Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended Mar 2013

29 Apr 2013

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of ₹1.3b for the quarter ended 31 Mar 2013, up 17% QoQ and up 3% YoY. Reported PAT at ₹367m was up 26% QoQ and up 69% YoY. Adjusted PAT at ₹328m was up 67% on a QoQ basis and up 50% YoY. Broking-related revenues was ₹763m, down 1% QoQ and down 16% YoY. Fund-based income at ₹377m was up 89% QoQ and up 67% on a YoY basis. Asset management fees was up 22% on a QoQ basis and up 31% on a YoY basis to ₹170m. Investment banking fees at ₹8m was down 59% QoQ, and down 79% 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 Mar 2013. This presentation is available at www.motilaloswal.com

Corporate Participants

Mr Motilal Oswal

Chairman and Managing Director

Mr Raamdeo Agrawal

Co Founder and Joint Managing Director

Mr Navin Agarwal

Director

Mr Sameer Kamath

Chief Financial Officer

Good morning, ladies and gentlemen. Welcome to the Q4 FY13 earnings conference call of Motilal Oswal Financial Services Limited. We have with us Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agrawal, Co Founder and Joint Managing Director, 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)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
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	
Shares O/S (mn) - FV Rs 1/share	145	145		145	145		145	145	

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on Mar 2013 earnings

REVENUE COMPOSITION (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
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%

Source: MOFSL's presentation on Mar 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 Fourth Quarter ended March 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 March 2013.

Equity markets

Sensex was up 8% for the fiscal year FY13. While it saw positive returns in each of the first three quarters, the last quarter saw a slight dip of 3%. FII inflows have been robust since the second quarter onwards. However muted reaction to the Budget, political uncertainty and continued earnings downgrades impacted sentiment in the last quarter. BSE Midcap Index performed worse with a negative return of 14% in Q4 FY13. BSE market cap stood at Rs 65.3tn in March 2013, up 5% YoY. Some early signs of improving macro were visible in the last 3 months. Easing in global commodity prices moderated WPI to below 7% levels in Jan and Feb, though CPI remained above ~10%

range due to the higher weightage of food. RBI cut policy rates in Jan and Mar, but transmission to market rates has been inhibited by tight liquidity. Average daily market turnover (ADTO) of equities reached a high of ₹1.8tn in Q4 FY13, pushed up by options. Options continue to comprise 76% of market volumes. Cash volumes grew 3% QoQ to ₹141bn. The encouraging feature is that delivery volumes, a measure we track more closely for our business, was up 8% QoQ. Also, delivery proportion within overall market volumes picked up very marginally from 2.4% to 2.5% QoQ - both higher than the levels in the first two quarters of FY13. This spurt in delivery volumes was during Jan and Dec, reaffirming our belief that delivery volumes will rise disproportionately when market upticks. During the quarter, cash market participants saw a QoQ decline in absolute ADTOs, while FIIs and DIIs saw an uptick in volumes. The same trend held for the full year as well. Hence, the proportion of retail to overall cash volumes continued to fall while the proportion of FII and DII within cash rose.

The month of April has started on a relatively weak note for the cash segment. April cash ADTO (till 23rd) is down 15% vs the average of Q4FY13 although this trend has changed in the last few days. Its proportion to total volumes has come down to 7%. Options continue to comprise about 77% of overall volumes in April.

Institutional activity

Strong FII inflows have been seen in each month since July and they are now the second biggest holders of Indian equities after promoters. FII net inflows into equities were ~US$10.3bn in Q4FY13, ~US$8.5bn in Q3FY13 and ~US$7.3bn in 2QFY13. DII net outflows continued, especially due to loss of equity mutual fund folios as domestic investors shied away from the markets. DIIs saw net outflows of ~US$6.3bn in Q4FY13, ~US$3.5bn in Q3FY13 and ~US$3.4bn in 2QFY13.

Investment banking and private equity

M&A deal value was US$4.5bn in Q4FY13, down considerably from US$12.5bn in Q4FY12. While IPOs and Rights declined in the ECM space, there were a few Offer for Sale issues. During the year, QIP have emerged as one of the favored route for fund-raising. Debt raising volumes remained largely flat. There was an increase mainly in the domestic bond segment. Loans (both INR and foreign) moderated given the interest rate outlook. Private equity deal value was US$0.9bn Q4 FY13, down from US$1.1bn in Q3 FY13. Private equity investments were lower this quarter due to the impact of limited quality deployment opportunities, uncertain economic outlook and slower exits of existing holdings.

Asset management

Assets under management of mutual funds were ₹7.0tn as on Mar 31, 2013, down from ₹7.2tn as on Dec 31, 2012. Increase in income and gilt fund assets and decline in equity fund assets this quarter were both in line with the overall market scenario. Indian ETF assets were US$2.1bn as of Mar 31, 2013, as compared to US$1.9bn as of Dec 31, 2012. The proportion of Indian ETF assets to global ETF assets dipped slightly, as global markets fared better this quarter.

MOFSL's Performance

- Revenues in Q4 FY13 were ₹1.3bn (up 17% QoQ and up 3% YoY); FY13 revenue was ₹4.7bn (flat YoY)
- Reported PAT in Q4 FY13 was ₹367mn (up 26% QoQ and up 69% YoY); ₹1.1bn in FY13 (up 5% YoY)
- Adjusted PAT in Q4 FY13 was ₹328mn (up 67% QoQ and up 50% YoY); ₹969mn in FY13 (flat YoY).
- Adjusted PAT for Q4 FY13 excludes total amount of ₹39mn representing profit from sale of fixed assets and provision for doubtful advances / write offs
- EBITDA and Adjusted PAT margins for Q4 FY13 were 42% (34% in Q3 FY13) and 24% (17% in Q3 FY13) respectively. For FY13, 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) , which takes the total divd for FY13 to INR2/sh vs INR1.5/sh in FY12. Also, payout increases to 35% of Adj PAT vs 26% in FY12.
- Board has proposed buy back from open market for an amount not exceeding ₹650mn in cash, subject to a price not exceeding ₹90/- per equity share; upto a maximum of 7.5mn equity shares and minimum of 1.875mn equity shares, subject to approval of shareholders
- The balance sheet had net worth of ₹12.2bn and net cash of ₹2.1bn as of Mar 31, 2013

Segment-wise business performance:

- Broking and related revenues were ₹763mn in Q4 FY13, down 1% on a QoQ basis and down 16% on a YoY basis. On a full year basis, broking revenues at ₹3.0bn were down 8% as compared to the previous year. Our overall equity market share rose from 1.5% to 1.7% on a QoQ basis. Our blended yield marginally decreased from 4.9 bps to 4.1 bps QoQ. As on Mar 31, 2012, total client base was 773,716, which includes 679,848 retail broking and distribution clients. Pan-India retail distribution reach stood at 1,484 business locations across 527 cities
- Fund based income was ₹377mn, up 89% from Q3 FY13 and up 67% from Q4 FY12. This includes 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 ₹997mn was up 21% over previous year. The loan book was ₹4.3bn, as of Mar 2013
- Asset Management fee were ₹170mn 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 ₹6.2mn accrued in Q4 FY13 (Q4 FY12: ₹11.5mn). On a full year basis, asset management fees at ₹591mn were up 17% as compared to previous year. Total Assets under Management for the Group were ~₹30.3bn as of Mar 2013. Within this, mutual fund AUM was ₹4.6bn, PE AUA was ₹13.1bn and PMS AUM was ₹12.6bn
- Investment banking fees at ₹8mn was down 59% from Q3 FY13, and down79% YoY. On a full year basis, fees at ₹78mn were down 11% as compared to previous

year due to delays in closure of few deals which are in advanced stages

- Other income was ₹23mn in Q4 FY13 and ₹83mn in FY13
- Wealth Management managed assets of ~₹20.2b, as of Mar 2013

MOFSL General Highlights

- During Q4FY13, our private wealth management business launched the new and improved advisory proposition under the brand 'Motilal Oswal Private Wealth Management (MOPWM)'. 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
- Motilal Oswal Private Equity received commitments of `5.6b from both domestic and offshore investors following the third closing of its 2nd growth capital PE fund, India Business Excellence Fund-II
- MOPE 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 space for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012.
- MOSL won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013
- Currency trading has been started on the company's trading platform in USD, GBP, EUR and JPY, with a dedicated currency research desk

Outlook

As inflation falls and liquidity improves in coming quarters, further monetary easing should follow, leading to lower market rates of interest. This coupled with focused govt initiatives to clear big ticket projects should hopefully help revive the investment cycle. As the economic variables mean revert, it should help corporates in improving cash flows, margins, gearing and earnings visibility. We believe that the long-term Indian growth story would in turn present several growth opportunities for financial services companies such as ours. We are focused on this opportunity and are building a customer focused organization with low financial leverage and significant scalability embedded in our operations. This should help us in garnering higher market share in the profitable parts of the capital markets space. With these remarks, I would now like to open the floor for Q&A. Thank you.

Broking & Distribution, Wealth Management and Institutional Broking

KEY FINANCIALS: BROKING & DISTRIBUTION, WEALTH MANAGEMENT & INSTITUTIONAL BROKING (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
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 & extraordinary items *Source: MOFSL's presentation on Mar 2013 earnings*

What is your perspective on DMA (direct market access)? What is the impact of this on broking revenues in the long run?

Apart from the increased usage of DMA across our clients, there have also been significant flows invested into the market by passive investors, rather than active investors. Active domestic mutual funds or insurance companies have been net sellers. Active investors like India dedicated funds and emerging market funds have also seen net outflows in the last fiscal year. Almost all the inflows that are coming into the market are by passive investors. Brokers like us who get almost all of their revenues from active investors get adversely impacted because of these trends. However we believe that active investing will definitely come back as and when markets start offering worthwhile returns, which have not been the case for the last few years. We continue to build our franchise on the active side of the business. While our asset management business does run ETFs and does benefit from any incremental flow coming from that part of that business, it is still not meaningful enough to offset the adverse impact on the sell side.

Despite FII flows being good over the last 12 – 15 months and DII continuing to sell, there has not been any traction in broking revenues. Is this due to the cap on the brokerage yields?

A large part of the FII inflows into India have been through passive investors, and not active Indian funds. Hence, the traction in the overall volumes may be lot higher than the traction seen in the volumes of players like us, who are more aligned to active investors. Secondly, blended yield has been under pressure because of the mix change in favor of F&O vis a vis cash. Lastly, there has also been a regulatory change during the current year where commission rates have come down for at least one segment of the market. This, in turn, adversely impacted the revenue line even if the volume lines remain robust. Also, on a year-on-year basis, the overall cash volumes are down 7%. The volumes in the institution segment are almost flat YoY despite having seen disproportionate flows. Retail volumes were down 10% YoY and the retail segment has literally withdrawn from the market. Our brokerage top line is down 8% YoY which largely mirrors the year-on-year change in overall cash volumes. So to that extent, we have participated at the market level and whatever impact seen in the market is because of the yield pressure.

The quarterly run rate in broking revenues is ~Rs 700-800mn, as compared to ~Rs 1bn few years ago. When does the broking top line kick off from here on, back to earlier levels? Is it only when retail comes that the multiplier effect will come in?

It is difficult to time the interest coming back into any category. It is a tough environment. There has been pressure from the SEBI mandated cap in brokerage rates. There has been pressure structurally, because of technology, etc. Then there is the apathy towards equity as an asset class since the last 5 years. Non-equity asset classes like gold and real estate have done well for the last 5 years. But now gold and real estate have kind of plateaued at this juncture. As an asset class, equities are cyclically at the bottom, and there should be some upturn. In the decade between 2003 and 2013, we have done 5 terrific years and 5 corrective years. In the next 10 years, given the kind of situation we are in currently, we may be in for another terrific 5 years. Whether it turns up or not, we will have to wait. We have kept the infrastructure, people, teams and businesses ready. We don't have any leverage. So whenever the period of uptick comes, we have full faith in the company's ability to deliver. So from our side, our preparedness is for a turnaround any time. Trying to make actual forecast numbers may not always work out, hence hazarding a guess may not be sensible. We can see the stress all around, in terms of all the news flows on the profitability of firms, the hire and fire across the industry. We have, in fact, significantly upscaled our investment in this business by moving into a new office space which can house an additional 30–40% workforce without making any additional investments. Strategically, we have identified focus areas that we want to build in terms of new capabilities or strengths aligned to existing businesses. So we continue to be in an investment mode, rather than a divestment mode which we see in the industry right now.

The yields have been on the higher side historically, especially as you have not chased lower-yield options that much. However now, there is an uptick in volumes but a decline in the yields. Does this mean the cash market share is now declining?

Our cash market share has remained the same although cash volumes in the market have come down. We have seen some traction in our F&O business, so the blended yield has come down. The cash segment yield has also come down under one segment due to a regulatory change. SEBI came out with a regulation sometime in August of last year saying that mutual funds can pay a maximum of 12 bps on the cash side and 5 bps on the derivative side to sell side brokers. This regulation restricts the maximum amount that a mutual fund can pay out to an institution. So that is something that has been factored in this quarter's performance as well. But we have not seen much change in the market shares on a segment-to-segment basis. Our overall market share, has in fact, increased from 1.5% to 1.7% QoQ.

What is the breakup between the company's retail and institution broking business? You mentioned that your institutional volumes have been more or less flat, does that mean the company is losing money in the institutional business

We don't share those numbers in public domain but we are equal participants in both sides of the business from overall market perspective. What we mentioned was that institutional volumes in the market have remained flat, despite having disproportional inflows of money. All pieces of our business, including the institution business, remain profitable during challenging times as well. Profitability is presented separately in our presentation for MOSL, which is the retail and the institutional broking business put together. That applies for both the parts of the business

Under Motilal Oswal Private Wealth Management, what is the clientele that you are targeting, how are clients reacting given that it has been a difficult year, and what would be the AUM that you estimate to garner?

The current AUM under wealth management business is Rs 20bn. As far as the target segment customer is concerned, we are looking at clients with a minimum ticket size of Rs 25mn. This year, we have grown our AUM by about 50% without much movement in the overall markets. Hence, we estimate to reach fairly good numbers.

Fund Based Income

MOFSL STANDALONE FINANCIALS (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
Total Revenues	292	307	-5%	292	251	16%	949	819	16%
EBIDTA	270	279	-3%	270	226	19%	836	704	19%
PBT	190	224	-15%	190	210	-10%	618	685	-10%
Reported PAT	48	192	-75%	48	188	-74%	387	563	-31%
Adjusted PAT (before E & EOI)	139	198	-30%	139	189	-26%	498	579	-3%

Source: MOFSL's presentation on Mar 2013 earnings

On the lending book, what is the internal budget in terms of growing the book?

Since this book largely supports our delivery business, the size of the book will be driven by the broking business and the way delivery volumes pan out. Our focus will always remain on the advisory side and we can support our high conviction calls with the lending support. So to that extent one would grow this organically as against a set target. As such, we have not restrained by capital. At the Board level, we have taken a decision that we can leverage the balance sheet up to one time of net worth. We are still far away from that. For the current ~Rs 5bn book, we are at zero leverage. Internally, the focus is first on building clients engagement and as and when we see the opportunities, this book will grow. So this is not so much a function of how much we want to lend in order to grow our book and achieve a certain target but how much support the agency business needs which will be a function of agency volumes.

How is the risk management in the margin lending business?

Margin funding business is used to support our agency business. We have a very strong KYC on the broking side. Typically, it is an additional product given to existing customers as against using it to get new customers. So we have a strong record and client history when we are giving out the loans. This book will grow steadily as markets improve and will hardly grow disproportionately. Again, our margin funding book is one of the smallest in the industry because we are very selective about the kind of stocks we give exposure to. We always take it in a basket. We have strong risk management practices and handled independently by a separate team. The minute there is any kind of cover going below the threshold accepted levels, there is a margin call. If it is not made good within the stated time period, then the stocks are sold. So to that extent, the security cover is completely liquid and we are not seeing any significant negative surprise there.

Asset Management

KEY FINANCIALS: ASSET MANAGEMENT (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
Total Revenues	88	79	12%	88	90	-2%	348	318	9%
EBIDTA	11	13	-14%	11	(9)	nm	58	(9)	nm
PBT	10	11	-16%	10	(10)	nm	53	(11)	nm
Reported PAT	10	11	-16%	10	(30)	nm	53	(31)	nm

Source: MOFSL's presentation on Mar 2013 earnings

Private Equity

KEY FINANCIALS: PRIVATE EQUITY (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
Total Revenues	90	70	28%	90	42	115%	274	194	42%
EBIDTA	31	29	8%	31	11	188%	82	31	162%
PBT	30	28	8%	30	10	189%	78	30	163%
Reported PAT	21	19	9%	21	7	193%	53	20	163%

Source: MOFSL's presentation on Mar 2013 earnings

Investment Banking

KEY FINANCIALS: INVESTMENT BANKING (₹Mn)

	Q4 FY13	Q3 FY13	CHG. QOQ	Q4 FY13	Q4 FY12	CHG. YOY	FY13	FY12	CHG. YOY
Total Revenues	8	20	-59%	8	41	-81%	80	117	-32%
EBIDTA	(21)	(9)	nm	(21)	(20)	nm	(60)	(45)	nm
PBT	(24)	(11)	nm	(24)	(20)	nm	(68)	(47)	nm
Reported PAT	(20)	(8)	nm	(20)	(14)	nm	(52)	(31)	nm

Source: MOFSL's presentation on Mar 2013 earnings

Overall

What is the write-off in the exceptional items, along with the sale in fixed assets? Has the loss with regard to this provision been fully realized, or yet to pass on more in future quarters?

Our agency-led fund based business had some open positions, which we have provided for and written-off in this current quarter, as per RBI regulations. This is largely from the loan against shares book. Whatever we required has been provided for. We have a strong credit process in place and are very careful about the loans we give out. This is the part of normal business which has been factored into the risk in our pricing.

Why should this write-off/provision appear as an exceptional item, if it is a normal course of business?

As per accounting classification, our auditors require that any significant line item which impacts the P&L has to be separately disclosed, and that's why it has been shown as exceptional, not extraordinary. There is a difference. Exceptional items are operating line items which have to be shown separately and highlighted because they are significant in terms of the impact they have on the profit. That's why they are shown separately. That was true for fixed assets and likewise for write off as well. The normal earning power of the company tends to be muted because the exceptional is not because of this quarter. The event has culminated now but it's a past thing. That's why to show the true profitability of this quarter, it had to be shown as an exceptional line item

Is the decline in the loan book due to margin funding book?

In the last quarter, the markets were little more positive and that's why the book went up. With the markets coming down this quarter, the margin funding book also followed suit and that's why the book has come down. However, on a average basis, our average deployment for the quarter has been higher than the sequential quarter.

Will this fixed asset sale continue in the future?

There is no extra property which we have now left to be sold. Whatever property we had has been disposed of.

The company was looking to rent out 4 floors from the new property. Is there any update in terms of rent deals?

This is yet to happen. The real estate market in this part of town is quite challenging. So we are still looking for good tenants.

How do you plan to grow further? Are you planning to go into lending business?

So far we have decided to keep the balance sheet unlevered. We are also growing the existing businesses, which in itself is quite a large portfolio across institutional broking, retail broking, investment banking, private equity, AMC, wealth management and PSG. The businesses are under construction mode right now. So we have enough on the table for growth. The only thing is that everything is capital market centric. All of them are impacted by the overall aversion to equity. Hence, a turnaround will be on a much bigger scale for us. What we are trying to do in this time is to be on the treadmill and get better people, better distribution, better geographical coverage, better business coverage. The end result remains to be more or less same currently, however we are compensating investors by giving more dividends and trying to spread the balance sheet more.

When will the window be opened for the share buy back?

There is a detailed process involved to get the shareholders' approval, etc. So subject to everything going well, one could expect by 1st of July

INVESTOR UPDATE

Motilal Oswal Financial Services reports Q4 FY13 Consolidated Revenues of ₹1.3bn, up 17% QoQ; Adjusted PAT of ₹328mn, up 67% QoQ; Proposes final dividend of ₹1 per equity share (F.V. ₹1)

Mumbai, April 27, 2013: Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its audited results for the quarter ended March 31, 2013 post approval by the Board of Directors at a meeting held in Mumbai on Apr 27, 2013.

Performance Highlights

₹Million	Q4 FY13	Comparison (Q3 FY13)	Comparison (Q4 FY12)
Total Revenues	1,341	↑17%	↑3%
EBIDTA	570	↑47%	↑39%
Reported PAT	367	↑26%	↑69%
Adjusted PAT	328	↑67%	↑50%
EPS- ₹(FV of ₹1)	2.6		

Performance for the Quarter ended March 31, 2013

- Revenues in Q4 FY13 were ₹1.3bn (up 17% QoQ and up 3% YoY); FY13 revenue was ₹4.7bn (flat YoY)
- Reported PAT in Q4 FY13 was ₹367mn (up 26% QoQ and up 69% YoY); ₹1.1bn in FY13 (up 5% YoY)
- Adjusted PAT in Q4 FY13 was ₹328mn (up 67% QoQ and up 50% YoY); ₹969mn in FY13 (flat YoY).

  Adjusted PAT for Q4 FY13 excludes total amount of ₹39mn representing profit from sale of fixed assets and provision for doubtful advances / write offs
- EBITDA and Adjusted PAT margins for Q4 FY13 were 42% (34% in Q3 FY13) and 24% (17% in Q3 FY13) respectively. For FY13, 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 ₹650mn in cash, subject to a price not exceeding ₹90/- per equity share; upto a maximum of 7.5mn equity shares and minimum of 1.875mn equity shares, subject to approval of shareholders
- The balance sheet had net worth of ₹12.2bn and net cash of ₹2.1bn as of Mar 31, 2013

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

After positive returns in the first three quarters of FY13, a 3% QoQ decline in the Sensex in Q4FY13 limited its annual returns to 8%. Equity market volumes continued to be boosted by options. However, cash volumes also picked up led by a 8% QoQ uptick in delivery volumes. Strong inflows from FIIs continued to be the major catalyst to participation levels, while DII activity was in complete contrast. While the Budget saw mixed reactions, stabilization in the WPI since Jan has raised expectations of further interest rate cuts. This, along with sustenance of the reforms action, should help revive the investment cycle eventually and improve overall sentiments. Despite challenging market conditions we have made sustained investments in systems, process, technology, people and infrastructure which we believe will lay the foundation for growth as market activity pick up."

Segment results for Q4 FY13 and FY2013:

- **Broking and related revenues** were ₹763mn in Q4 FY13, down 1% on a QoQ basis and down 16% on a YoY basis. On a full year basis, broking revenues at ₹3.0bn were down 8% as compared to the previous year. Daily volumes in the equity markets reached a high of ₹1.8tn in Q4 FY13, up 4% QoQ, pushed up by options. Options continue to comprise a hefty 76% of overall market volumes. Cash volumes grew 3% QoQ to ₹141bn. The encouraging feature is that cash 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 the month of Jan and Dec, thus proving the old adage that delivery volume normally see a disproportionate rise during periods of market uptick. Our overall equity market share rose from 1.5% to 1.7% on a QoQ basis. Our blended yield marginally decreased from 4.9 bps to 4.1 bps QoQ
- **Fund based income** was ₹377mn, up 89% from Q3 FY13 and up 67% from Q4 FY12. This includes 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 ₹997mn was up 21% over previous year. The loan book was ₹4.3bn, as of Mar 2013
- **Asset Management fee** were ₹170mn 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 ₹6.2mn accrued in Q4 FY13 (Q4 FY12: ₹11.5mn). On a full year basis, asset management fees at ₹591mn were up 17% as compared to previous year
- **Investment banking fees** at ₹8mn was down 59% from Q3 FY13, and down 79% YoY. On a full year basis, fees at ₹78mn were down 11% as compared to previous year due to delays in closure of few deals which are in advanced stages
- **Other income** was ₹23mn in Q4 FY13 and ₹83mn in FY13

Business Highlights for Q4 FY13

- Total client base increased to 773,716, which includes 679,848 retail broking and distribution clients

- Pan-India retail distribution reach stood at 1,484 business locations across 527 cities
- Total Assets under Management for the Group were ~₹30.3bn as of Mar 2013. Within this, mutual fund AUM was ₹4.6bn, PE AUA was ₹13.1bn and PMS AUM was ₹12.6bn
- Wealth Management managed assets of ~₹20.2bn, as of Mar 2013
- Depository assets were ₹109.8bn, 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. 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
- Motilal Oswal Private Equity (MOPE) received commitments of ₹5.6bn from both domestic and offshore investors following the third closing of its 2nd growth capital PE fund, India Business Excellence Fund-II
- MOPE 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 space for 'Leveraging on technology in enhancing customer experience' at the Banking Frontiers Finnovity Awards 2012.
- MOSL won the 'Quality Excellence for Best Customer Service Result' award at National Quality Excellence Awards 2013
- Currency trading has been started on the company's trading platform in USD, GBP, EUR and JPY, with a dedicated currency research desk

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 1,484 business locations spread across 527 cities and the online channel to over 773,716 registered customers. MOFSL has strong research capabilities, which enables them to identify market trends and stocks with high growth potential, facilitating clients to take well- informed and timely decisions. MOFSL has been ranked by various polls such as the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in Asia Money Brokerage Polls for India. MOSL won 4 awards in the ET-Now Starmine Analyst Awards 2010-11, placing it amongst the Top-3 award winning brokers, was ranked No. 2 by AsiaMoney Brokers Poll 2010 in the Best Local Brokerage Category and won the 'Best Market Analyst' Award for 2 sectors at the India's Best Market Analyst Awards 2011. MOFSL won the 'Best Capital

Markets and Related NBFC' award at the CNBC TV18 Best Banks and Financial Institutions Awards 2011. MOSL also won the 'Best Equity Broking House' award for FY11 at the Dun & Bradstreet Equity Broking Awards 2011. MOSL won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards 2012, for the 2nd 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

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31 Mar 2013

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CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE QUARTER & YEAR ENDED 31ST MARCH 2013

(Rs in Lacs)

Particulars	Quarter Ended			Year Ended	Year Ended
	31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.03.2012
1. Income from Operations					
(a) Income from Operations	11,622	10,686	12,109	42,471	43,135
(b) Other Operating Income	1,561	618	866	3,992	3,393
Total Income	**13,183**	**11,304**	**12,975**	**46,463**	**46,528**
2. Expenditure					
a. Operating expense	2,855	2,882	3,534	11,061	12,010
b. Employees' benefit expense	2,944	2,677	3,193	10,796	11,483
c. Depreciation and amortisation expenses	654	657	483	2,586	1,298
d. Other expenditure	1,914	2,058	2,156	7,991	7,767
Total expenses	**8,367**	**8,274**	**9,366**	**32,434**	**32,558**
3. Profit from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	**4,816**	**3,030**	**3,609**	**14,029**	**13,970**
4. Other Income	228	191	(6)	825	586
5. Profit from Ordinary Activities before Finance Cost & Exceptional Items (3+4)	5,044	3,221	3,603	14,854	14,556
6. Finance Cost	272	121	153	480	362
7. Profit from ordinary activities after Finance Cost but before Exceptional Items (5-6)	4,772	3,100	3,450	14,374	14,194
8. Exceptional Items - (Expense)/Income	583	1,423	(15)	1,808	1,067
9. Profit from Ordinary Activities before tax (7-8)	**5,355**	**4,523**	**3,435**	**16,182**	**15,261**
10. Tax expense	1,646	1,567	1,255	5,184	4,844
11. Net Profit from Ordinary Activities after tax but before minority interests (9-10)	3,709	2,956	2,180	10,998	10,417
12. Share of minority interests in (profits)/ loss	(37)	(33)	(8)	(90)	(29)
13. Net Profit after tax and Minority Interests (11-12)	**3,672**	**2,923**	**2,172**	**10,908**	**10,388**
14. Paid-up equity share capital (Face Value of Re. 1/- Per Share)	1,452	1,452	1,451	1,452	1,451
15. Reserves excluding Revaluation Reserves	-	-	-	-	-
16. i. Earnings Per Share (EPS) (before Extraordinary items) (of Re. 1/- each)					
a) Basic EPS	2.55	2.01	1.50	7.57	7.17
b) Diluted EPS	2.55	2.01	1.50	7.57	7.17
16. ii. Earnings Per Share (EPS) (after Extraordinary items) (of Re. 1/- each)					
c) Basic EPS	2.55	2.01	1.50	7.57	7.17
d) Diluted EPS	2.55	2.01	1.50	7.57	7.17
Particulars of Shareholding					
17. Public shareholding					
- Number of shares	43,143,928	43,384,636	43,282,882	43,143,928	43,282,882
- Percentage of shareholding	29.71%	29.87%	29.82%	29.71%	29.82%
18. Promoters' and promoter group Shareholding					
a) Pledged/Encumbered					
- Number of shares	NIL	NIL	8,500,000	NIL	8,500,000
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	8.35%	NIL	8.35%
- Percentage of shares (as a % of the total share capital of the company)	NIL	NIL	5.86%	NIL	5.86%
b) Non-encumbered					
- Number of shares	102,091,848	101,851,140	93,339,987	102,091,848	93,339,987
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	91.65%	100.00%	91.65%
- Percentage of shares (as a % of the total share capital of the company)	70.29%	70.13%	64.32%	70.29%	64.32%
19. Investors' Complaints					
Pending at the beginning of the period	NIL	NIL	NIL	1	NIL
Received during the period	3	3	3	11	14
Disposed off during the period	3	3	2	12	13
Remaining unresolved at the end of the period	NIL	NIL	1	NIL	1

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, 27th April, 2013. There are no qualifications in the auditors report for these periods. The information presented above is extracted from the audited financials statements as stated.

2) The Board of Directors recommended final dividend of Re. 1/- per equity share of face value of Re. 1/- each. The payment is subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company.

3) 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%), 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%).

4) Exceptional items for the quarter ended 31st March 2013 include profit of Rs. 1,923 lacs from sale of fixed assets and provision for doubtful advances / write offs of Rs. 1,340 lacs.

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

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

Particulars	Quarter Ended			Year Ended	Year Ended
	31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.03.2012
Gross Revenue	2,918	3,065	2,513	9,491	8,195
Profit Before Tax	560	2,141	2,085	4,540	6,623
Profit After Tax	481	1,916	1,875	3,875	5,630

7) CONSOLIDATED AUDITED SEGMENT RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2013

Particulars	Quarter Ended			Year Ended	Year Ended
	31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.03.2012
1. Segment Revenue					
(a) Broking & Other related activities	10,900	10,374	10,550	38,383	38,747
(b) Financing & Other activities	2,918	1,615	2,513	7,315	4,732
(c) Asset Management & Advisory	2,129	1,593	1,312	6,665	5,098
(d) Investment Banking	81	199	401	780	1,144
(e) Unallocated	641	482	436	1,936	1,130
Total	**16,669**	**14,263**	**15,212**	**55,079**	**50,851**
Less: Inter Segment Revenue	1,335	897	2,243	3,897	2,439
Income From Operations, Other Operating income & Other Income	**15,334**	**13,367**	**12,969**	**51,182**	**48,412**
2. Segment Results Profit / (Loss) before tax and interest from Each segment					
(a) Broking & Other related activities	4,235	3,363	3,105	12,322	12,396
(b) Financing & Other activities	561	691	723	2,365	3,156
(c) Asset Management & Advisory	499	291	(10)	1,196	150
(d) Investment Banking	(222)	(98)	(204)	(660)	(492)
(e) Unallocated	626	479	88	1,935	587
Total	**5,699**	**4,726**	**3,702**	**17,158**	**15,797**
Less: (i) Interest	344	203	267	976	536
(ii) Other Un-allocable Expenditure net off					
(iii) Un-allocable income					
Profit/(Loss) from Ordinary Activities before Tax	**5,355**	**4,523**	**3,435**	**16,182**	**15,261**
3. Capital Employed					
(Segment assets – Segment Liabilities)					
(a) Broking & Other related activities	48,212	39,218	56,153	48,212	56,153
(b) Financing & Other activities	58,852	58,809	57,313	58,852	57,313
(c) Asset Management & Advisory	791	399	219	791	219
(d) Investment Banking	746	712	354	746	354
(e) Unallocated	15,413	20,904	54	15,413	54
Total	**124,014**	**120,042**	**114,093**	**124,014**	**114,093**

Notes:

8. The above Segment information is presented on the basis of the audited consolidated financial statements. The company's operations predominantly relate to Broking and other related activities, Financing and other activities, Asset Management & Advisory and Investment banking. In accordance with Accounting Standard -17 on Segment reporting ,Broking and other related activities, Financing and other activities , Asset Management & Advisory and Investment banking are classified as reportable segments. The balance is shown as unallocated items.

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

10) STATEMENT OF ASSETS & LIABILITIES (CONSOLIDATED)

(Rs in Lacs)

Particulars	As on Audited 31.03.2013	31.03.2012
A. EQUITY AND LIABILITIES		
1. Shareholder's Fund		
a) Share Capital	1,452	1,451
b) Reserves & Surplus	120,334	112,642
Sub-total - Shareholders' funds	121,786	114,093
2. Minority Ineterest	304	444
3. Non-current liabilities		
a) Deferred tax liabilities (net)	1,791	467
b) Long-term provisions	487	506
Sub-total - Non-current liabilities	2,278	973
4. Current liabilities		
a) Trade payables	45,917	27,436
b) Other current liabilities	2,586	8,009
c) Short-term provisions	4,418	3,533
Sub-total - Current liabilities	52,921	38,978
TOTAL - EQUITY AND LIABILITIES	**177,289**	**154,488**
B. ASSETS		
1. Non-current assets		
a) Fixed assets	31,106	34,451
b) Non-current investments	12,255	9,415
c) Long-term loans and advances	1,568	3,062
f) Other non-current assets	8	-
Sub-total - Non-current assets	44,937	46,928
2. Current assets		
a) Current investments	2,551	-
b) Inventories	14,557	15,739
c) Trade receivables	43,589	19,960
d) Cash and cash equivalents	21,438	27,105
e) Short-term loans and advances	49,990	44,294
f) Other current assets	227	462
Sub-total - Current assets	132,352	107,560
TOTAL - ASSETS	**177,289**	**154,488**

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

Motilal Oswal
Chairman & Managing Director

Mumbai, 27th April, 2013
shareholders@motilaloswal.com.