



# Motilal Oswal Financial Services

## ConCall Summary & Earnings Release

Quarter ended June 2008

9 July 2008

Motilal Oswal Financial Services Limited (MOFSL) has posted 15% growth in revenues for the quarter ended June 2008 to Rs1.4 billion. Net profit has grown 3% to Rs260 million. The company's non-broking activities continued to drive overall growth. Investment banking advisory fees grew 12% to Rs180 million, fund-based income was up 199% to Rs130 million and asset management fees grew 102% to Rs60 million.

For 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 June 2008. This presentation is available at [www.motilaloswal.com](http://www.motilaloswal.com).

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### Corporate Participants

Mr Motilal Oswal

*Chairman & Managing Director*

Mr Navin Agarwal

*Director*

Mr Sameer Kamath

*Sr. VP & Head, Corporate Planning & Investor Relations*

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

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Good evening, Ladies and Gentlemen. I am Manjula, the moderator for this conference. Welcome to the Motilal Oswal Financial Services Limited Conference Call. We have with us Mr Motilal Oswal, Chairman and Managing Director; Mr Navin Agarwal, Director; Mr Sameer Kamath, Senior VP and Head, Corporate Planning and Investor Relations. For the duration of the presentation, all participants' lines will be in the listen-only mode. After that, the question and answer session will be conducted. I would like to hand over to Mr Navin Agarwal. Thank you and over to you sir.

Good afternoon, everybody. It is my pleasure to welcome all of you to the first quarter earnings conference call of Motilal Oswal Financial Services. As you are all aware, the capital markets have gone through challenging times during this quarter. The average daily market volumes for the quarter were about Rs625 billion, down 15% compared to the previous quarter, though the market volumes have been up 30% on a YoY basis.

For the first quarter, on a YoY basis, we have posted 15% growth in consolidated revenues at Rs1.4 billion and 3% growth in net profit at Rs262 million. Revenue growth has been driven by strong growth in the non-broking business. Investment banking and advisory fees went up by 12% during the quarter. Fund-based income was up 199%, while asset management fees recorded a growth of 102%. As a result of the faster growth in these three revenue streams, non-broking businesses contributed 29% of the total revenues during the quarter versus 21% in the same quarter last year. Fund-based business contributed 9% of the income while asset management contributed about 4% of the income during the quarter.

CONSOLIDATED FINANCIALS (RS M)

| Y/E MARCH                                     | 1QFY09 | 1QFY08 | CHG. (%) YOY | FY08  |
|---|--------|--------|--------------|-------|
| Total Revenues                                | 1,413  | 1,225  | 15           | 7,009 |
| Brokerage & Operating Income                  | 1,004  | 971    | 3            | 5,621 |
| Investment Banking Fees                       | 182    | 162    | 12           | 628   |
| Fund Based Income                             | 130    | 43     | 199          | 365   |
| Asset Management Fees                         | 57     | 28     | 102          | 284   |
| Other Income                                  | 39     | 20     | 96           | 111   |
| EBIDTA  | 521    | 465    | 12           | 2,696 |
| PBT (before E & EOI)                          | 404    | 425    | -5           | 2,398 |
| PAT (before E & EOI)                          | 262    | 255    | 3            | 1,561 |
| EPS - Basic Rs (before EO Items)              | 9.23   | 10.02  |              | 57.54 |
| EPS -Diluted Rs (before EO Items)             | 9.19   | 10.02  |              | 57.09 |
| No of Shares Outstanding (million) - (FV Rs5) | 28.40  | 25.44  |              | 28.40 |

*E & EOI = Exceptional & extraordinary items*      *Source: MOFSL's presentation on June 2008 earnings*

There is a small clarification regarding the results that you may have seen in the newspaper today. The standalone financials of Motilal Oswal Financial Services, which conducts the financing activity, show that it registered a topline of Rs249 million as against Rs44 million in the same quarter last year. PAT was Rs181 million versus Rs27 million. It must be noted here that the standalone entity results include Rs118 million representing dividend declared and received from its subsidiaries. This has been disclosed as a part of the segmental results in our press release under financing activities, and effectively overstates the contribution of financing activities to the total profits.

In terms of the key highlights, our market share during the quarter ended June 2008 increased to about 4.6% versus 4.2% in the preceding quarter and versus 4.7% in the 12-month period ending March 2008. At the end of the June quarter, we had cash and cash equivalents of Rs4.25 billion, which is in line with the cash and cash equivalents as of 31 March 2008. The net worth of the company was Rs7.5 billion versus Rs7.1 billion as of 31 March 2008. The cash and cash equivalents effectively account for 57% of the total net worth. As of June 2008, the customer base of the firm increased to 486,000 and our retail distribution expanded its reach to 1,496 outlets across 452 cities. The private equity business launched a domestic real estate fund called India Realty Excellence Fund.

The capital markets are going through challenging times, and gaining market share profitably is the only panacea for driving business growth. We plan to achieve this through higher employee productivity, a client-focused approach, and strong monitoring of costs through optimization of resources. We also expect to continue traction from the non-broking business, which will help diversify the revenue base and capitalize on the emerging opportunities in those spaces. With these remarks, I would like to open the floor for Q&A. Thank you.

**Congratulations on the excellent set of numbers. Your other income component appears very high. What does this consist of?**

It consists of treasury income and dividends earned on mutual funds.

**You had mentioned something regarding the standalone numbers. Could you repeat it again?**

The EBIT that you see in the standalone results published in the media today actually includes Rs118 million representing dividends declared and received from subsidiaries. This is not income relating to the lending business or margin funding business but dividend income, which comes out of the operating earnings of the subsidiaries. There was no such corresponding dividend in the same quarter last year.

You mentioned that you are targeting an increase in your market share. What is the target that you are aiming at?

We do not have a stated number in mind, but in our presentations, we have given you the last five years' change in market share. We leave it to your good judgment to decide how this could move in the future.

What was your market share in the quarter ended June 2008?

In the June quarter, the market share of the firm was 4.6%.

What was your share in the same quarter of last year?

It was 5.2%.

What is your market share in the retail wealth management business?

We do not share the market shares individually for each business segment.

How do you explain the rise in employee cost by 8% YoY and 9% QoQ?

The YoY increase is partly due to the employee additions that happened last year. Besides, we have had increases in fixed salary costs with effect from 1 April 2008. That explains the QoQ increase in employee cost.

What has been the average salary hike?

15-17%.

You mentioned that you would be focusing on raising employee productivity. Will there be any cost cutting measures as well?

We are basically talking about getting better productivity out of the existing employee base.

What is your cash balance at present?

The cash balance as of 30 June 2008 is Rs4.25 billion, which is exactly in line with what you saw on 31 March 2008.

How much is the debt on the balance sheet?

That is around Rs2.7 billion.

When you have Rs4.25 billion cash, why are you relying on debt?

The cash and cash equivalents include margins given to the exchanges and bank guarantees. We have raised short-term debt through commercial papers and overdrafts basically to finance working capital.

Would this debt remain in the balance sheet for the whole year?

Not necessarily. If you see the quarter-end debt, it is Rs2.7 billion. But interest cost has declined on a sequential quarter basis. So, this is basically the end of the quarter number and not necessarily an indication of what the average debt for the quarter was.

In your previous conference call, you had mentioned that if there is excess cash lying with you, you would start some arbitrage. Has there been any progress on that front?

Yes, we have made a modest start during the quarter. It is an extremely small activity right now.

Can you quantify any amount you have deployed in arbitrage?

There is no fixed amount that is deployed in the arbitrage business. It varies depending on the opportunities and the availability of free cash.

What would be your current cost of borrowing?

It is around 10%.

What is your debtors balance as at the end of this quarter?

The debtors balance as of 30 June 2008 was Rs3.4 billion.

So, it has gone up from your March balance of Rs3.2 billion?

That's right. It has gone up, marginally.

Have you seen any losses in recoveries because of the steep market correction?

No, we have not witnessed any such losses this quarter. Whatever we had to book, we have already booked in the last quarter.

In the last quarter, this figure was Rs37 million?

Yes.

What is your margin funding book like?

Our margin funding book as of 30 June 2008 was about Rs3.4 billion v/s Rs2.7 billion in March 2008. We would like to reiterate here that margin funding for us is an additional service to our clients and not a tool to acquire new clients. As and when we see opportunities to offer this service to our existing clients, we will meaningfully grow that book size.

What is your policy on issuing options for employees? Last year, you had issued about 500,000 shares. What is the rate of issuance we should expect on an ongoing basis?

Well, the quantum of shares offered under ESOP per year would not be as high, henceforth. However, you could expect similar chunks every three years.

Considering that the exercise price for the recent options was Rs2,061, do you see a need to re-price these options or perhaps accelerate the next issuance?

Most employees, who were given the option at Rs2,016 have not accepted the offer. We have floated a new scheme, for which we have taken the shareholders' permission yesterday in the AGM. The employees who have not accepted the earlier offer could be offered shares at the new price.

### Retail wealth management and institutional broking

#### KEY FINANCIALS: RETAIL WEALTH MANAGEMENT & INSTITUTIONAL BROKING (RS M)

| Y/E MARCH            | 1QFY09 | 1QFY08 | CHG. (%) YOY | FY08  |
|----------------------|--------|--------|--------------|-------|
| Total Revenues       | 1,083  | 1,006  | 8            | 6,006 |
| EBIDTA               | 298    | 327    | -9           | 2,108 |
| PBT (before E & EOI) | 208    | 288    | -28          | 1,849 |
| PAT (before E & EOI) | 142    | 179    | -21          | 1,236 |

*E & EOI = Exceptional & extraordinary items*      *Source: MOFSL's presentation on June 2008 earnings*

You have expanded your outlets from 1,430 to 1,496. Are the new outlets owned or franchisees?

These are mostly franchisees.

How many of these 1,496 outlets are owned by you?

We have 61 branches. The rest are franchisee-owned outlets.

In your last conference call, you had mentioned that you would expand through franchisees and not add too many branches. How does this strategy make a difference as far as your financials are concerned?

Well, basically such a strategy means that we are not taking on further fixed costs. Any addition to the bottomline without higher fixed costs is welcome.

Would it be correct to say that there is no slowdown in your network expansion?

No, there is clearly a slowdown in the pace of new outlet roll-out. As we had articulated in the earlier conference call, we are now be focusing on increasing the productivity of our existing network.

Could you give the break-up of your customers? How many are franchisee customers and how many are direct branch customers?

About 350,000 customers are franchisee customers and about 100,000 are direct branch customers.

Could we get a break-up of your business from owned branches and franchisees?  
We do not share this information.

What about the share of business from retail and institutional business?  
No, we do not share that either.

Your volumes have declined about 6% QoQ. While you have gained some market share, your brokerage revenues have declined about 26% QoQ. What is the reason for this?  
The decline in our brokerage revenues is more pronounced than the decline in volumes, as we have also seen some drop in yields. This is due to a change in business mix – the share of intra-day trades and derivatives was higher during the quarter. These yield lower commissions than cash delivery volumes.

How do you calculate your market share – is it on the basis of NSE or BSE turnover?  
We divide our average daily turnover by the average daily turnover on NSE plus BSE.

Could you give some indication of what your blended commission was this quarter and by how much it has declined in the last couple of quarters?  
If you look at the yields as they are calculated, they would be about 6 basis points for the first quarter of this year. For the full year, last year, this number was about 6.6 basis points.

Is there any particular segment where you are seeing more pressure on yields?  
No, let me clarify that there is no pressure on pricing in any segment. The blended yield has declined due to a change in business mix. F&O and intra-day cash market transactions carry lower commissions than cash delivery volumes. During the quarter, our business mix has tilted in favor of F&O and intra-day cash transactions. There is no change in pricing. We have not reduced our commissions in any segment.

In your PMS business, are you witnessing any redemption pressure from large clients?  
No, we are not seeing any kind of redemption pressure from large or small customers. Yes, AUM has declined, but that is largely because of the market correction.

What is the current size of your PMS book?  
The size of the book is about Rs7 billion as of June 30, 2008 as compared with Rs8 billion as of March 31, 2008. Again, I would like to add that the decline is largely because of market correction.

Your asset management fees have declined considerably compared to fourth quarter of last year. Is this largely because of bunching up of revenues towards the end of the year?  
Yes, we book our carry income in the last quarter.

In your last conference call, you had mentioned that you would begin distribution of insurance products. What is the progress on that front?

We began distributing insurance products in May. In the two months since we began operations, we have already collected a premium of about Rs20 million.

Do you have any plans to launch any new wealth management products – capital protected products, perhaps, in light of the current market scenario?

We have no plans to design any such product on our own at the moment. However, we are open to distributing third-party products.

## Investment banking

KEY FINANCIALS: INVESTMENT BANKING (RS M)

| Y/E MARCH            | 1QFY09 | 1QFY08 | CHG. (%) YOY | FY08 |
|----------------------|--------|--------|--------------|------|
| Total Revenues       | 189    | 166    | 14           | 637  |
| EBIDTA               | 95     | 92     | 3            | 274  |
| PBT (before E & EOI) | 95     | 92     | 3            | 273  |
| PAT (before E & EOI) | 65     | 62     | 5            | 182  |

*E & EOI = Exceptional & extraordinary items*      *Source: MOFSL's presentation on June 2008 earnings*

You have posted good investment banking revenues this quarter. Could you throw some light on the nature of these revenues and the pipeline?

Revenues for the quarter were largely from non-equity capital market business. We booked these revenues from about seven transactions and we have a pipeline of about 14 transactions right now.

Could you provide more details on your investment banking deals – were they PE placements or advisory assignments?

Well, these were largely non-equity capital market transactions – non-IPO, non-QIP transactions. They were a mix of M&A, structured finance, and advisory assignments.

Are your balance 14 transactions also of a similar nature?

Yes, that's correct.

Is there any management guidance on investment banking revenues, going forward?

We had mentioned in the last conference call that we expect investment banking revenues to grow at about 30%. We have no reason to change that guidance.

## Private equity

### KEY FINANCIALS: PRIVATE EQUITY (RS M)

| Y/E MARCH            | 1QFY09 | 1QFY08 | CHG. (%) YOY | FY08 |
|----------------------|--------|--------|--------------|------|
| Total Revenues       | 22     | 8      | 173          | 86   |
| EBIDTA               | 6      | 4      | 48           | 36   |
| PBT (before E & EOI) | 5      | 4      | 43           | 35   |
| PAT (before E & EOI) | 3      | 2      | 30           | 23   |

*E & EOI = Exceptional & extraordinary items*      *Source: MOFSL's presentation on June 2008 earnings*

**What is the target size of your domestic real estate fund? By when do you intend to close?**

We hope to close in the coming quarter and expect to complete the first closing at about Rs1.5 billion.

**Who would be your target investors for this fund?**

They would be the clients of our wealth business.

Ladies and gentlemen, that concludes this conference call. Thank you for your participation.

You may disconnect your lines now. Thank you and have a nice day.



## **INVESTOR UPDATE**

### **Motilal Oswal Financial Services records a topline growth of 15% at Rs 141 crores and 3% growth in net profits at Rs 26 crores**

**Mumbai, July, 2008:** Motilal Oswal Financial Services (MOFSL), a leading financial intermediary announced its unaudited quarterly results for Q1 FY 2009 post approval by the Board of Directors at a meeting held in Mumbai on July 8, 2008.

MOFSL got listed on Indian stock exchanges following their IPO in August 2007.

#### **Performance Highlights**

| <b>Rs. Crores</b>     | <b>Q1 FY 2009</b> | <b>Growth (YoY)</b> |
|-----------------------|-------------------|---------------------|
| <b>Total Revenues</b> | <b>141</b>        | <b>↑ 15%</b>        |
| <b>EBIDTA</b>         | <b>52</b>         | <b>↑ 12%</b>        |
| <b>PAT</b>            | <b>26</b>         | <b>↑ 3%</b>         |
| <b>EPS- Rs</b>        | <b>9.23</b>       |                     |

#### **Results for the Q1 FY09**

For Q1 ended June 2008, the company achieved an income of Rs 141 crore, an increase of 15% over the corresponding period of the previous year. Profit after tax grew 3% to Rs. 26 crore.

**Speaking on the performance of the company, Mr. Motilal Oswal, CMD said.** “The capital markets have gone through challenging times during the last quarter. Sharp correction in the market (approx 14%) over last quarter coupled with rising crude prices and inflation woes have made the environment extremely challenging. Gaining market share profitably is the only panacea for driving business growth in these challenging times. We plan to achieve this through higher employee productivity enabled by a client focused approach and strong monitoring of costs through optimization of resources.

The non-broking business initiatives seeded in the past few years are shaping up well and we are confident that it will enable our company achieve the twin objective of diversifying the revenue streams and establishing itself as a well integrated financial services company.”

#### **Segment results**

The investment banking advisory fees was up 12% to Rs 18 crore. The fund based income was up by 199% to Rs 13 crore as compared to Rs 4 crore last year and asset management fees recorded a 102% rise to Rs 6 crore as compared to Rs 3 crore last year.

**Business highlights for Q1 09**

- For the period ended June 2008, the customer base increased to 486,648.
- Retail distribution expanded its reach to 1,496 outlets across 452 cities.
- “India Business Excellence Fund” which achieved its final closing at \$ 125 million has deployed / committed \$ 58 million across 8 deals.
- Motilal Oswal Venture Capital Advisors Private Limited (MOVC) launched a domestic Real Estate Fund “India Realty Excellence Fund”

**About Motilal Oswal Financial Services Limited.**

Motilal Oswal Financial Services Ltd. (NSE :MOTILALOF, 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, equity broking, and commodity broking, distribution of third party products, investment banking and venture capital management. The company distributes these products through 1,496 business locations spread across 452 cities and the online channel to over 486,648 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 the Best Local Brokerage 2005, Most Independent Research - Local Brokerage 2006 and Best Overall Country Research - Local Brokerage 2007 in the Asia Money Brokerage Polls for India.

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## CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2008

(Rs. In Lacs)

| Particulars  | Quarter Ended |               | Year Ended    |
|--|---------------|---------------|---------------|
|  | Unaudited     | Unaudited     | Audited       |
|  | 30.06.2008    | 30.06.2007    | 31.03.2008    |
| 1. Income from Operations  | 13,741        | 12,051        | 68,976        |
| 2. Other Income  | 386           | 197           | 1,114         |
| <b>3. Total Income (1+2)</b>   | <b>14,127</b> | <b>12,248</b> | <b>70,090</b> |
| 4. Expenditure   |               |               |               |
| a. Operating Cost  | 3,013         | 2,516         | 17,691        |
| b. Employees cost  | 4,144         | 3,806         | 17,640        |
| c. Depreciation  | 481           | 270           | 1,485         |
| d. Other expenditure   | 1,761         | 1,281         | 7,801         |
| <b>Total</b>   | <b>9,399</b>  | <b>7,873</b>  | <b>44,617</b> |
| 5. Interest  | 684           | 130           | 1,490         |
| <b>6. Profit before tax (3) - (4+5)</b>                              | <b>4,044</b>  | <b>4,245</b>  | <b>23,983</b> |
| 7. Tax expense   | 1,254         | 1,540         | 7,880         |
| 8. Net profit after tax before minority interests (6-7)              | 2,790         | 2,705         | 16,103        |
| 9. Share of minority interests in profits                            | (168)         | (157)         | (495)         |
| <b>10. Net profit after Minority Interests (8-9)</b>                 | <b>2,622</b>  | <b>2,548</b>  | <b>15,608</b> |
| 11. EO Items - Income/(Expenditure) (net of tax expense)             | -             | 1,454         | 1,454         |
| 12. Net Profit After extraordinary gains & Tax (PAT) (10-11)         | 2,622         | 4,002         | 17,062        |
| 13. Paid-up equity share capital<br>(Face Value of Rs 5/- Per Share) | 1,420         | 1,271         | 1,420         |
| 14. Reserves excluding Revaluation Reserves                          |               |               | 69,482        |
| <b>15. Earnings Per Share (EPS)</b>                                  |               |               |               |
| a) Basic EPS before Extraordinary items                              | 9.23          | 10.02         | 57.54         |
| b) Diluted EPS before Extraordinary items                            | 9.19          | 10.02         | 57.09         |
| c) Basic EPS after Extraordinary items                               | 9.23          | 15.74         | 62.90         |
| d) Diluted EPS after Extraordinary items                             | 9.19          | 15.74         | 62.41         |
| 16. Proposed Dividend Per Share (Face Value Rs. 5 each)              | -             | -             | 4.00          |
| 17. Public shareholding  |               |               |               |
| - Number of shares   | 8,416,100     | 5,421,890     | 8,416,100     |
| - Percentage of shareholding   | 29.63%        | 21.33%        | 29.63%        |

## 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 Tuesday, 8th July, 2008. The results for the quarter ended 30th June, 2008 have been reviewed by the Statutory Auditors of the Company under generally accepted auditing standards in India. The prior period comparatives are not reviewed by the Auditors.

2) Out of the issue proceeds of Rs. 24,607 lacs, the Company has utilized an amount of Rs. 21,057 lacs as per the Objects of the Issue and the unutilised amount is invested in Mutual Funds.

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 (75%), Motilal Oswal Venture Capital Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (97.55%) and Motilal Oswal Capital Markets Private Limited (100%).

4) Net Profit After extraordinary gains & Tax (PAT) of the corresponding previous year quarter is not comparable with the current year quarter to the extent of extraordinary gains of Rs. 1467 lacs (net of tax) on sale of shares of Bombay Stock Exchange Ltd & non-compete fees paid of Rs. 13 lacs (net of tax).

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

6) Information on investor complaints pursuant to Clause 41 of the Listing Agreement for the quarter ended 30th June, 2008.

|                      | <b>Opening balance</b> | <b>Additions</b> | <b>Disposal</b> | <b>Closing balance</b> |
|----------------------|------------------------|------------------|-----------------|------------------------|
| Number of complaints | 1                      | 50               | 51              | NIL                    |

7) As per Clause 41 of the Listing Agreement, the standalone results will be available on the Company's website [www.motilaloswal.com](http://www.motilaloswal.com).

**CONSOLIDATED UNAUDITED SEGMENT REPORTING FOR THE QUARTER ENDED 30TH JUNE 2008**

| Particulars  | Quarter Ended |               | Year Ended    |
|--|---------------|---------------|---------------|
|  | 30.06.2008    | 30.06.2007    | 31.03.2008    |
|  | Unaudited     | Unaudited     | Audited       |
| <b>1. Segment Revenue</b>  |               |               |               |
| (a) Equity Broking & Other related activities  | 10,662        | 9941          | 59,368        |
| (b) Financial Activity   | 2,495         | 437           | 3,558         |
| (c) Investment Banking   | 1,825         | 1623          | 6,282         |
| (d) Unallocated  | 558           | 386           | 2,159         |
| <b>Total</b>   | <b>15,540</b> | <b>12387</b>  | <b>71,367</b> |
| Less: Inter Segment Revenue  | 1,413         | 139           | 1,277         |
| <b>Net sales/Income From Operations</b>  | <b>14,127</b> | <b>12248</b>  | <b>70,090</b> |
| <b>2. Segment Results Profit / (Loss) before tax and interest from Each segment)</b> |               |               |               |
| (a) Equity Broking & Other related activities  | 2340          | 2878          | 17,786        |
| (b) Financial Activity   | 2092          | 399           | 2,335         |
| (c) Investment Banking   | 883           | 888           | 3,592         |
| (d) Unallocated  | (835)         | 201           | 1,314         |
| <b>Total</b>   | <b>4,480</b>  | <b>4,366</b>  | <b>25,027</b> |
| Less: Interest   | 436           | 121           | 1,044         |
| <b>Total Profit Before Tax &amp; Extra Ordinary Item</b>                             | <b>4,044</b>  | <b>4,245</b>  | <b>23,983</b> |
| <b>3. Capital Employed</b>   |               |               |               |
| (Segment assets – Segment Liabilities)   |               |               |               |
| (a) Equity Broking & Other related activities  | 31728         | 19457         | 25,893        |
| (b) Financial Activity   | 42226         | 16375         | 39,854        |
| (c) Investment Banking   | (330)         | 2327          | (1,348)       |
| (d) Unallocated  | 2006          | (379)         | 7,303         |
| <b>Total</b>   | <b>75,630</b> | <b>37,780</b> | <b>71,702</b> |

**Note on Segment Information**

The above Segment information is presented on the basis of the unaudited consolidated financial statements. The company's operations predominantly relate to equity broking and related activities, financing, investment banking, commodities broking & venture capital advisory. In accordance with Accounting Standard -17 on segment reporting, the Company has equity broking and related activities, financing & investment banking as reportable segments. The balance is shown as unallocated Items.

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

Motilal Oswal  
Chairman & Managing Director

Mumbai, 8th July, 2008  
investors@motilaloswal.com.

**N O T E S**

