with a strong research and corporate access group
- Client base of 527 institutions, as of Mar 2013

Recent Research Reports



- Private wealth management business had an AUM of ₹20.2 billion, as of Mar 2013
- During Q4FY13, our private wealth management business launched the new and improved advisory proposition with the motto 'Responsible Advisory' under the brand 'Motilal Oswal Private Wealth Management (MOPWM)'
- The value proposition is based on what clients are really seeking – Comprehensive risk profiling leading to portfolio advice which can be objectively tracked for value addition basis which it can be rewarded
- Clients will have access to a multi asset class open architecture platform
- MOPWM launched India's first Advisory Index and several other indices which will help clients track the value addition by an advisor objectively - an Industry First
- These initiatives aim to set a precedent in the way this business is run today



Our Offerings: A comprehensive menu of Multi Asset Class Advisory Solutions

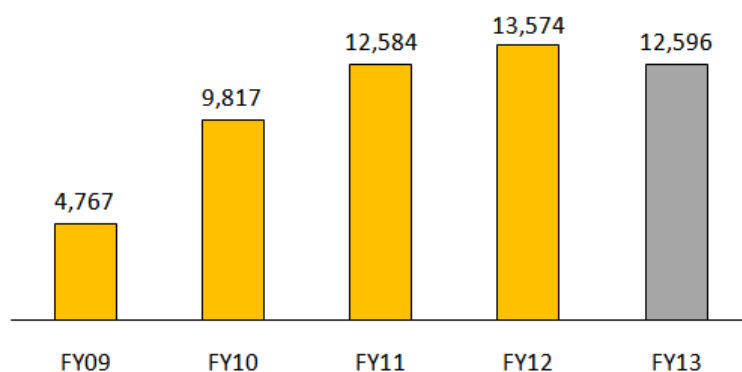
Professional Money Managers	Trading	Alternative Assets	
<ul style="list-style-type: none">• Mutual Funds• PMS• Alternative Invst. Funds	<ul style="list-style-type: none">• Equity• Fixed Income• Commodity & Currency	<ul style="list-style-type: none">• Private Equity• Real Estate• Structured Products	
Credit Solutions	Wealth Transmission	Specialized Services	Ancillary Services
<ul style="list-style-type: none">• IPO Financing, ESOP Funding• LAS/LAP• Institutional Credit Solutions	<ul style="list-style-type: none">• Estate Planning• Trust services• Wills	<ul style="list-style-type: none">• Investment Bnkg. Services• Offshore Advisory & Solutions• Hedging & Insurance Advisory	<ul style="list-style-type: none">• Tax Advisory• Legal Advisory

Particulars	Q4 FY13	Q3 FY13	Change (%)
₹million	Mar 31, 2013	Dec 31, 2012	Q-o-Q
Total Revenues	88	79	12%
EBIDTA	11	13	-14%
PBT	10	11	-16%
Reported PAT	10	11	-16%

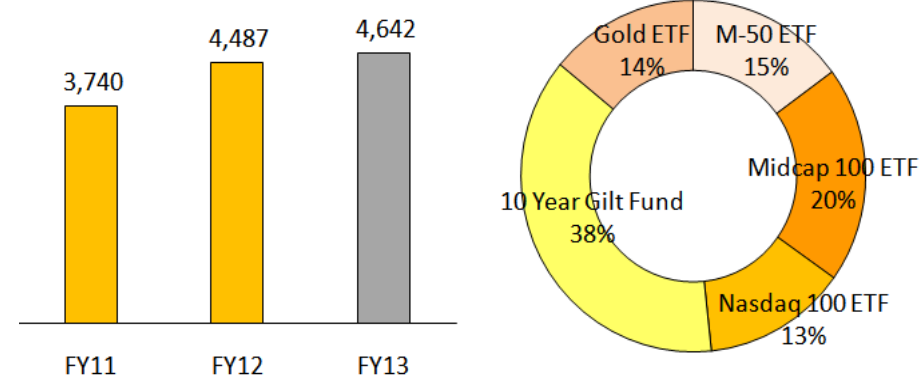
Q4 FY13	Q4 FY12	Change (%)
Mar 31, 2013	Mar 31, 2012	Y-o-Y
88	90	-2%
11	(9)	nm
10	(10)	nm
10	(30)	nm

FY13	FY12	Change (%)
Mar 31, 2013	Mar 31, 2012	Y-o-Y
348	318	9%
58	(9)	nm
53	(11)	nm
53	(31)	nm

PMS AUM (₹ million)



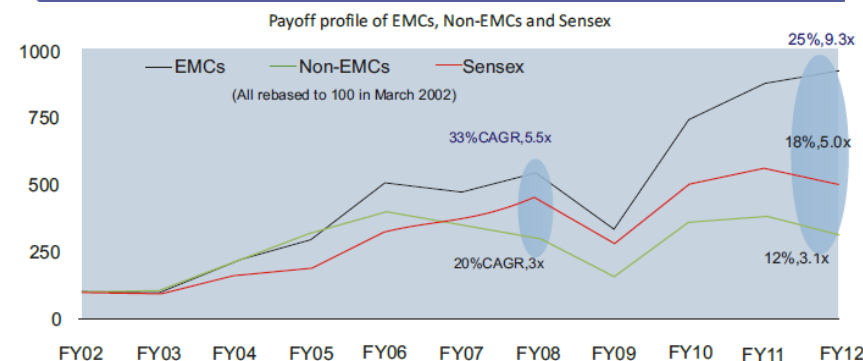
Mutual Funds AUM (₹ million)



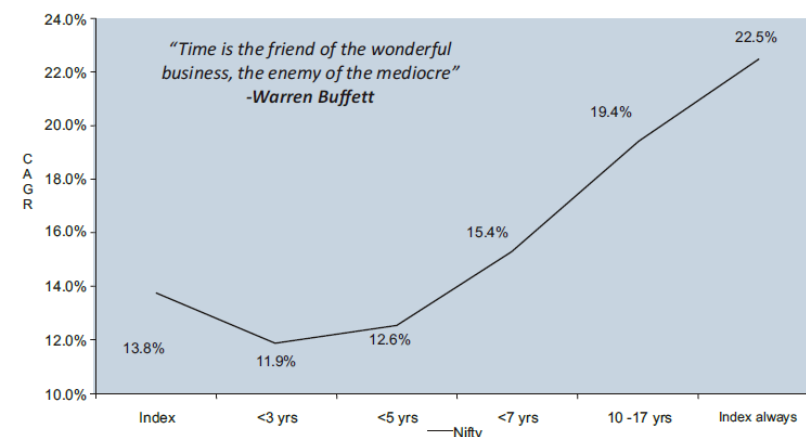
- As on Mar 2013, PMS AUM was ₹12.6 billion
- Mutual funds AUM across the 5 funds was ₹4.6 billion
- Launched its 6th mutual fund- Motilal Oswal MOST Focused 25 Fund (fund details in next slide)

- MOST Focused 25 Fund will invest in a focused portfolio of max 25 stocks
 - Companies with enduring economic moats that ensure sustainable competitive advantages, quality, longevity and high growth potential
- The objective is long-term wealth creation
- The fund will invest (a) 65-100% of the corpus in the top 200 companies by market cap, (b) 0-25% corpus in companies outside top 200 but with minimum ₹14bn market cap, and (c) the remaining in cash & equiv.
- It will invest in businesses that the Group understands, has favourable long-term economics, able and trustworthy management and margin of safety
- Research approach will take a 360° view of the company, identify competitive advantages, barriers to entry, sustainability of catalysts etc
- 'Buy-and-hold' strategy and low churn ensures the fund is cost efficient
- Scrip allocation will be maximum 10% of NAV in a single stock and minimum 2.5% of NAV in a single stock
- Benchmark is CNX Nifty; Entry/Exit Load are nil

Quality companies are those which have enduring economic moats (EMC's)



Superior quality companies held for longer durations deliver superior returns



MOST Focused 25 Fund is a new scheme and does not have a performance track record. Past Performance, as indicated above, may or may not be achieved in future. The above illustration is meant to help have an understanding of the fund in any manner whatsoever. In particular the Scheme does not offer capital protection or assured returns. Investment methodology is as mentioned in the Scheme Information Document

Particulars	Q4 FY13	Q3 FY13	Change
₹million	Mar 31, 2013	Dec 31, 2012	(%) Q-o-Q
Total Revenues	8	20	-59%
EBIDTA	(21)	(9)	nm
PBT	(24)	(11)	nm
Reported PAT	(20)	(8)	nm

Q4 FY13	Q4 FY12	Change
Mar 31, 2013	Mar 31, 2012	(%) Y-o-Y
8	41	-81%
(21)	(20)	nm
(24)	(20)	nm
(20)	(14)	nm

FY13	FY12	Change (%)
Mar 31, 2013	Mar 31, 2012	Y-o-Y
80	117	-32%
(60)	(45)	nm
(68)	(47)	nm
(52)	(31)	nm

- Fee income was impacted due to delays in closure of few deals which are in advanced stages. Overall in the industry, subdued equity markets impacted equity raising activities like IPO and FPOs. Deal making was impacted across the industry given regulatory uncertainty, slow policy making and high borrowing costs which led to delays in transaction closures. Companies continued to remain cautious and very few projects were announced resulting in low requirement by them to raise capital
- The company continues to focus on building its capabilities in identified sectors and product lines
- 27 employees in investment banking, as of Mar 2013



Particulars	Q4 FY13	Q3 FY13	Change
₹million	Mar 31, 2013	Dec 31, 2012	(%) Q-o-Q
Total Revenues	90	70	28%
EBIDTA	31	29	8%
PBT	30	28	8%
Reported PAT	21	19	9%

Q4 FY13	Q4 FY12	Change
Mar 31, 2013	Mar 31, 2012	(%) Y-o-Y
90	42	115%
31	11	188%
30	10	189%
21	7	193%

FY13	FY12	Change (%)
Mar 31, 2013	Mar 31, 2012	Y-o-Y
274	194	42%
82	31	162%
78	30	163%
53	20	163%

- India Business Excellence Fund (IBEF) is a growth capital fund with AUM of US\$ 125 million, which has been fully committed across 13 companies. During a very challenging year, the fund partially exited two holding companies via secondary sales at extremely healthy multiples. The fund has returned approximately 38% of capital to its investors so far
- India Realty Excellence Fund (IREF) is a domestic real estate fund with total AuA at ₹2 billion. IREF has made investments across 7 deals, committing about 92% of its funds under management, as of Mar 2013. Following partial exits from three projects, the fund has returned approximately 19% of capital to its investors so far
- The 2nd growth capital PE fund, India Business Excellence Fund-II achieved its third closing this quarter, with commitments of ₹5.6 billion from both domestic and foreign investors. It is currently evaluating several investment opportunities and has made two investments so far



Motilal Oswal Private Equity won 'Best Growth Capital Investor-2012' award at the Awards for Private Equity Excellence 2013

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- Well-diversified, financial services company offering a range of financial products and services
- Focused on wealth creation for all its customers, such as institutional clients, HNWI and retail customers
- Network spread over 527 cities comprising 1,484 business locations operated by our business partners and us with 773,716 total registered customers
- Shares listed on the Bombay Stock Exchange and National Stock Exchange in Mumbai



Motilal Oswal Financial Services Ltd.

99.95%

100%

85%

99.95% #

99.95% #

**Motilal Oswal
Securities Ltd.**

Institutional Equities
Broking & Distribution

**Motilal Oswal Investment
Advisors Private Ltd.**

Investment Banking

**Motilal Oswal Private
Equity Advisors Private Ltd.**

Private Equity
Real Estate

**Motilal Oswal Asset
Management Co. Ltd.**

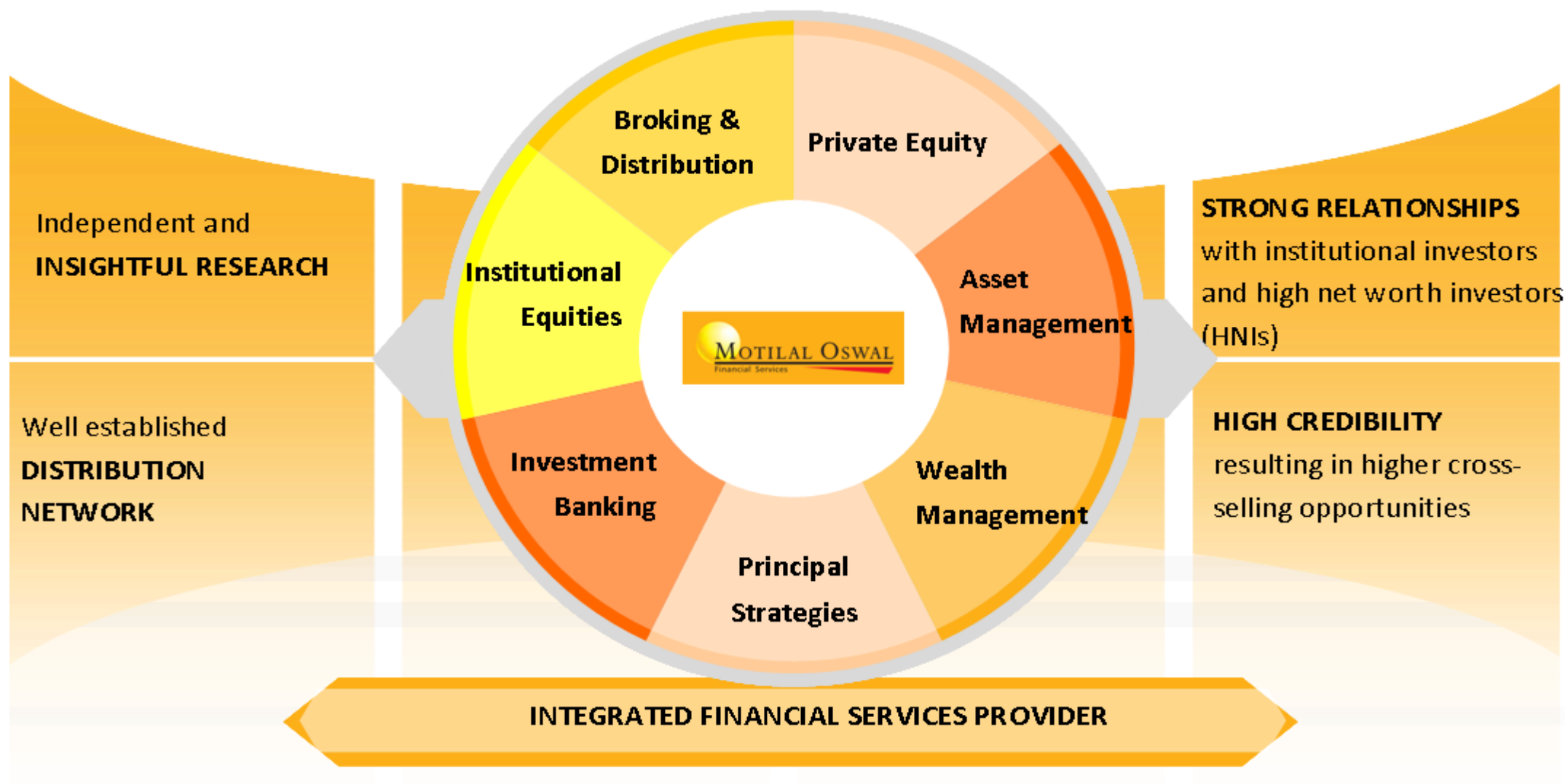
Portfolio Mgmt Services
Mutual Funds
Offshore Funds

**Motilal Oswal
Wealth Management Pvt. Ltd.**

Financial Strategy
Wealth Management

through Motilal Oswal Securities Limited

Data as on Mar 2013



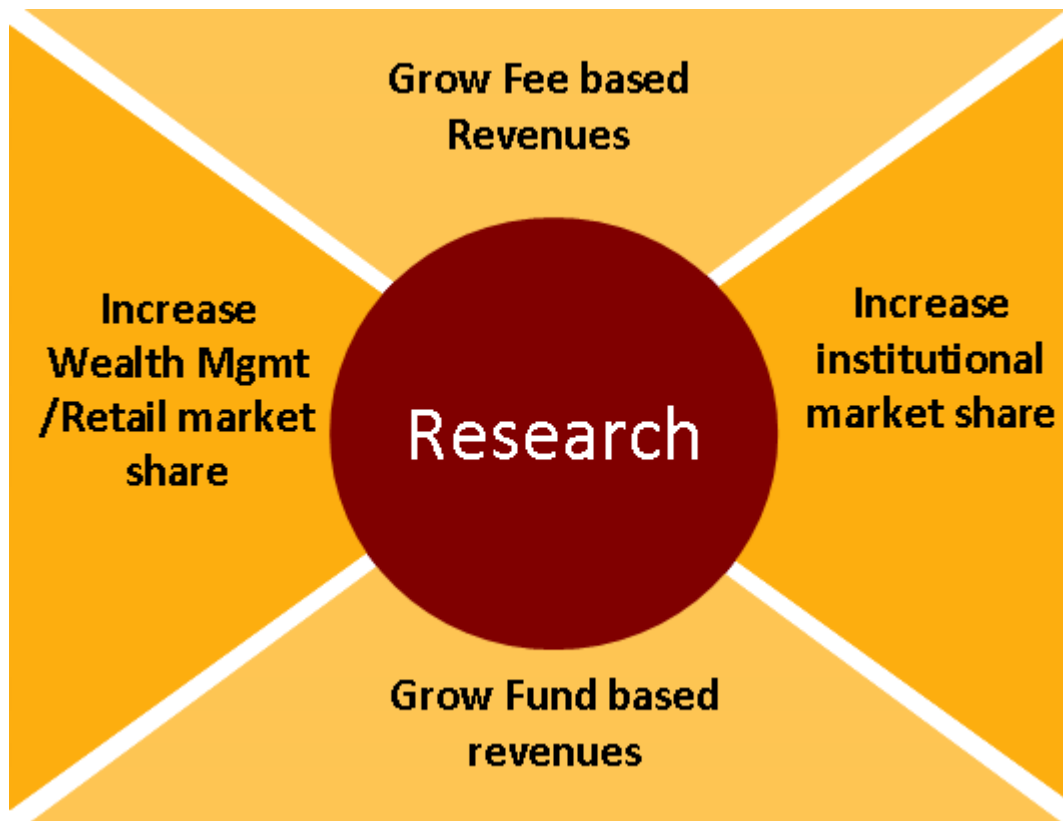
High energy and self-motivated
with a “do it” attitude and
entrepreneurial spirit



Attaining goals collectively and collaboratively

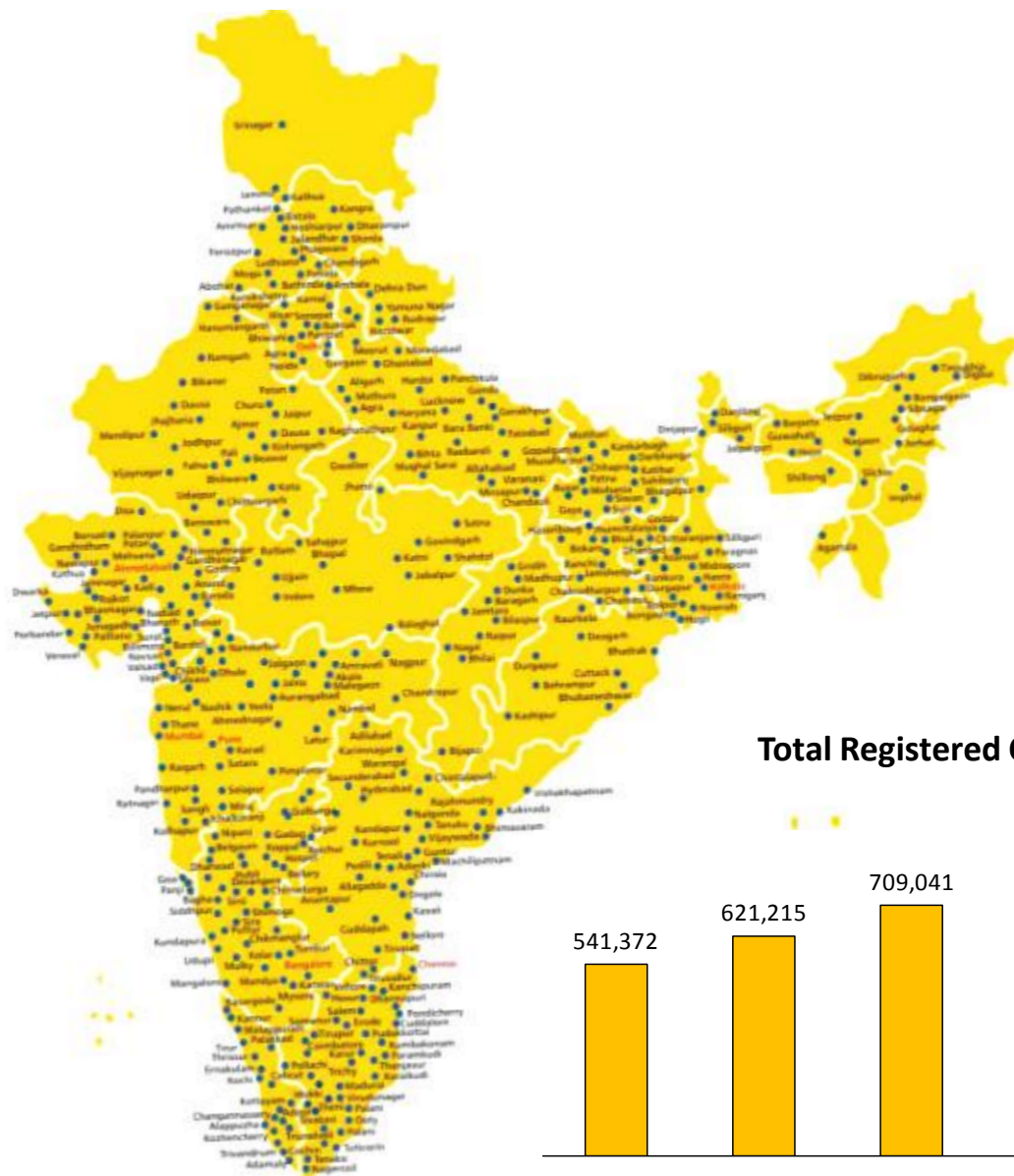
Performance gets differentiated, recognised and rewarded in an apolitical environment

- Further grow distribution network across India
- Leverage research and advisory capability
- Focus on wealth management solutions and new product offerings
- Increase distribution of mutual funds and insurance products



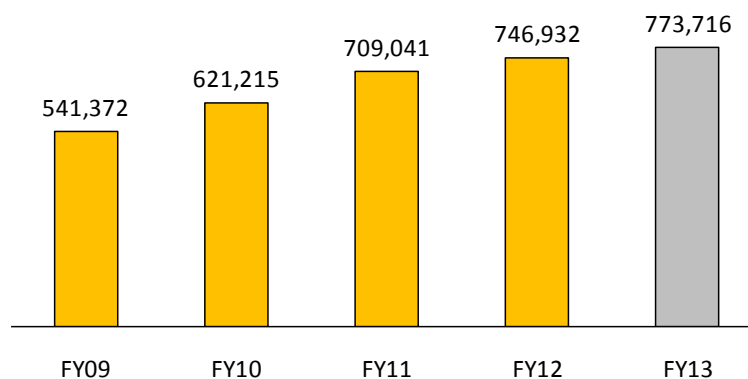
- Build stronger institutional relationships through wider and quality research
- Increase research support
- Grow institutional derivatives business

- Build Principal Strategies Group to maximise returns using risk free arbitrage strategies
- Grow margin funding book size

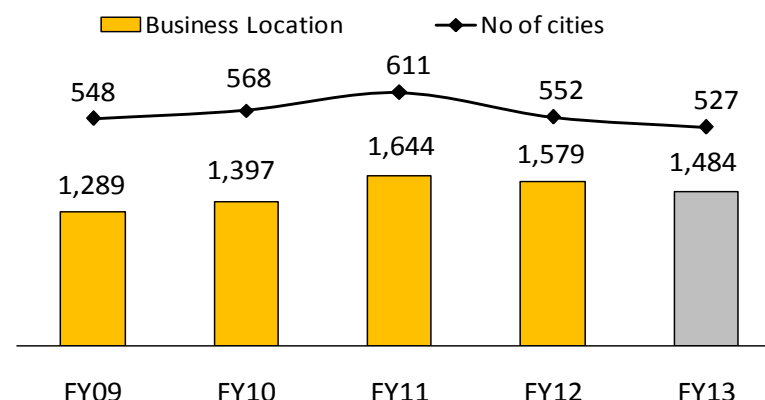


- Pan-India network with a presence in 527 cities across 1,484 business locations (branches plus franchisees), and complemented by a robust online channel
- Total registered client base of 773,716 which includes 679,848 retail broking and distribution clients
- Extensive distribution network providing opportunities to cross-sell products, particularly as we diversify further into new business streams

Total Registered Clients



Distribution (Business Locations & Cities)



Focused Research team

- Strong research team comprising of 27 research analysts covering almost 200 companies across over 20 sectors and 27 commodities
- Focused on cash equities, equity derivatives and commodities and services all our business segments

Strong Sales and Corporate Access Team

- Research supported by an extremely strong sales trading team comprising of qualified professionals
- Conducts a number of corporate access events throughout the year. Its Annual Investor Conference is one the largest event formats of its kind in this industry

MOSL has been consistently ranked amongst the top brokerage houses for its research

ET Now Starmine Analyst Awards 2010-2011

Award Winning Categories:

Category	Sector	Rank
Top Earnings Estimator	Across Sectors	1
Top Earnings Estimator	Financials	1
Top Stock Picker	Energy	1
Top Stock Picker	Real Estate	2



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2010



Creating Wealth from the Unknown and Unknowable

2011



Blue Chip Investing
Creating Wealth from Dividends

2012



Economic Moat
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**Q4 FY13
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Recent regulatory changes enacted & proposed in the Indian capital markets space: Opportunities & challenges

- Purpose is to highlight recent changes in the regulatory climate, and the opportunities and challenges they present
- An evolving regulatory climate is part and parcel in every business sector, more so in emerging economies
- Regulators need to ensure business is done so as to achieve long-term client satisfaction and business penetration
- As India seeks sustained GDP growth, the role of its capital markets to mobilize investments is critical
- The challenges are numerous, but the players will need to bear the short-term pains to build a sustainable growth

Intent of recent regulatory changes is in the correct direction - to increase the flow of savings into capital markets, ensure that clients' interests are kept paramount & enable access to further participants and geographies

1. Retail Broking:

- Shrinking retail participation, high transaction costs, falling cash volumes and risk were some recent concerns which shaped the intent of regulators

Some of the recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> • Following the STT cut in cash delivery in the previous Budget, this year's Budget announced STT cut in equity futures 	Positive for traders & arbitrageurs But post-cut trading cost still lower in SGX due to other advantages
<ul style="list-style-type: none"> • Commodities transaction tax of 0.01% on non-farm commodity futures 	Level playing field with equities, But may impact arbitrage returns
<ul style="list-style-type: none"> • RGESS for first-time investors, Tax benefit extended to 3 years 	Entry of first-time investors will help increase participation,
<ul style="list-style-type: none"> • Common registration certificate proposed for brokers across all segments. 	Will simplify the registration process for both brokers as well as clients

- The Finance Ministry is also considering a change in STT accounting
- Related to KYC, SEBI has also asked brokers to identify the ultimate beneficial owner during the time of account opening itself

2. Institutional Broking/Foreign Investors:

- GAAR caused a lot of uncertainties to FIIs in 2012 and its deferment to 2016 gave a positive boost to FII flows
- Changes in the disclosure norms of FIIs were on the immediate agenda of regulators to control flows of Indian money via the FII route
- SEBI also set up a committee to study a single route for all foreign investments, which should simplify the investment process for overseas entities

Some of the recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> • Finance Ministry will announce new disclosures for source of funds & beneficial ownership while investing in sensitive sectors. New format of Mauritius' Tax Residency Certificate expected to include 3 new critical disclosures 	<ul style="list-style-type: none"> Will help identify the source of funds and avoid abusing of tax treaties Will help control the round-tripping of Indian money through FII route
<ul style="list-style-type: none"> • Cap on execution charge earned from mutual funds (12 bps for cash, 5 bps for F&O) 	<ul style="list-style-type: none"> Will have a negative impact on institutional broking revenues
<ul style="list-style-type: none"> • FIIs can participate in currency derivatives, to the extent of its Rupee exposure 	<ul style="list-style-type: none"> Will improve participation, liquidity and covering currency risk

3. Wealth Management – Investment Advisor regulations:

- Wealth management as a segment is still largely unregulated in India. The Investment Advisor norms were an attempt on this front.
- SEBI recently announced these guidelines, expected to be applicable by mid-2013.

Some of the recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> • Investment Advisor norms will make it mandatory for investment advisers to register with SEBI and disclose (a) conflict of interests areas, (b) product risks, (c) fee received for advice, (d) records like KYC, risk profiling, record, time of advice 	<ul style="list-style-type: none"> Will help to segregate investment advisory services from other activities Disallowing transactions on own account contrary to the advice given (for upto 15 days) will ensure further transparency and accountability

4. Asset Management:

- Entry load ban led to distributor disinterest. Distributor registrations and renewals have come down.
- With recent market volatility and poor fund performance, the industry lost ~4mn equity fund folios in 10MFY13
- Budget addressed some concerns- expanding the scope of RGESS, allowing pension funds to invest in ETF/debt funds, STT cut on MF transactions

Key aspects of recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> • Waived registration fee for first-time distributors. Reduced renewal fee significantly. Opened up new distributor channels. Issued notification to set up distributors' SRO 	Objective is to enlarge the distribution network. Fee cuts, coupled with market uptick, led to higher M-o-M renewals in Dec.
<ul style="list-style-type: none"> • Mutual funds to offer a 'direct' plan of each scheme apart from regular plans. Mostly institutions have shifted to direct, its yet to pick up with retail investors 	AMCs fear investors may take distributor's advice and buy directly Higher NAV will benefit clients, but shifts may attract capital gains tax
<ul style="list-style-type: none"> • AMCs can charge extra 30 bps if they attract assets from the small towns 	Dependence on large cities continues due to lack of investor awareness.
<ul style="list-style-type: none"> • AMCs allowed to charge extra expense of 20 bps for exit load. Allowed fungibility in expense ratio. Can levy transaction costs up to 0.12% in cash and 0.05% in F&O. AMC to pay upfront commissions from own pocket 	The 20 bps will compensate for the loss in exit load collection AMCs will be free to spend the money it collects as TER Distributors have the flexibility to levy transaction charges
<ul style="list-style-type: none"> • Given several non-performing schemes, AMCs to reduce new launches or merge similar plans. New schemes need to raise a minimum threshold 	Aimed to reduce the confusion of multiple 'similar' products Will ensure that only serious NFOs are launched

5. Investment Banking – Fundraising, M&A etc:

Some of the recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> Listed cos. can sell shares without public issue via Offer for Sale and Institutional Placement Programme to comply with the 25% minimum public shareholding rule 	Faster and cheaper methods to raise money for promoters Expected to infuse ~Rs300bn worth of shares in the markets
<ul style="list-style-type: none"> IB firms need to disclose track record of price performance of their previous IPOs. Cos. may need to compensate retail investors if prices crash within months of IPO 	Will tighten pricing process and avoid over-aggressive pricing of IPOs Exhaustive due-diligence process will be a challenge
<ul style="list-style-type: none"> SEBI to make issue managers responsible for the end-use of IPO funds. Cos. can't deploy more than 25% of proceeds for general corporate purposes. 	Will avoid misuse and diversion of the issue proceeds May require the investment bank to submit periodic reports on usage

6. Private Equity - Alternate Investment Fund (AIF) Guidelines:

Some of the recent regulations (both enacted and proposed)	Opportunities and challenges for capital market players
<ul style="list-style-type: none"> AIF Guidelines will require Alternate Investment Funds to register with SEBI. It defines AIFs as Category 1 (VC, SME, Social Venture, Infra), Category II (PE, Real Estate and Debt funds and Fund of Funds), Category III (Hedge funds). 	Complying with minimum investment reqt, minimum corpus, sponsor's interest, financial disclosures of portfolio cos., risk disclosures etc Units of AIF may be listed on the exchange subject to min. tradable lot

- PE firms are widening the scope of the indemnity clause that covers losses/liabilities, to safeguard their capital & make promoters more accountable

Conclusion

- The challenges are immense - replicate the risks/returns of physical assets, educating investors, increase opportunities for cross-selling and ensure an incentive structure for intermediaries
- **But the intent of the regulators are in the right direction** – achieve higher inflows and participation, ensure the clients' interests are kept paramount, increase market access to participants, ensure a fair framework is in place and remove the scope for mis-selling.
- **Companies in the financial services space need to adapt to the changing regulatory climate and build their ability to showcase their role as value-creators for client assets.**



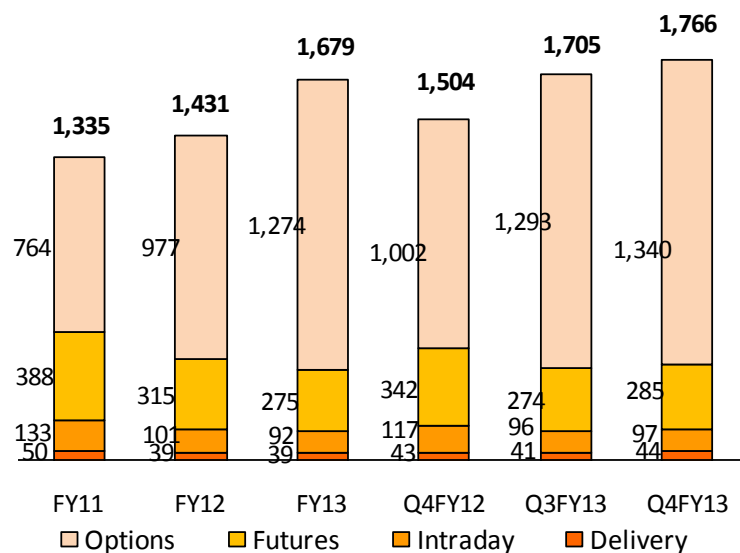
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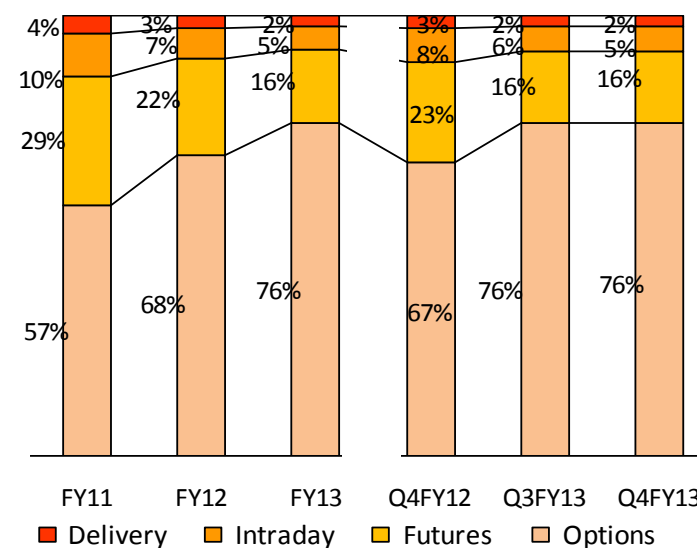


Options boost market ADTO yet again, Delivery also picks up

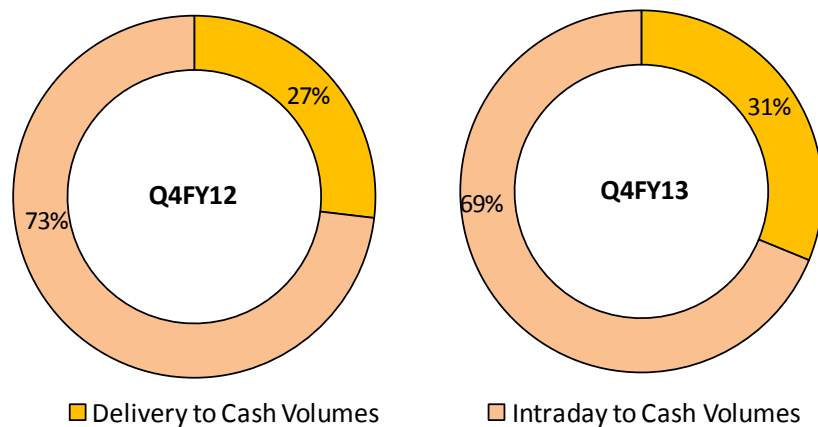
Market ADTO hit a high this quarter, led by the continued growth in options, Cash ADTO also showed an uptick led by a 8% QoQ growth in the delivery segment (₹Bn)



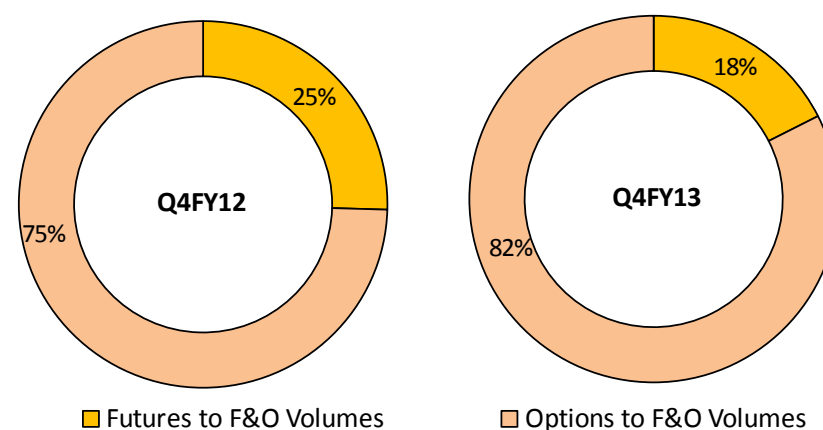
Options continued their dominance and comprised 76% of market ADTO; Proportion of delivery to market ADTO picks up as delivery volumes improve; However, cash to market ADTO is still at ~8%



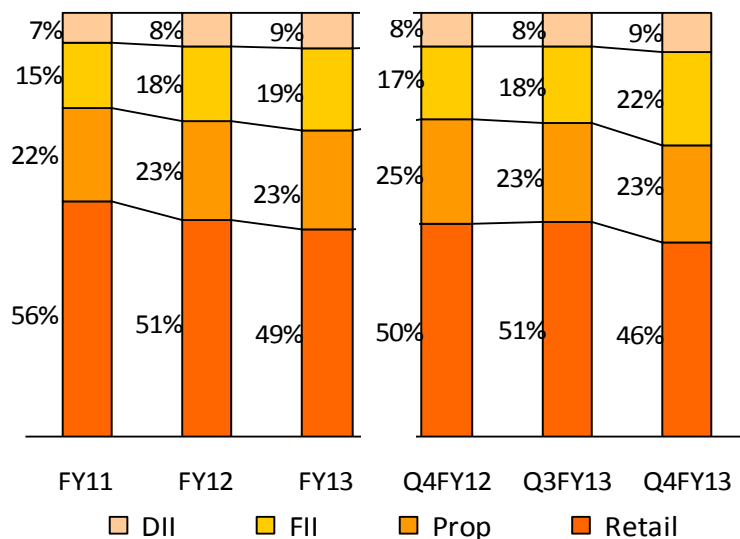
On a YoY basis, the proportion of delivery within market cash volumes picked up this quarter



On a YoY basis, proportion of options within F&O volumes continued to grow

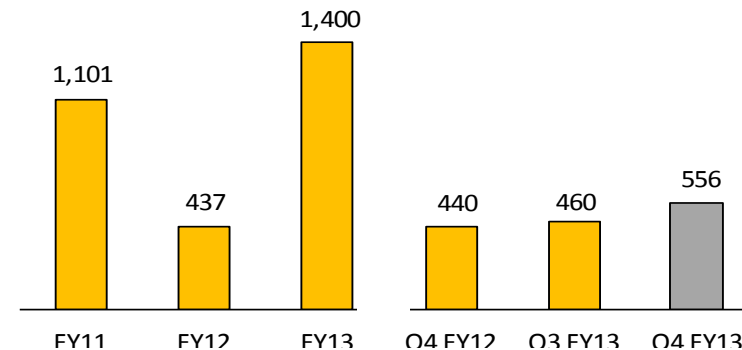


Proportion of retail to cash volumes continued to fall as retail cash ADTO declined ; FII cash ADTO picks up in Q4FY13



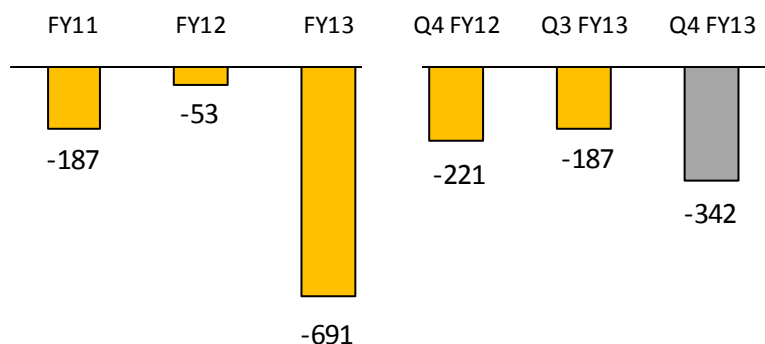
Source: NSE, BSE

Strong inflows from FIIs continue – a major catalyst to participation levels, Net inflows were highest in the months of Sep, Oct, Dec, Jan and Feb (₹Bn)



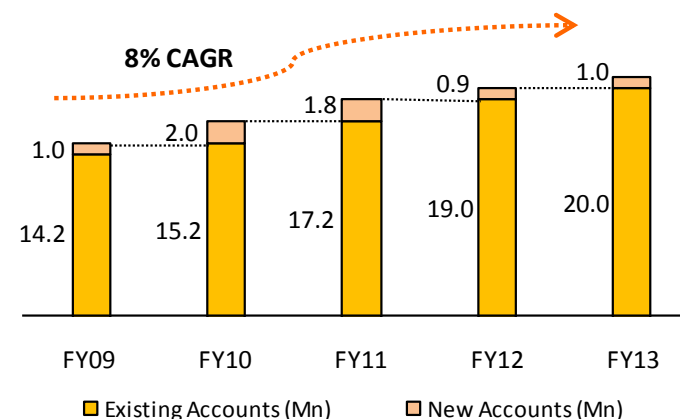
Source: SEBI

DII remain net sellers, see net outflows in each of the three quarters since Q2 FY13, Mutual funds saw redemptions as equity investors pulled out (₹Bn)



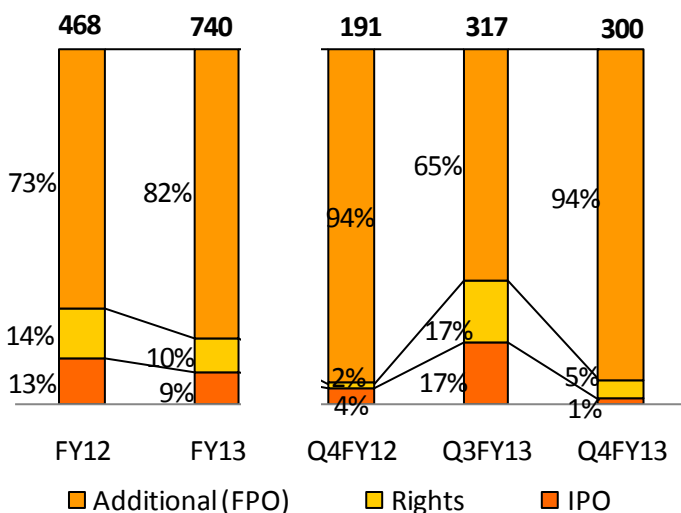
Source: NSE

Growth in new demat accounts (Mn) at its slowest since the last five years, as primary market activities largely dried up



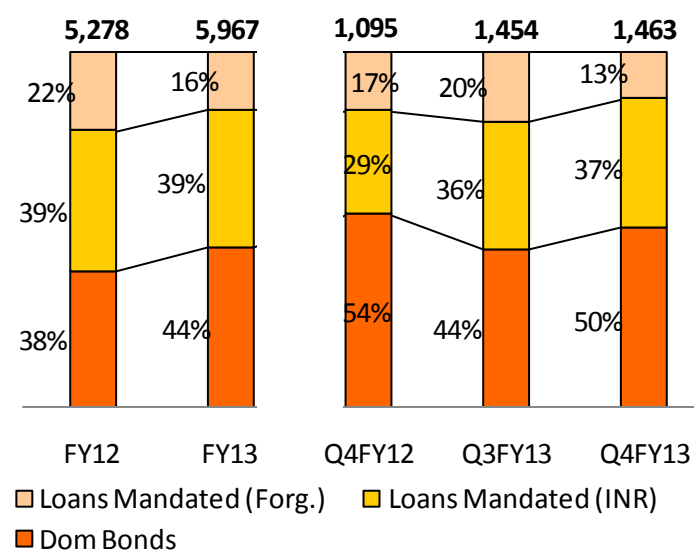
Source: CDSL, NSDL

ECM remained sluggish this quarter (₹Bn); IPOs again dried up after the brief spurt in Q3FY13; Additional saw an increase due to higher activity levels in Offer for Sale issues (OFS)



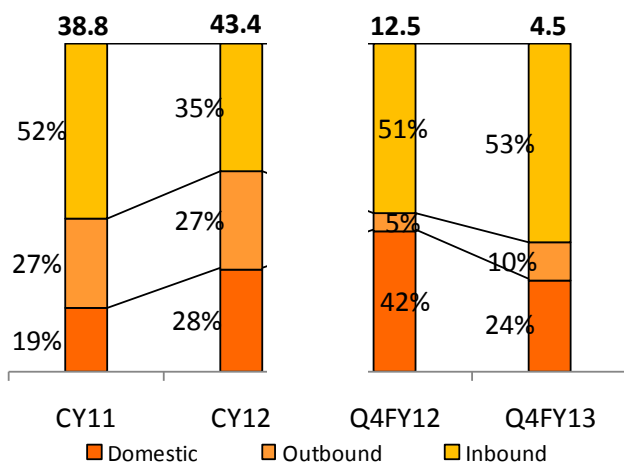
Source: Bloomberg League Tables

DCM volumes remained largely flat, as a number of companies possibly deferred their debt raising plans in anticipation of further interest rate cuts (₹Bn)

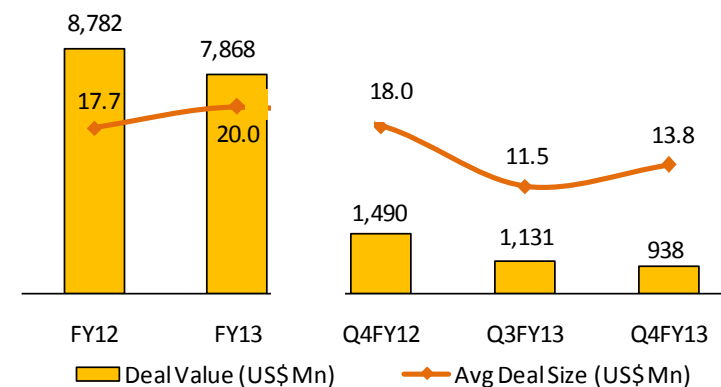


Source: Bloomberg League Tables

M&A activity faced challenges due to high interest rates and uncertain economic outlook; Inbound deals see the major growth

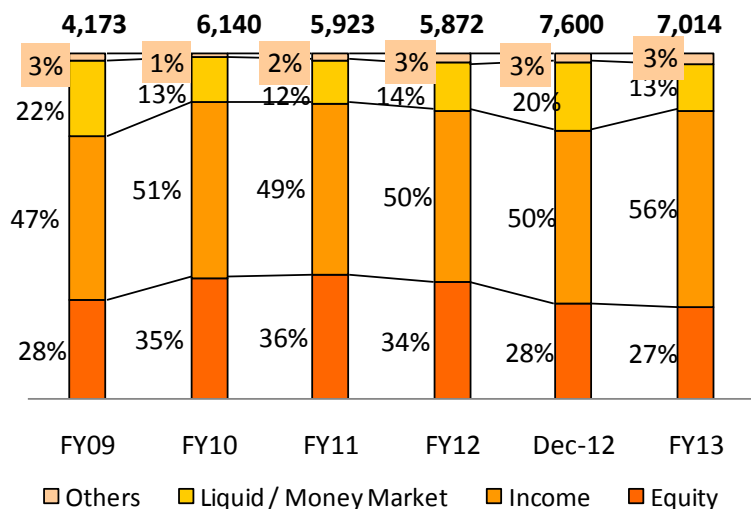


PE investments were lower this quarter due to the impact of limited quality deployment opportunities, uncertain economic outlook and slower exits of existing holdings



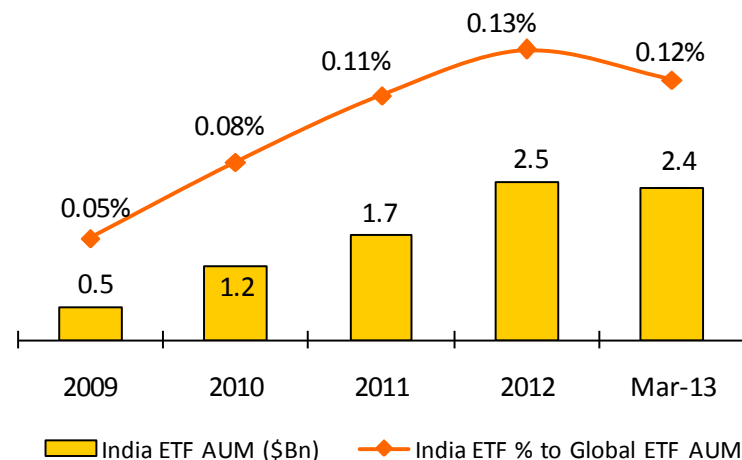
Source: News article on Thomson Reuters report

Decline in assets in liquid and equity funds impacted overall MF AUM in Q4 FY13 (₹Bn); Income and gilt funds AUM picked up



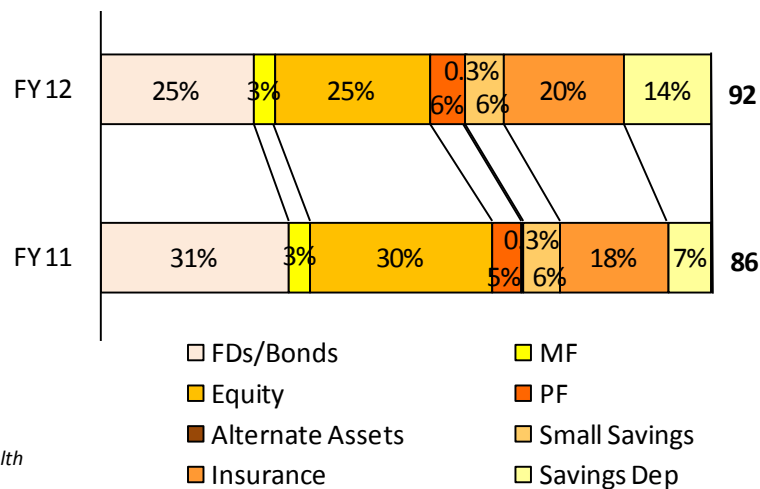
Source: AMFI

ETFs continued to grow in popularity during CY2012; Equity ETFs declined in Q4 FY13 in line with market movements



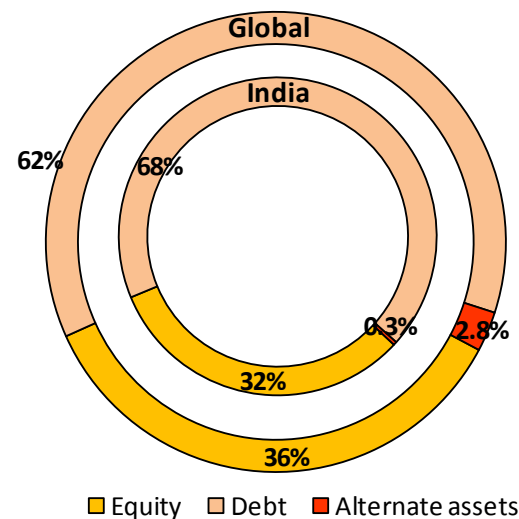
Source: AMFI/Blackrock report

Individual wealth in India is estimated at ₹92.3Tn in FY12, led by the fixed deposit/bonds, equity and insurance sectors



Source: Karvy Wealth report

Asset-wise wealth classification (as of 2011) shows Equity currently comprises a much lesser proportion in India than the Global average



Source: Karvy Wealth report

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Thank You

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