

Earnings Update – Q2 FY15



Oct 20, 2014

Motilal Oswal Financial Services Limited

BSE: 532892 • NSE: MOTILALOFS • Bloomberg:MOFS:IN • Reuters: MOFS.BO

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Consolidated Financials

- Revenues in Q2 FY15 were ₹1.8 billion (up 7% QoQ and up 54% YoY)
- Adjusted PAT in Q2 FY15 was ₹327 million (up 2% QoQ and up 74% YoY)
- Reported PAT in Q2 FY15 was ₹327 million (up 2% QoQ and up 481% YoY)
- EBITDA and Adjusted PAT margins for Q2 FY15 were 32% (34% in Q1 FY15) and 18% (19% in Q1 FY15) respectively
- The balance sheet had net worth of ₹12.4 billion and borrowings of ₹2.9 billion as of Sep 30, 2014

Volumes and Market Share

- Total ADTO in secondary equities was ₹51.6 billion in Q2 FY15 (₹44.8 billion in Q1 FY15 and ₹31.7 billion in Q2 FY14)
- Equity market share was 1.5% in Q2 FY15 (1.8% in Q1 FY15 and 1.4% in Q2 FY14)

Distribution Reach

- Retail distribution stood at 1,657 business locations across 517 cities, as of Sep 2014
- Total client base increased to 820,025 which includes 719,997 retail broking and distribution clients

Assets Managed

- Total assets under management/advice across mutual funds, PMS and private equity businesses was ₹54.4 billion. Within this, our mutual funds AUM was ₹12.8 billion, PE AUA was ₹20.0 billion, while PMS AUM was ₹21.6 billion
- Wealth management business managed assets of about ₹31.2 billion
- Depository assets were ₹185.4 billion

Business Updates

- Motilal Oswal Securities won the 'Best Research as Research Showcase Partner' at Research Bytes IC Awards 2014
- Institutional Equities conducted the 10th Annual Global Investor Conference in Mumbai
- Following commencement of operations in May 2014, Aspire Home Finance has already sanctioned 818 applications amounting to ~₹873.2 million, and disbursed 558 applications amounting to ~₹507.1 million
- During this year, Motilal Oswal Capital Markets (Hong Kong) Private Ltd received Type-4 License from SFC, Hong Kong

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Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	1,786	1,676	7%	1,786	1,161	54%	3,462	2,269	53%	4,681
EBITDA	577	577	0%	577	360	60%	1,155	717	61%	1,422
PBT (before E & EOI)	477	471	1%	477	291	64%	948	581	63%	1,151
Adjusted PAT	327	321	2%	327	188	74%	647	373	74%	771
Reported PAT	327	321	2%	327	56	481%	647	241	169%	395
EPS - Basic	2.4	2.4		2.4	0.5		4.8	1.8		3.0
EPS - Diluted	2.4	2.3		2.4	0.5		4.7	1.8		3.0
No.of shares outstanding (million) - FV Rs 1/share	139	138		139	139		139	139		138

E & EOI = Exceptional items & Extraordinary items

Revenue composition

Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Brokerage & operating income	1,203	1,161	4%	1,203	728	65%	2,364	1,410	68%	2,884
Investment banking fees	6	79	-92%	6	35	-82%	86	43	100%	68
Fund based income	351	241	46%	351	184	91%	591	456	30%	929
Asset management fees	214	181	18%	214	205	4%	395	332	19%	758
Other income	12	14	-13%	12	9	30%	26	30	-13%	43
Total Revenues	1,786	1,676	7%	1,786	1,161	54%	3,462	2,269	53%	4,681

- Broking and related revenues were ₹1.2 billion in Q2 FY15, up 4% QoQ and up 65% YoY. It contributed 67% of the total group revenues
- Fund based income was ₹351 million, up 46% from Q1 FY15 and up 91% from Q2 FY14. NBFC loan book was ₹4.7 billion and Housing Finance disbursements ₹507.1 million as of Sep 2014. Re-allocation of investments in Motilal Oswal's mutual fund products from passive to active strategies resulted in capital gains of ₹147.9 million and is booked under Fund-based income
- Asset Management fee were ₹214 million for Q2 FY15, up 18% QoQ and up 4% YoY
- Investment banking fees at ₹6 million was down 92% on a QoQ basis
- Other income was ₹12 million in Q2 FY15, down 13% QoQ

₹million	As on Sep 30, 2014	As on Mar 31, 2014
Sources of Funds		
Networth	12,449	11,703
Loan funds	2,854	1
Minority interest	64	51
Deferred tax liability	115	117
Total	15,482	11,871

Application of Funds		
Fixed assets (net block)	2,966	3,072
Investments	5,835	2,930
Deferred tax asset	-	-
Current Assets (A)	13,760	12,430
- Sundry debtors	5,400	4,814
- Stock-in-trade	0	606
- Cash & Bank Balances	2,474	1,678
- Loans & Advances	5,839	5,279
- Other Assets	47	53
Current liabilities (B)	7,078	6,561
Net current assets (A-B)	6,681	5,869
Total	15,482	11,871

₹million	As on Sep 30, 2014	As on Mar 31, 2014
Networth	12,449	11,703
Debt	2,854	1
Cash & Bank balances	2,474	1,678
Debt : Equity	0.23x	0.00x
Cash (% Networth)	20%	14%

- Our investment in Motilal Oswal's mutual fund products stands at ₹3.42 billion, as of Sep 30, 2014. The unrealized gain on these investments is ₹462 million, as of Sep 30, 2014
- Our investment in Motilal Oswal's alternative investment products (private equity and real estate funds) stands at ₹883 million, as of Sep 30, 2014

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Retail Broking & Distribution and Institutional Equities

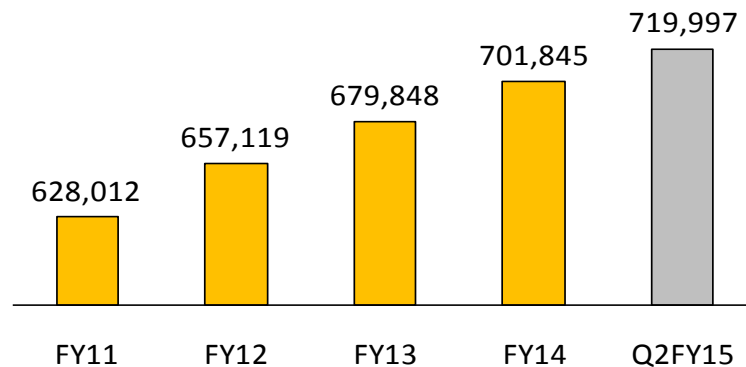
Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	1,410	1,248	13%	1,410	773	82%	2,658	1,548	72%	3,216
EBITDA	524	420	25%	524	212	147%	944	445	112%	902
PBT (before E & EOI)	455	353	29%	455	169	168%	808	364	122%	737
Adjusted PAT	321	246	31%	321	122	162%	567	246	130%	507
Reported PAT	321	246	31%	321	4	7137%	567	128	342%	171

E & EOI = Exceptional items & Extraordinary items

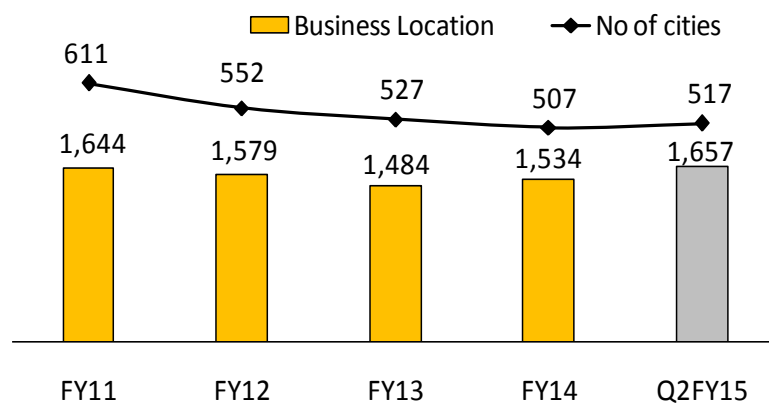
- Revenues were ₹1.4 billion for Q2 FY15, up 13% on a QoQ basis and up 82% on a YoY basis. We have re-allocated some of our mutual fund investments from passive to active strategies which has resulted in capital gains of ₹147.9 million
- Adjusted PAT was ₹321 million for Q2 FY15, up 31% QoQ and up 162% YoY
- Reported PAT for Q2 FY15 at ₹321 million was up 31% QoQ
- MOSL ADTO in secondary equities was ₹51.6 billion in Q2 FY15 (₹44.8 billion in Q1 FY15 and ₹31.7 billion in Q2 FY14)
- Equity market ADTO peaked this quarter, driven by a sharp QoQ off-take in option volumes. Cash volumes moderated slightly in Q2 FY15 to ₹203 billion, as compared to ₹226 billion in Q1 FY15. But this is still well above the last three year average. Retail participation in the cash markets continued to remain stable through Q2 FY15.
- Our market share decreased from 1.8% to 1.5% QoQ owing to the disproportionate rise in option volumes in the market. However, our market share in the high-yield cash segment increased slightly this quarter, which is encouraging. The significant change in market volume mix towards options segment resulted in blended yield decreasing from 4.3 bps to 3.7 bps QoQ

Research and advisory driven investment services to retail clients across equity, MFs, commodity and currency, using its robust Pan-India distribution network and a 'Customer First' philosophy

Retail broking and distribution clients



Pan-India distribution footprint



- Motilal Oswal Securities won the 'Best Research as Research Showcase Partner' at Research Bytes IC Awards 2014
- Launched the mobile trading app of the OrionLite platform:-
 - Equities, F&O, currencies, commodities, MF, bonds, IPOs
 - Supports trade-execution, portfolio-tracking, advisory and research, multi-exchange streaming quotes, charts
 - Online funds transfer through 40+ banks
 - Allows After Market Orders (AMO) functionality
- Launched Portfolio Restructuring tool for Mutual Funds:-
 - Offers model advisory portfolios for investors
 - Holdings analysis and actionable recommendations
 - Flexible upload facility for 'held-away' portfolios
- Significant developments in our CRM application to enhance the productivity of Sales and Advisory teams
- Currency segment has seen traction in activity across regions

Research Bytes Award



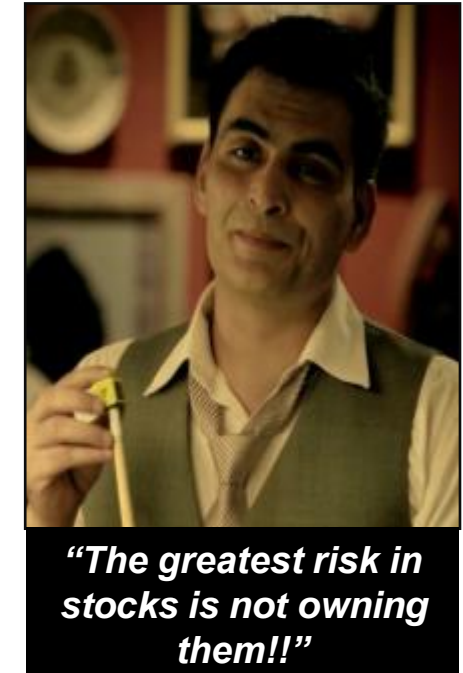
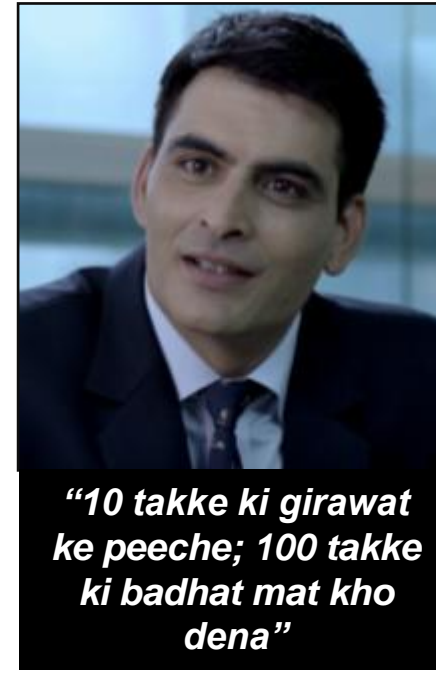
OrionLite Mobile App



Portfolio Restructuring tool for MFs



“Man from Motilal Oswal”: The Campaign

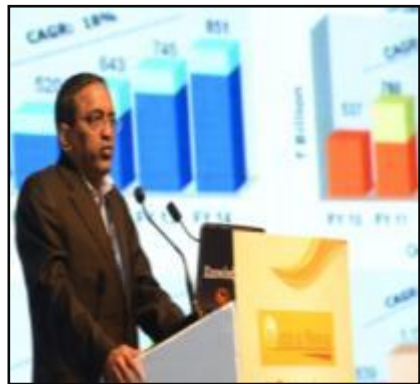


- ‘The Man from Motilal Oswal’ is a physical manifestation of our broking services.
- The approach was to use this recognizable character to address the barriers and connect investor behavior to long term equity investing

BUY RIGHT. SIT TIGHT

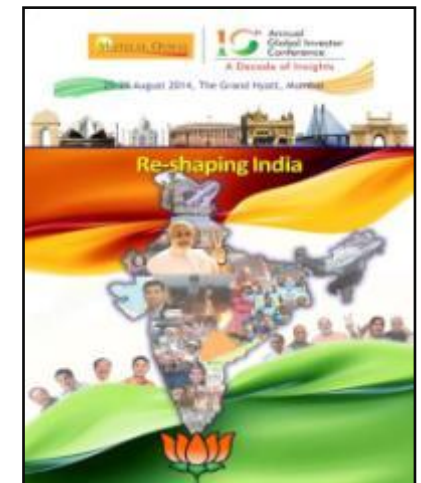
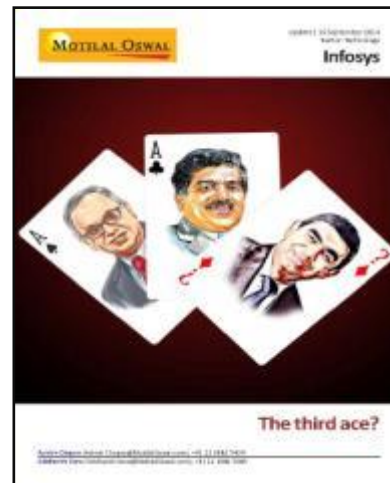
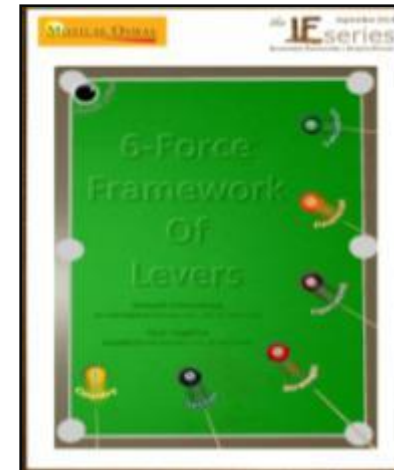
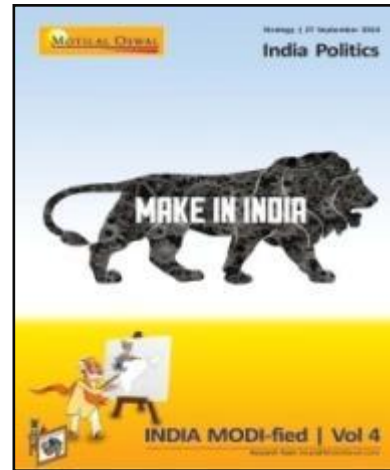
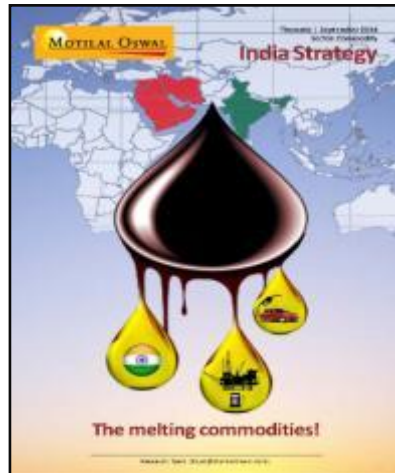
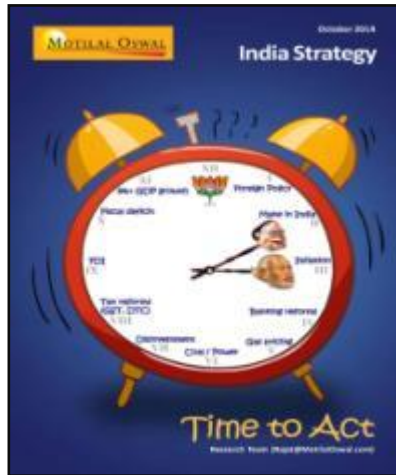
Institutional equities – Quality corporate access

- Conducted the 10th Annual Global Investor Conference in Mumbai
- Management from 110 companies interacted with over 700 global investors resulting in 3600+ company – investor meetings
- Meetings were also arranged for 30+ global investors with top bureaucrats from central government ministries in New Delhi
- Financial Deep Dive event was also arranged, with business heads from leading BFSI companies providing their 360° view



- Cash and derivatives broking to institutional clients, along with a strong research and corporate access group
- Client base of 565 institutions, as of Sep 2014

Recent Research Reports



Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	67	55	22%	67	143	-53%	122	203	-40%	400
EBITDA	36	27	34%	36	83	-57%	62	105	-41%	205
PBT (before E & EOI)	34	25	40%	34	82	-58%	59	103	-43%	201
Reported PAT	27	16	68%	27	54	-51%	42	68	-38%	134

E & EOI = Exceptional items & Extraordinary items

- India Business Excellence Fund (IBEF) is a growth capital fund focused on the SME space with AUM of US\$ 125 million, fully committed across 13 companies. The fund has partially exited two companies till date via secondary sales at extremely healthy multiples. The fund has returned approximately 40% of capital to its investors so far
- India Realty Excellence Fund (IREF) is a domestic real estate fund with total AuA at ₹2 billion, which has been fully committed across 7 deals. Following full/partial exits from five projects till date, the fund has returned approximately 65% of capital to its investors so far
- The 2nd growth capital PE fund, India Business Excellence Fund-II (IBEF II) received total commitments of approximately ₹9.5 billion from domestic and offshore investors. This fund has made four investments so far
- The 2nd real estate fund, India Business Excellence Fund-II (IREF II) received total commitments of approximately ₹2.9 billion, as on its second close announced in Q1 FY15. The fund is targeting to raise ₹3 billion with a Green-Shoe option of ₹2 billion. It has made two investments so far

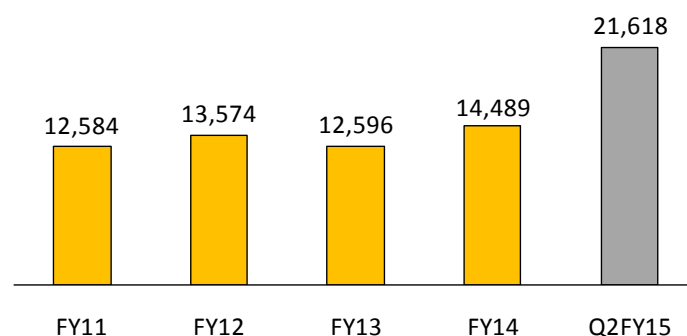
Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	132	94	40%	132	69	90%	226	141	60%	354
EBITDA	(8)	(26)	nm	(8)	(8)	nm	(34)	(19)	nm	(2)
PBT (before E & EOI)	(9)	(27)	nm	(9)	(9)	nm	(37)	(22)	nm	(6)
Reported PAT	(9)	(27)	nm	(9)	(9)	nm	(37)	(22)	nm	(6)

E & EOI = Exceptional items & Extraordinary items

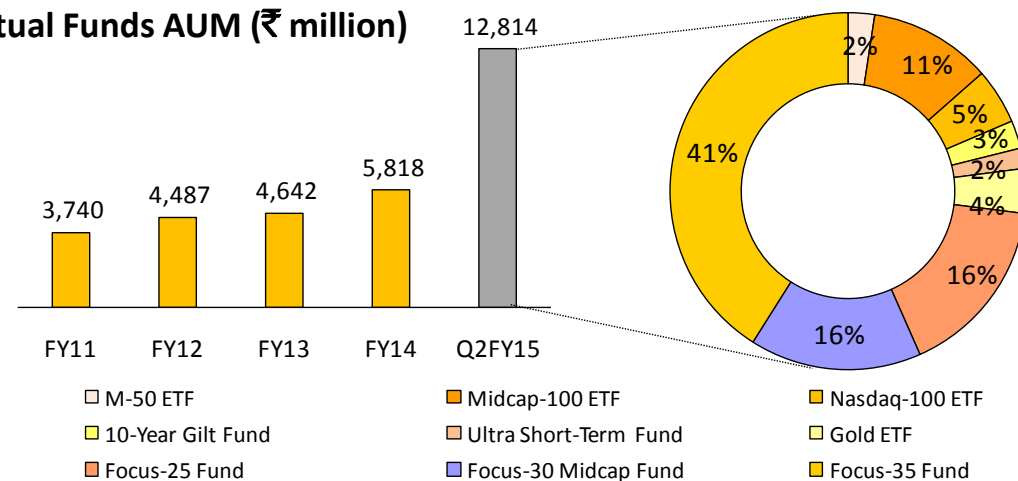
- MOAMC equity products saw expansion in AUM on the back of favourable market conditions and increased mobilization
- Conducted the 4th Value Investing Forum on 'Investing in Equities: Challenges & Opportunities for Intermediaries'



PMS AUM (₹ million)



Mutual Funds AUM (₹ million)



Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	57	48	18%	57	32	77%	105	62	68%	137
EBITDA	22	11	107%	22	2	nm	33	0	nm	24
PBT (before E & EOI)	22	10	120%	22	1	nm	31	(1)	nm	20
Reported PAT	14	7	117%	14	(0)	nm	21	(2)	nm	12

E & EOI = Exceptional items & Extraordinary items

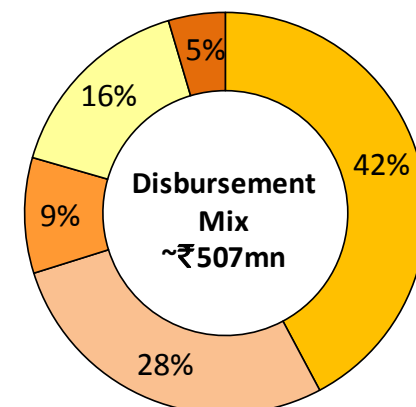
- PWM business had a total AUM of about ₹31.2 billion, as of Sep 2014.
- Asset mobilization has seen traction since the last couple of quarters, following a revival of equity investor interest
- MOPWM is also seeing the positive impact of streamlining its processes, client segmentation and synergy initiatives
- This bottom-line in this business has turned black this year

Particulars	Q2 FY15	Q1 FY15	Change	Q2 FY15	Q2 FY14	Change	6M FY15	6M FY14	Change	FY14
₹million	Sep 30, 2014	Jun 30, 2014	(%) Q-o-Q	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Sep 30, 2014	Sep 30, 2013	(%) Y-o-Y	Mar 31, 2014
Total Revenues	7	82	-91%	7	45	-84%	89	54	66%	85
EBITDA	(47)	47	nm	(47)	16	nm	0	(6)	nm	(36)
PBT (before E & EOI)	(50)	44	nm	(50)	12	nm	(6)	(13)	nm	(51)
Reported PAT	(34)	30	nm	(34)	8	nm	(4)	(9)	nm	(37)

E & EOI = Exceptional items & Extraordinary items

- Deal pipeline remains healthy with transaction execution at various stages of completion
- The company continues to focus on building its capabilities in identified sectors and product lines
- A strong team has been put in place to tap opportunities in the equity capital markets space (IPOs, QIPs, etc)
- Investor sentiments towards investing in India continues to be favourable, though the expectation from them is to see more concrete resolution of issues viz. slow regulatory approvals to projects, availability of cheap credit etc – factors which few months back were responsible for dampened investor view
- With key policy changes and improvement on inflation in the economy on the back of low commodity prices globally and enhanced performance in economy, this situation is expected to change

- Following commencement of business operations in May 2014, Aspire Home Finance has helped over 500 families realize their dream of owning a home
- As of Sep 2014, the company received 1225 applications amounting to ~₹1.45 billion, sanctioned 818 applications amounting to ~₹873.2 million, and disbursed 558 applications amounting to ~₹507.1 million
- These are retail housing loans, with an average ticket size of ~₹1.1 million. Average lending rate is 13.25% and LTV is 65%. Ratio of salaried to self-employed is 60:40
- Operational in 13 cities: 7 in Maharashtra, 3 in Gujarat, 2 in MP and 1 in Telangana
- Term loan/cash credit sanction lines from Axis Bank, YES Bank, IDBI Bank to the tune of ₹650 million. We are also in talk with other 4 banks
- Developed in-house credit assessment methodology to calculate the eligibility of the applicant based on the ability and willingness to service the loan
- Built strong risk assessment practices at every stage of loan processing
- Aspire's core technology platform enables end to end processing of applications
- It has launched Aspire Insurance Services Division offering life/non-life insurance solutions to customers, as well as Aspire Property Services Division and Aspire Technical Services Division to offer its domain expertise in the housing industry
- Conducted events at Mumbai and Indore for interactions with builders/developers



■ Mumbai
■ Gujarat
■ Telangana
■ Rest of Maharashtra
■ Madhya Pradesh

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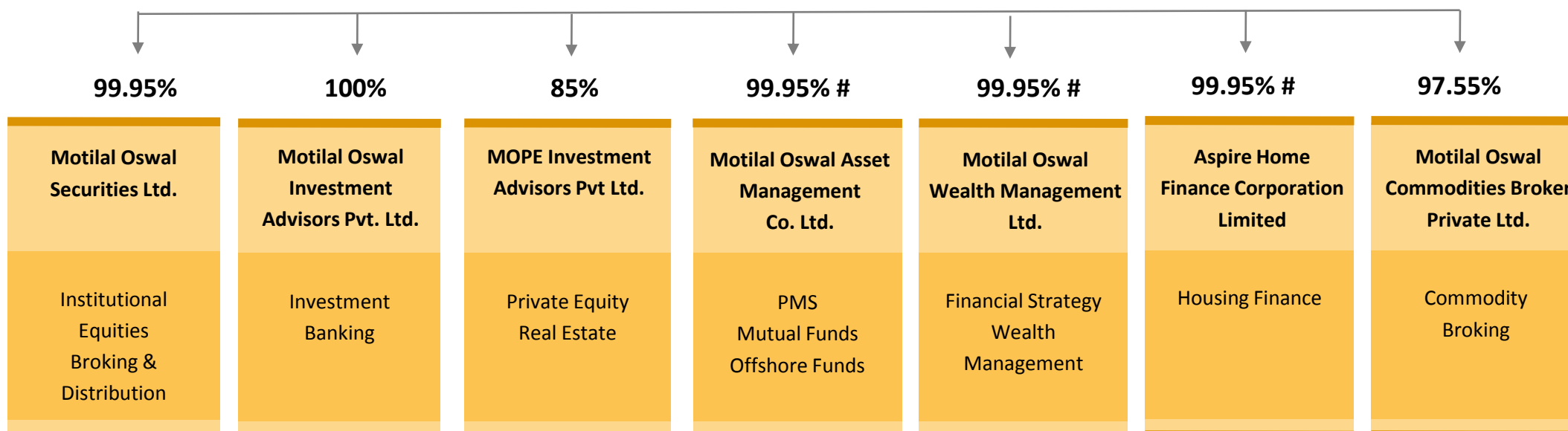
Group profile and structure



- 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 517 cities comprising 1,657 business locations operated by our business partners and us with 820,025 total registered customers
- Shares listed on the Bombay Stock Exchange and National Stock Exchange in Mumbai



Motilal Oswal Financial Services Ltd.



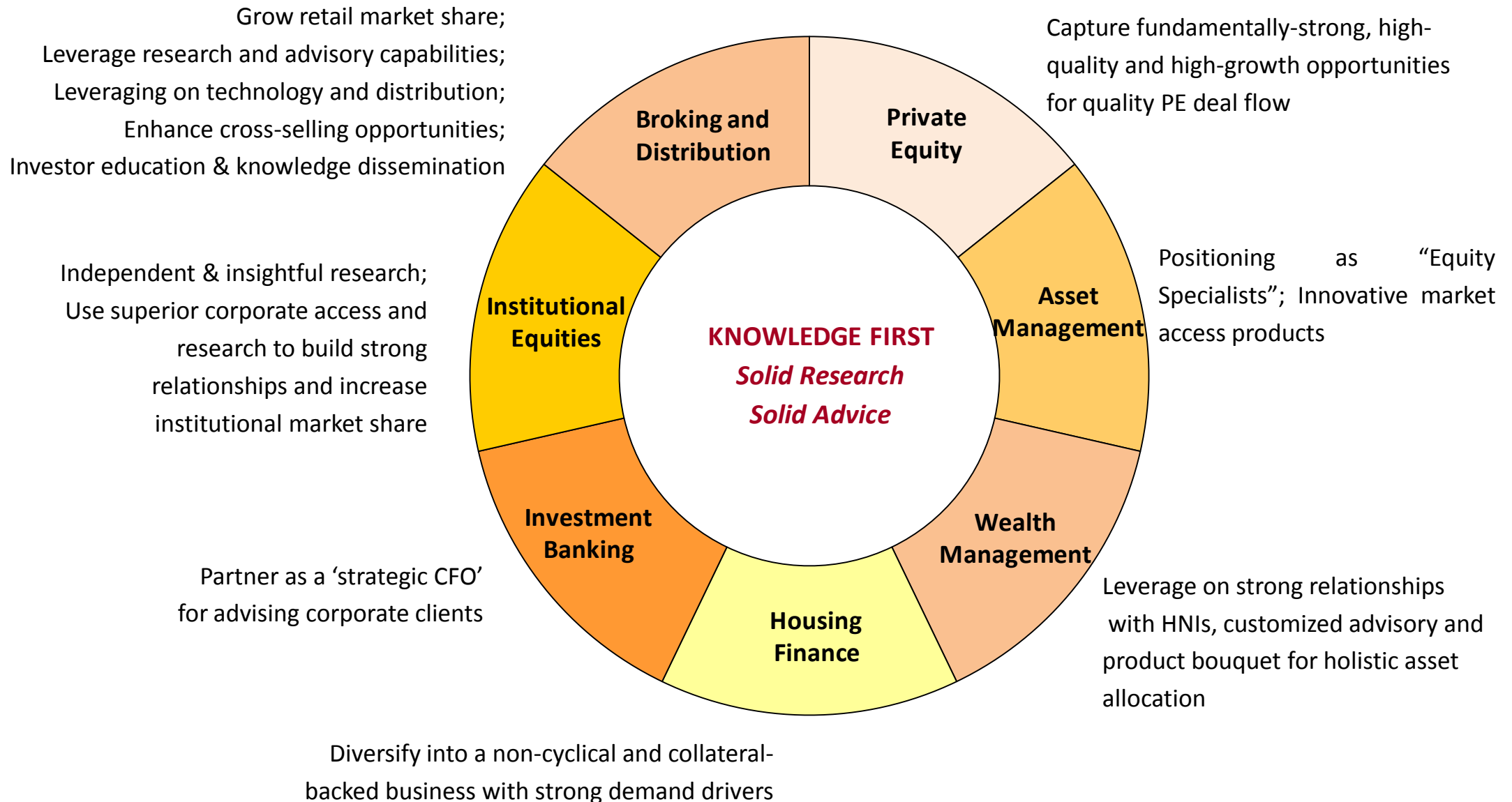
through Motilal Oswal Securities Limited

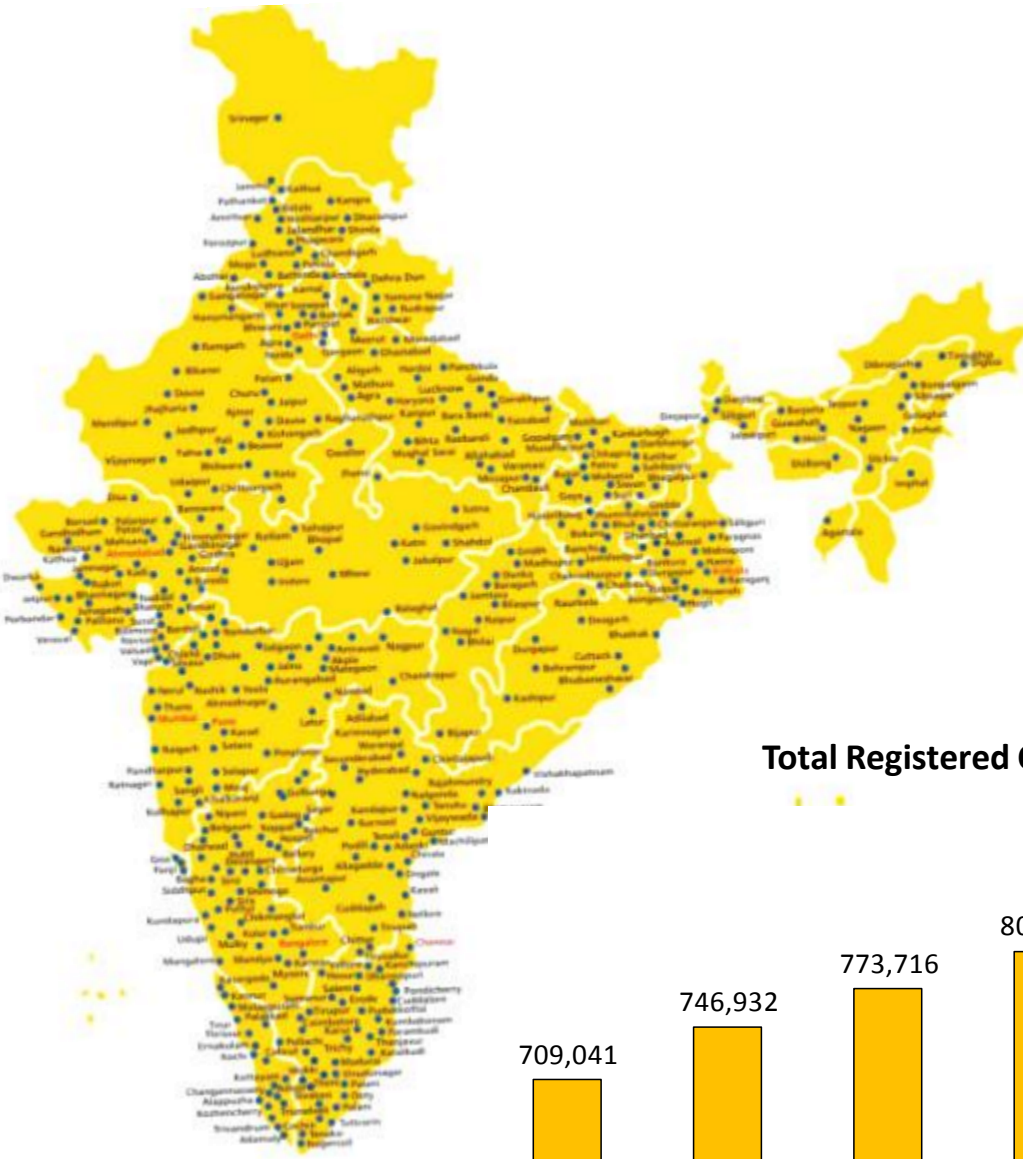
Data as on Sep 2014

Our Strategic Focus: Well diversified Financial Services firm



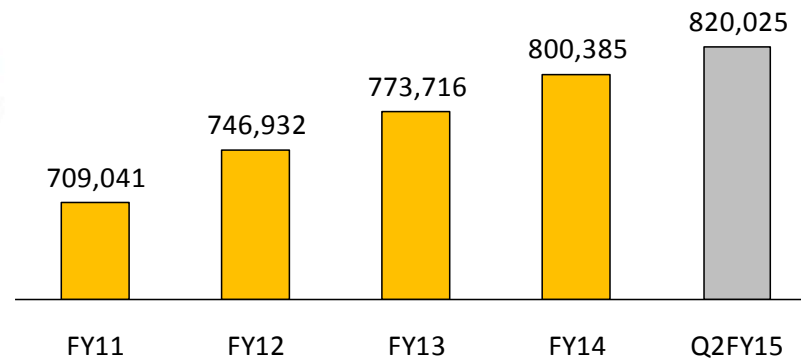
Driven by professional and energetic management, who share a similar mind-set and passion as the founders...



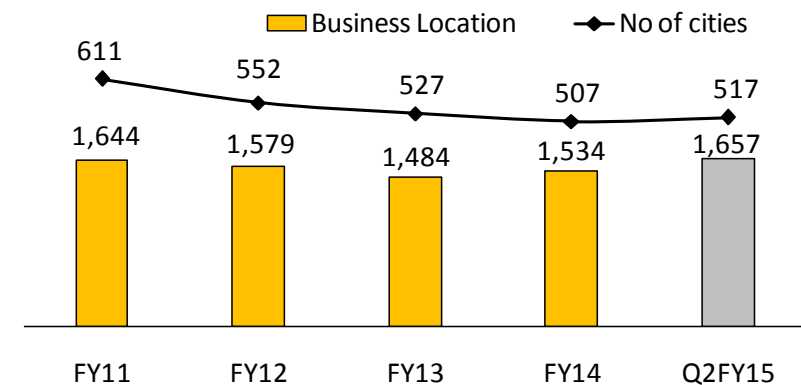


- Pan-India network with a presence in 517 cities across 1,657 business locations (branches plus franchisees), and complemented by a robust online channel
- Total registered client base of 820,025 which includes 719,997 retail broking and distribution clients
- Robust distribution network providing opportunities 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 over 40 research analysts covering 214 companies across 20 sectors and 30 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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“Delivering effective advisory value to customers: Learning from US wealth firms”

Introduction: challenges and imperatives...

- Wealth management may not require much capital. The bigger challenge for scalability (and profitability) is optimizing advisor productivity
- Post-2008, this has become tougher. Sales cycle is longer due to a more knowledgeable investor. Client preferences have changed, and they want extra attention to understand portfolios during uncertain markets. Adding value to portfolios during volatile markets is also a tough ask
- Many firms are struggling to stay afloat. Being a people-intensive business, it is important to attract/retain good advisors rather than cut staff
- It is imperative to optimize productivity by deepening the client-advisor relationship. This means increasing the time available to service clients or to attract new clients. That would help bring in long-term, higher-margin assets, move non-managed assets of the client and more referrals
- Low productivity is due to disproportionate time on admin tasks and non-integration of customer & investment platforms. This has to decrease
- The foll. slides look at areas in the Advisory Value-Chain, where US wealth firms have concentrated their productivity improvement initiatives

Any advisor productivity initiative needs to keep in mind that advisors differ in their traits, skills and competencies

- While all advisors do the same things, they do them differently
- This creates different advisor-types, and the areas for productivity improvement will differ based on each advisor’s unique traits and skills
- Mature advisers should ideally move to the high-fliers or steady-earners
- Slow-starters need mentors, periodic reviews and discussion of problems
- High-fliers have to be supported with admin and servicing back-ups
- Steady-acquirers need help in planning/servicing, and can be involved in acquisition training. They can pass on their clients for better servicing
- Steady-earners are good at building long-term relationships, which helps long-term annuity. Firms need to use their servicing strengths

Advisor-type matrix based on client acquisition and asset gathering	
“Slow-starters” Low in client acquisition and Low in fee income/assets ratio	“Steady-earners” Low in client acquisition, but High in fee income/assets ratio
“Steady-acquirers” High in client acquisition, but Low in fee income/assets ratio	“High-fliers” High in client acquisition and High in fee income/assets ratio

Areas along the Advisory Value-Chain which have seen initiatives for advisor productivity improvement

- Advisory value-chain is a useful framework to categorize the advisors' activities, and understand where US firms concentrated their efforts for productivity improvement. The basic premise to improve productivity has to be reduction of the time spent in redundant and admin tasks



Client prospecting and onboarding activities:

Targeted prospecting:

- This includes attending AGMs and trade conferences, and targeting single-parents who need financial guidance
- Using 'spheres-of-influence' like lawyers, accountants and consultants, who can give valuable inputs on the prospect. They are prospects too
- Retirement planning is often-used. This gives clients a feeling that their most personal needs are being addressed
- Referral model is also used to tap other employees within the client's own company. Advisors are also targeting both the asset and liability side
- Targeting B2B accounts, as that can create bulk accounts if the client consolidates more assets. For example: Stratos Wealth Partners in B2B

Prospect tools to integrate Contact and Lead systems:

- To bring in efficient relationship management, firms are now integrating Lead and Contact Management systems
- This incorporates reports on the usage of the leads by the advisor, including meetings, conversation notes, action items and correspondence, as well as historic client data which helps in better understanding his investing behavior and goals
- It also supports Customer Analytics to identify opportunities for products according to each prospect – for a more directed approach
- It can also incorporate an alert mechanism for advisors to track leads

Prospect seminars:

- Using pre-prepared/canned material instead of developing own material – the time saved is better utilized for planning the interactions

Prospect tools to integrate Contact and Lead systems:

- Advisors' original process of manually entering information is being replaced by unified account opening tool which pre-fills existing client information and reflects consistent data across systems. This resulted in faster turnaround, real-time account opening & process transparency
- Worldsource Securities' e-account opening system allows pre-populated details, tailored questions based on client/account type selected
- FolioDynamix created a common dashboard that can pull multi-custodial accounts, which allows better management at the household level

Client segmenting and directed financial planning:**Holistic profiling questionnaires:**

- Increasingly using online profiling questionnaires to save advisors' time from studying forms, while enabling a more holistic client information
- Apart from assets, these questionnaires take into account risk appetite, sources of wealth, return expectations and objectives for the money

Dedicated product teams, a shared-service to deliver product expertise effectively:

- Centralized advisory teams are made with product specialists, who prepare financial planning/asset allocation plans for the advisors to use
- Advisors get more time to devote to client-facing work, while clients are better served as it leverages a wealth of specialized knowledge

Planning tools to integrate CRM and Planning platforms:

- Integration of client information with the financial planning platform saves the advisors' time from the need for navigating multiple applications, while giving him directed pieces of information that he needs for making sales, along with scenario analysis tools

Product planning:

- Most US firms prefer multi-product and multi-asset class architecture, to address the various investment demands for retaining the client
- BAML sold banking products to Merrill's legacy clients, while UBS Wealth focused on securities-backed lending, mortgages, credit cards
- It also included outsourcing the investment management, which meant better utilization of time and better/consistent investment expertise

Portfolio trading tools to improve productivity:

- Specialized trading platforms have been implemented for senior advisors, who typically also have the largest books
- Merrill Lynch's Portfolio+, a discretionary trading platform, connects asset allocation, portfolio construction, portfolio-drifts and cash management tools into a trade processing platform. As of Jan 2014, about 25% of Merrill Lynch's 17,000 financial advisers were using this

Client servicing and portfolio monitoring activities:**Automated monitoring of stocks based on 80-20 Rule:**

- Automated monitoring via alerts help identify which clients to call within quick time of an event, by identifying stocks impacted by that event
- To reduce the stocks to manageable levels, advisors follow the Pareto Rule. Typically, ~80% of their equity portfolio would be of 100-150 stocks and ~20% of clients represent their 'A' book. Advisors start with stocks that represent these clients' books, and then expand the list
- Knowing that advisors are monitoring portfolios gives clients a comfort factor, and they were more likely to move more assets to those advisors

Removing low-yield clients to gain time for deeper servicing/engagement with meaningful clients:

- Advisors need to give more time to top clients, but the smaller clients often take up valuable time. US advisors found approx 1/3rd clients yield less than 10% of revenue, and they are now letting go of less-lucrative clients who may never scale up despite efforts
- Advisors could now spend more time with clients who mattered. Deepening the engagement might mean more high-margin assets and referrals
- Handing over was done on an incremental basis. The least profitable clients were dropped only when a new client could replace the revenue lost

Trading and rebalancing tools:

- LPL Financial's rebalancing platform saved time by simultaneously managing trading in multiple accounts. Scivantage automated rebalancing of hundreds of accounts against models. Cetera's SmartWorks helped faster responsiveness, as time for rebalancing reduced from hours to minutes

Tools for faster service delivery:

- Schwab's Pega ACE service management platform reduced the time to market and improved how customer requests were managed
- Tablets enabled advisors to input trades and service requests away from the office, thus allowing faster responses to clients

Reporting and administrative functions through automations:

- Automation of admin tasks enables faster turnaround, lower opex, lower human error and better governance of the process stages
- Repetitive activities like regulatory filings, consolidated reporting documents, etc can be automated. E-document solutions are being used
- A comprehensive reporting solution that generates a consolidated statement across accounts, instead of multiple statements
- This also includes outsourcing of admin tasks. LPL Financial used third-party partners to process admin tasks faster and accurately

Client servicing and portfolio monitoring activities:**Using advisor team, instead of single advisor:**

- As per a US Survey, 1/5th of all advisors have started to use teaming instead of a single, experienced advisor to each client. While single advisors can serve ~25-40 top clients, advisors teaming with junior advisor/client associate can serve more than double of that
- While this talent is cheaper, it requires an institutionalized training plan. Merrill Lynch's Team Financial Advisor program provided trainees with specialized skills in business development, planning, investments, relationship management or management.
- The challenge is to ensure enough work to keep them occupied, as well as realizing higher value as compared to training costs/attrition
- Mapping of junior advisors to senior advisors has to ensure their methods of working are matched, as that can impact the team's efficiency

Acquiring a team works better than acquiring a firm:

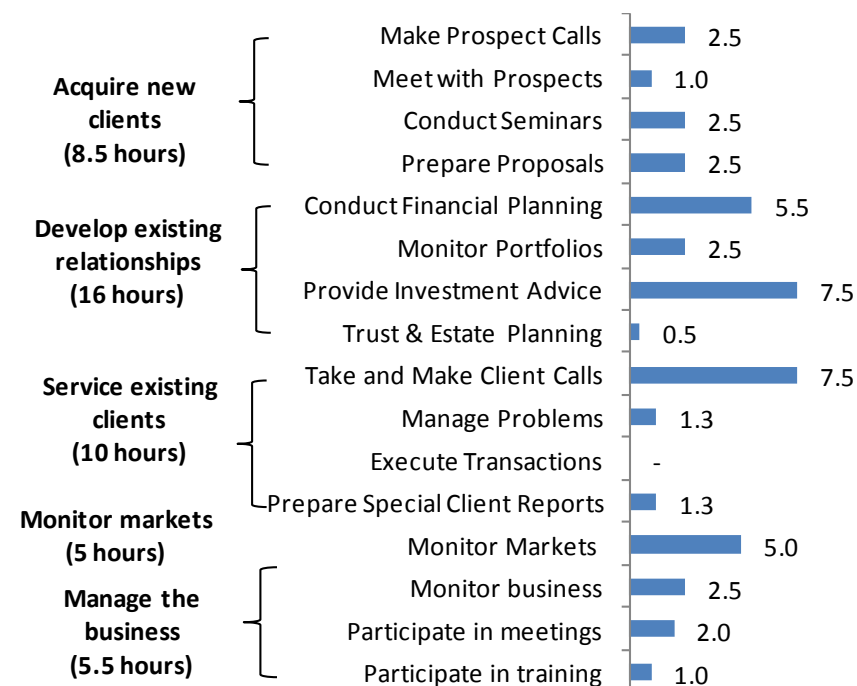
- Acquiring firms has not been effective in creating scale. The better option for acquisition is to lift-out the advisor team from the other firms

Ideation, Consulting support and Benchmarking to help advisors grow:

- LPL Financial uses 'Innovation Days' to spur ideas. LPL also partnered with IDEO, an innovation consulting company, to guide service levels
- TD Ameritrade assists its advisors with business consulting tools like profitability, benchmarking, and program growth reports
- Nationwide's Benchmarking support searches for gaps and inefficiencies that prevent the advisors from realizing their best practice
- Charles Schwab's 'Insight to Action' practice management consulting program offers its RIAs support, guidance and actionable solutions

Conclusion:

- Delivering effective advisory value add to clients necessitates increasing client-facing time, to deepen relationships with existing clients or search prospects
- Capturing of non-managed assets and moving assets into higher-yielding products can happen only by deepening client-engagement. That means the time spent on redundant and operational tasks has to reduce
- The sample time-allocation shown in the chart is from an article of a certain US advisor. It gives an idea on how the average advisor spends his weekly time across various activities
- Each advisor spends his time differently, based on traits and skills. Areas of productivity improvement will differ based on each advisor-type
- The objective has to be to minimize the time spent on non-productive tasks within these activities across the advisory value-chain, and increase the time allocated to income-generating client activities. Only then can advisor productivity move north, and the firm can achieve scalability (and profitability)



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**Q2 FY15
performance**

**Consolidated
financials**

**Business
snapshots**

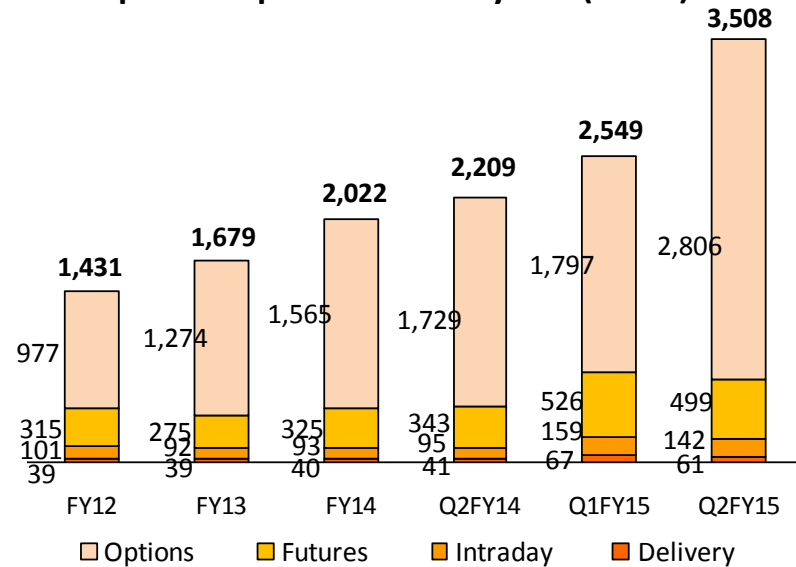
About us

**Thematic
series**

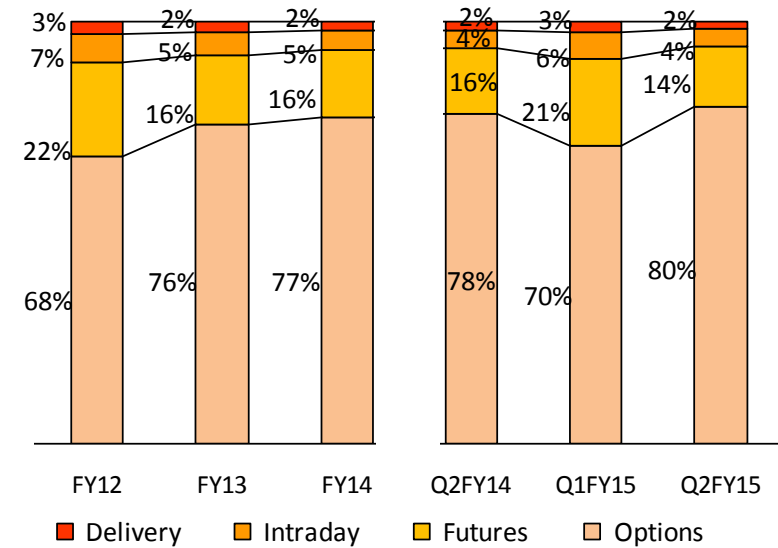
**Industry
facts**

Cash volumes tapers in Q2, but is still higher than recent years

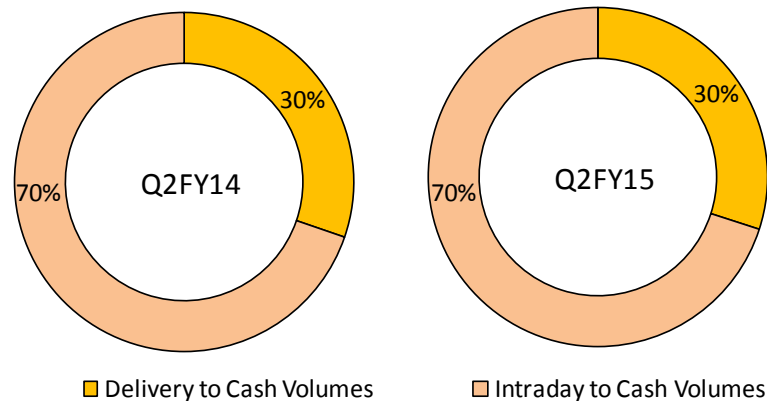
Market ADTO continued to reach highs; Cash segment volumes tapered in Q2 FY15 from Q1 FY15, but it is still at higher levels as compared to previous three years (Rs Bn)



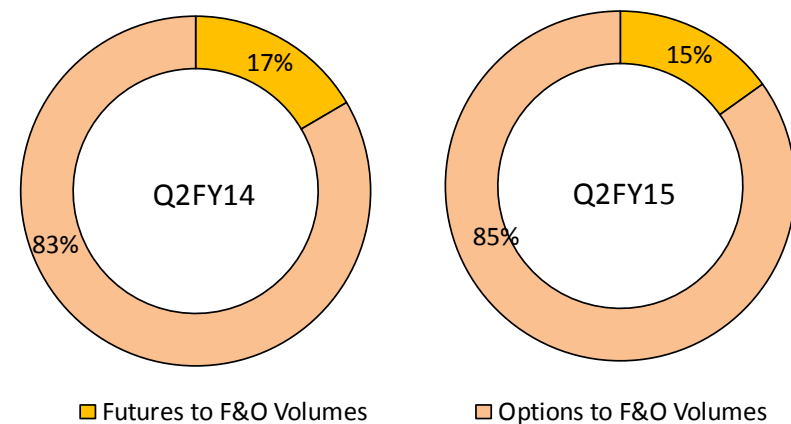
While cash volumes have picked up in absolute amounts, options have increased at a higher than proportionate rate



Proportion of delivery and intraday within cash have remained constant, despite the uptick in cash volumes

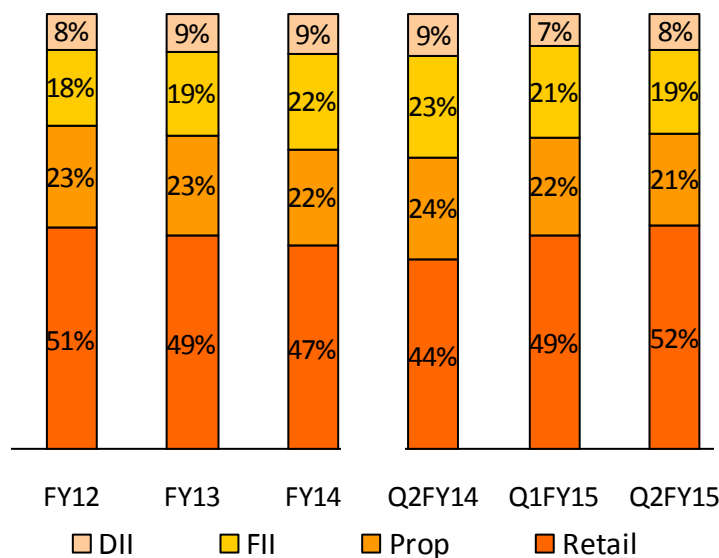


Proportion of options with F&O has increased due to significantly high growth rate in option volumes

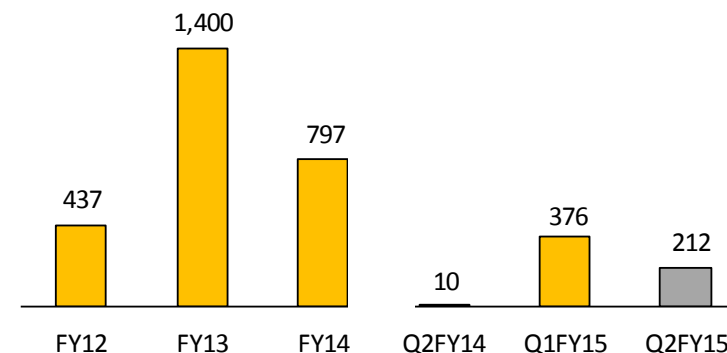


Retail cash dips; but it is less than the dips in FIIs and Prop

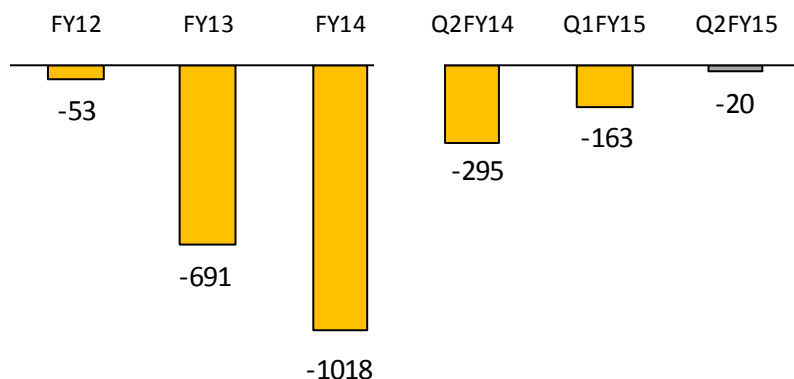
While cash volumes dipped across all participants in Q2 FY15, the decline was less in Retail as compared to FII or Prop



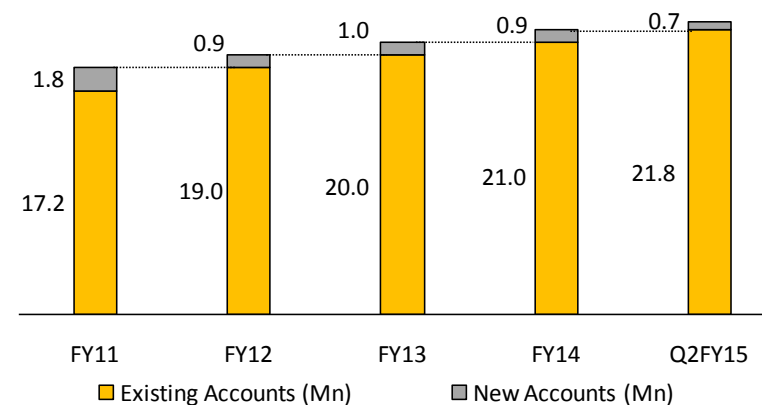
Net inflows from FIIs remain strong, although it was lower as compared to previous three quarters; Month-on-month trend in the Q2 period also showed successive dips (Rs Bn)



Net outflows by DIIs have reduced significantly this quarter, one reason being the positive net inflows seen into equity mutual funds after a long gap (Rs Bn)

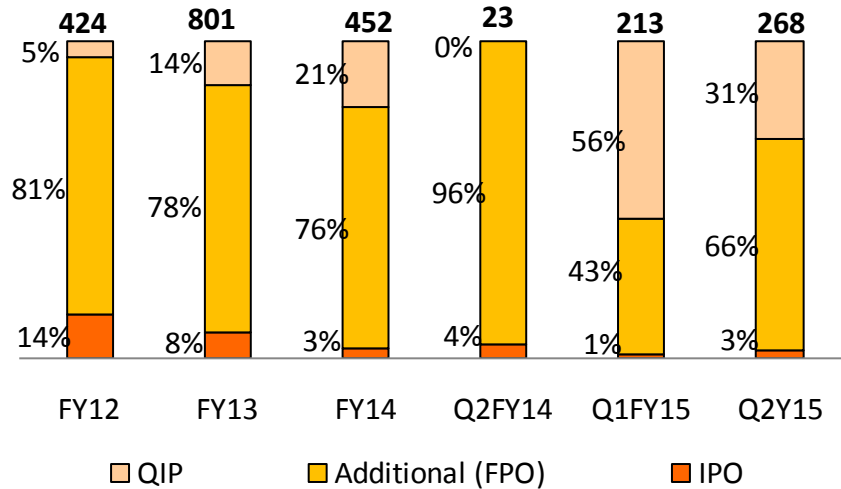


Incremental demat accounts yet to pick up in a big way; will depend on the pipeline of IPOs in upcoming months



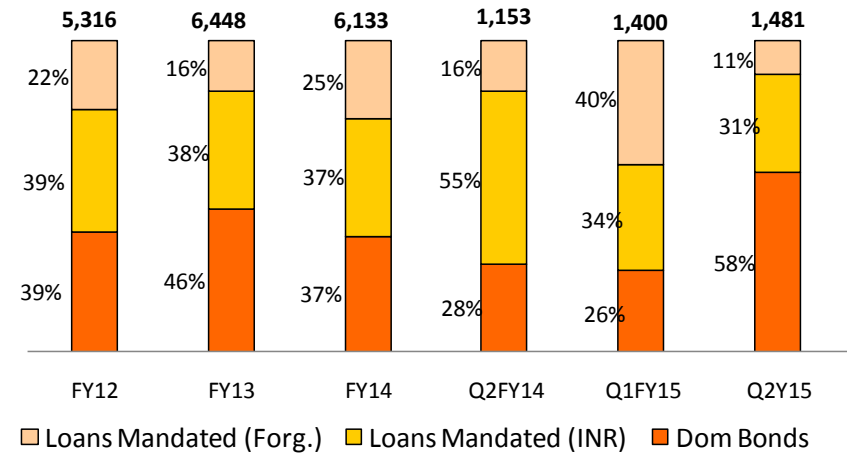
Capital raising and deal activity yet to take off in a big way

ECM activity was marginally higher this quarter due to few Offer for Sale issues and some IPOs; However, the IPO pipeline is yet to take off in a big way (Rs Bn)



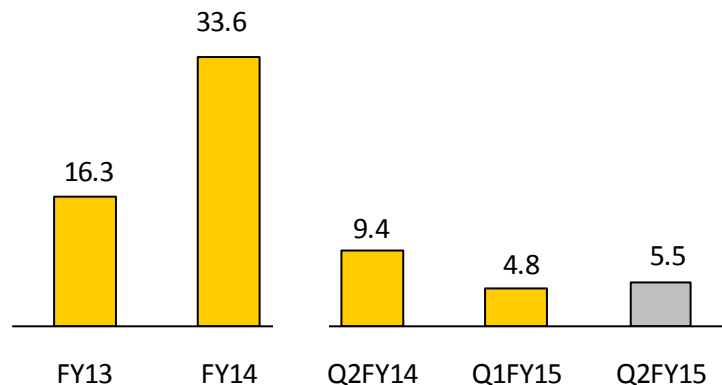
Source: Bloomberg, BSE (for QIP)

DCM activity largely remained constant on a QoQ basis; Domestic bond issuances saw a spike this quarter, while foreign loans tapered (Rs Bn)



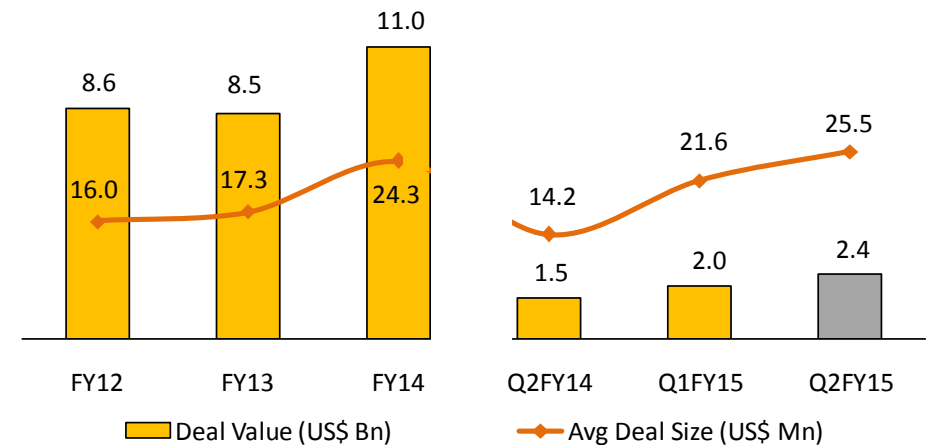
Source: Bloomberg

M&A deal values were slightly higher on a QoQ basis; The spike in this quarter was largely due to the United Spirits-Diageo transaction (US\$Bn)



Source: Bloomberg

Average deal values in PE have picked up as compared to historical levels due to the \$1billion Flipkart deal. If this deal is excluded, then PE deal values were lower on a QoQ basis



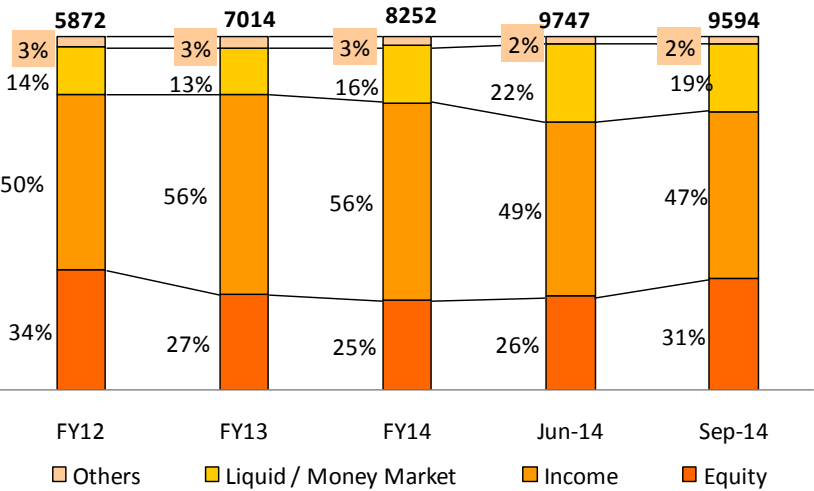
Source: Venture Intelligence

Investor interest returns in Equity MFs with strong net inflows

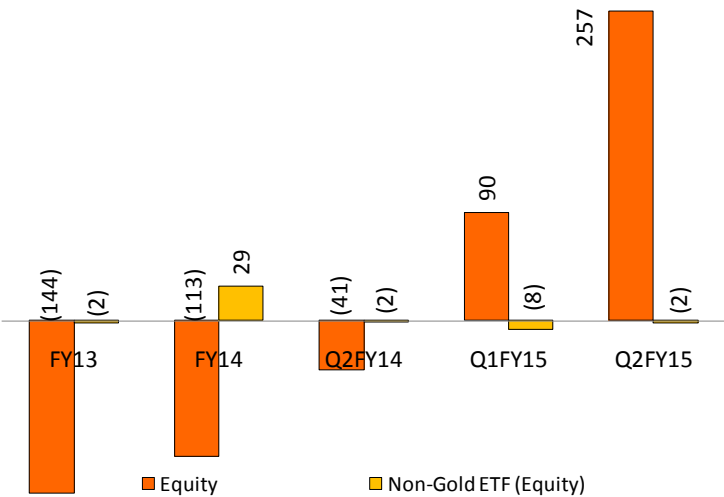


Overall MF AUM tapered QoQ due to drop in AUM of liquid, income and gold funds; However, equity MF AUM saw asset expansion due to market movement and positive net sales (Rs Bn)

Equity MF net inflows were positive for the 2nd quarter, after 9 successive quarters of net outflows; Moreover, net inflows in Q2 was also significantly higher than that in Q1 (Rs Bn)

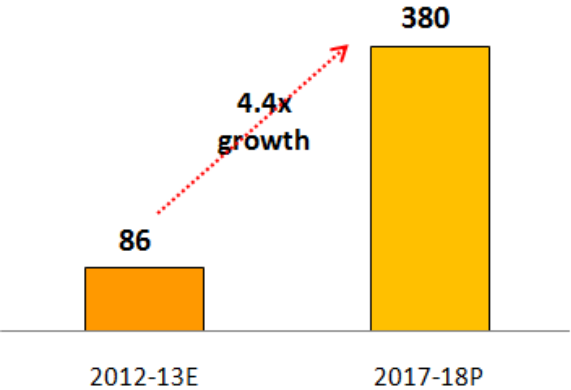


Source: AMFI

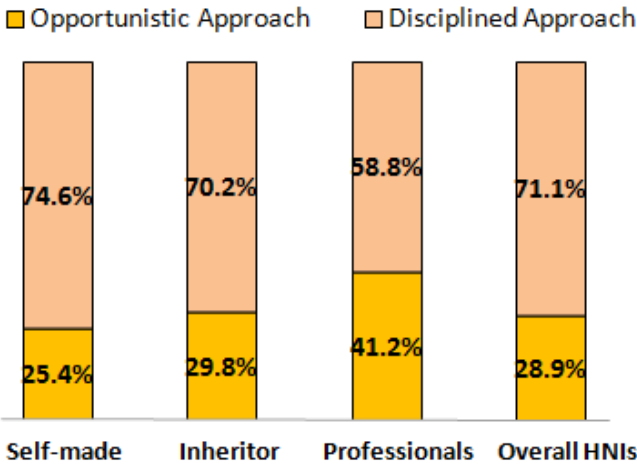


Source: AMFI

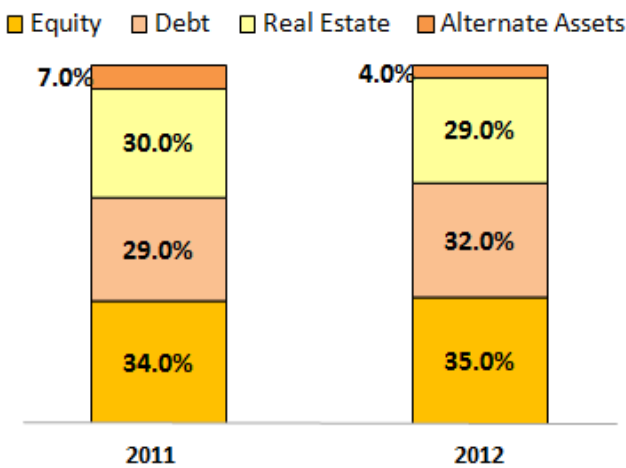
Total Net Worth of Indian HNIs (Rs Tn)



Approach towards Investments of Indian HNIs



Change in HNI Investment Portfolios



Source: Kotak Top of the Pyramid Report 2013

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Thank You

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