

## ConCall Summary & Earnings Release

Quarter ended December 2010

31 January 2011

Motilal Oswal Financial Services Limited (MOFSL) has posted a growth of 5% QoQ in revenues for the quarter ended 31 December 2010 to ₹1.65 billion, as compared to ₹1.58 billion in the previous quarter. Net profit before exceptional and extraordinary items increased by 27% QoQ to ₹421 million, as compared to ₹331 million in the previous quarter. Broking-related revenues increased by 7% QoQ to ₹1.21 billion from ₹1.13 billion in the previous quarter. Fund-based income grew by 93% QoQ to ₹276 million. Investment banking fees declined 70% QoQ to ₹50 million and asset management fees increased by 3% QoQ to ₹108 million.

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 December 2010. This presentation is available at [www.motilaloswal.com](http://www.motilaloswal.com).

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### Corporate Participants

Mr Motilal Oswal

*Chairman and Managing Director*

Mr Raamdeo Agrawal

*Joint Managing Director & Co-founder*

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

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Ladies and gentlemen, good afternoon and welcome to the Q3 FY11 earnings conference call of Motilal Oswal Financial Services Limited. We have with us today Mr. Motilal Oswal, Chairman and Managing Director, Mr. Raamdeo Agarwal, Co-Founder and Joint Managing Director, Mr. Navin Agarwal, Director and Mr. Sameer Kamath, Senior VP and Head, Corporate Planning and Investor Relations. For the duration of this presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer 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)**

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Total Revenues	1,653	1,576	5	1,653	1,583	4	4,744	4,787	-1	6,453
EBIDTA	693	554	25	693	643	8	1,860	2,009	-7	2,770
PBT (before E & EOI)	639	508	26	639	555	15	1,713	1,795	-5	2,532
PAT (before E & EOI)	421	331	27	421	371	13	1,127	1,202	-6	1,704
PAT (after E & EOI)	421	331	27	421	371	13	1,127	1,186	-5	1,704
EPS - Basic (before EOI)	2.9	2.3		2.9	2.6		7.8	8.3		11.9
EPS - Diluted (before EOI)	2.9	2.3		2.9	2.6		7.8	8.3		11.9
No.of Shares O/s (million)-FV Rs 1/share	144.3	143.2		144.3	143.1		144.3	143.1		143.2

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on December 2010 earnings

**REVENUE COMPOSITION (₹Mn)**

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Brokerage & Operating Income	1,214	1,130	7	1,214	1,106	10	3,456	3,517	-2	4,551
Investment Banking Fees	50	166	-70	50	171	-71	344	419	-18	649
Fund Based Income	276	144	93	276	186	49	563	524	8	649
Asset Management Fees	108	105	3	108	98	10	290	209	38	401
Other Income	5	32	-84	5	22	-77	90	118	-24	203
<b>Total Revenues</b>	<b>1,653</b>	<b>1,576</b>	<b>5</b>	<b>1,653</b>	<b>1,583</b>	<b>4</b>	<b>4,744</b>	<b>4,787</b>	<b>-1</b>	<b>6,453</b>

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on December 2010 earnings

**Opening remarks**

Good afternoon everybody. It is my pleasure to open the Motilal Oswal Financial Services earnings conference call for the third quarter ended December 2010.

**Industry facts**

I will start by giving a quick backdrop of the broad market, the business segments that we operate in and then I will move on to our own performance for the quarter ended December 2010.

**Equity markets**

The BSE Sensex rose by ~2% QoQ and ~17% YoY to close above 20K mark in Q3 FY11. This marked eighth consecutive quarter of market up-move, the longest winning run in at least 20 years. Market cap grew 24% YoY to US\$1.62t in Dec 2010. On the back of several concerns, markets have corrected over 10% already during the current quarter, in turn impacting the cash market volumes. In Q3 FY11, ADTO was ₹1.5t, up ~22% QoQ and up ~51% YoY.

The steady shift in volumes from the cash to the F&O segment, witnessed in the previous quarters, continued with F&O contributing 86% of the turnover in Q3 FY11 up from 84% in Q2 FY11 and 78% in Q3 FY10. Options volume comprised 57% of market volumes in Q3 FY11 as against 53% in Q2 FY11 and 40% a year earlier.

Cash volumes increased 9% QoQ to ₹207b in Q3 FY11 but are down 3% YoY. Delivery-based volumes within the cash segment of the market improved steadily; and it was 28% of cash volumes in Q3 FY11 from a low of 24% in Q3 FY10. Jan'11 has witnessed further contraction in cash volumes as well as share of cash in total volumes.

#### **Institutional activity**

FII's bought equity worth a net ~US\$11b in Q3 FY11, a marginal decrease compared to the ~US\$11.5b in Q2 FY11, however much higher than the US\$5.3b in Q3 FY10.

DII participation saw reduced outflows this quarter, with net outflows of ~US\$2.2b as against an outflow of ~US\$5.1b in Q2 FY11 and an inflow of ~US\$0.5b in Q3 FY10.

#### **Investment banking and private equity**

M&A activity has risen sharply, with a total deal value of US\$50b across 662 deals in CY2010, as compared to US\$12b across 330 deals in CY2009, led by one large outbound transaction. Domestic deals fell from almost half of total deal value in CY2009 to 37% in CY2010.

In terms of fund raising, 14 companies raised US\$1.4b through the QIP route in Q3 FY11 against US\$2.4b raised by 17 companies in Q2 FY11.

14 companies raised US\$6.6b through the IPO route in Q3 FY11 against US\$1.51b raised by 23 companies in Q2 FY11 and US\$1.4b raised by 8 companies in Q3 FY10.

Private equity deal value in Q3 FY11 was US\$1.47b across 82 companies against US\$2.89b across 109 companies in Q2 FY11 and US\$1.4b across 102 companies in Q3 FY10.

#### **Asset management**

Mutual funds had assets under management of ₹6.26t as on 31 December 2010 against ₹6.57t as on 30 September 2010. Equity funds constituted 36% of the AUM.

## MOFSL's Performance

Coming to our financials, consolidated revenue for Q3 FY11 was ₹1,653m (up 5% QoQ and up 4% YoY).

Reported PAT for Q3 FY11 was ₹421m, (up 27% QoQ and up 13% YoY).

Adjusted PAT for Q3 FY11 at ₹376 million is down 1% compared to Q2 FY11 and up 8% compared to Q3 FY10.

To facilitate better comparison of operational performance for Q3 FY11, the following items needs to be considered:

₹Million	Q3 FY11	Q2 FY11	Q3 FY10
<b>PAT (before E&amp; EOI) – Reported</b>	<b>421</b>	<b>331</b>	<b>371</b>
Less : Unrealised gain of previous quarter booked in this quarter (post tax)	47	14	31
Add : Unrealised gain in arbitrage (post tax)	2	47	8
Add : Expenses incurred on launch of M-50 (post tax)	-	30	-
Less: Profit on sale of investments/Fixed assets and change in accounting policy for arbitrage	-	13	-
<b>Adjusted PAT</b>	<b>376</b>	<b>381</b>	<b>349</b>

- ₹47 million represents unrealised gain (after tax) on arbitrage transactions of Q2 FY11 recognised in Q3 FY11.
- ₹30 million represents impact of expenses (after tax) incurred on the launch of maiden mutual fund product M-50 in Q2 FY11 and includes costs incurred for advertisements, seminars and distribution costs.

EBITDA margins were 42% in Q3 FY11 against 35% in Q2 FY11. Our PAT margins were 25% in Q3 FY11 against 21% in Q2 FY11.

Let me now take you through our segment-wise business performance.

- Broking and related revenues were ₹1,214m in Q3 FY11, up 7% QoQ and up 10% YoY. Our customer base increased to 693,978 and our retail distribution is 1,568 outlets across 595 cities. Our equity market share has gone down to 2.31% in Q3 FY11. The blended yield in broking business was 5.5 bps in Q3 FY11 versus 4.8 bps in Q2 FY11 and 6.3 bps in Q3 FY10. The drop in market share is attributable to the growth in proportion of options volumes in the market (as mentioned earlier). MOSL's market share in the cash segment remains flat and lower in F&O segment.
- Investment banking fees in Q3 FY11 were ₹50m, down 70% QoQ and down 71% YoY. The drop in this quarter's revenue is attributable to revenue booking on few deals in advanced stages of execution getting postponed to subsequent quarters. The deal pipeline remains robust and we continue to remain optimistic about the prospects of this business.
- Fund based income was ₹276 million, up 93% as compared to Q2 FY11 and up 49% compared to Q3 FY10. This includes the unrealized gain of ₹70 million (pre tax). Post these adjustments fund based income in Q3 FY11 at ₹209 million was up 8% over Q2 FY11 and up 37% over Q3 FY10. The loan book was ₹2.7b as on Dec 2010.

- Asset management fees in Q3FY11 were ₹108m, up 3% QoQ and up 10% YoY. The group's assets under management amounted to ~₹23b, which includes assets under our portfolio management services and mutual fund business and also assets under advice for private equity funds. M50 ETF has seen active investor interest and is the 3rd most traded Equity ETF listed in India. As of December 2010, with an AUM of ₹2.8 billion, it is ranked 2nd in terms of AUM amongst Equity ETFs listed in India. We have also successfully completed the NFO of our second product offering - MOST Shares Midcap 100 ETF, India's First Midcap ETF; based on CNX Midcap Index and has received a good response from investors in challenging market conditions.
- Other income of ₹5m in Q3 FY11.

Net worth was ₹10.63b as at Dec 2010 and net cash on the books was ₹2.46b.

#### **MOFSL General Highlights**

- Wealth Management business - “Purple Client Group” managed assets of ~₹12 billion.
- Motilal Oswal Securities Ltd. was adjudged as the Best Performing Equity Broker (National) at the CNBC TV18 Financial Advisors Awards – 2010.
- 15th Wealth Creation Study was released with a theme of ‘Unknown and Unknowable Investing’ (UU Investing) on 15th December at BSE.
- Motilal Oswal recently launched a new web service called “My Motilal Oswal” using a unique widget-based framework that allows users choose what they want to see, where they want to see and how they want to see.
- MOAMC has also filed a draft scheme information document with SEBI for Motilal Oswal Most Shares NASDAQ – 100 ETF (MOST Shares N100).

#### **Outlook**

We continue to remain a focused player in the capital market space. We continue to invest into all of our businesses and we believe that we would be able to benefit from the emerging opportunities in the financial services 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 (₹ M)

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Total Revenues	1,328	1,287	3	1,328	1,212	10	3,886	3,824	2	5,159
EBIDTA	473	433	9	473	396	20	1,368	1,351	1	1,927
PBT (before E & EOI)	427	388	10	427	334	28	1,231	1,186	4	1,722
PAT (before E & EOI)	283	263	8	283	227	24	825	810	2	1,191
PAT (after E & EOI)	283	263	8	283	227	24	825	793	4	1,191

*E & EOI = Exceptional & extraordinary items*

*Source: MOFSL's presentation on December 2010 earnings*

**What is your take in terms of the business dynamics, given the fact that the broking business has been under pressure for a fairly long period of time? How do you see consolidation in the industry happening and when do you see some of the unhealthy practices getting sorted out?**

As far as consolidation is concerned, we do not have any process of national consolidation. Instead the players remain the same and probably external elements like technology, online broking, mobile broking or emergence of strong research base in the market will consolidate entire situation. For the existing mini players, the operations will become so unviable or so minuscule that they will close it automatically, but I do not see any 100 guys coming together and saying that, okay let's make out a very large broking house. I think that kind of effort is not visible yet, so most probably change in technology or change in the environment might force the consolidation.

**In terms of future outlook for the sector, do we see the proportion of option volumes stabilizing at some point of time? It is already 57% of total volume, so do you see it going more from these levels or stabilizing at these levels or going down from these levels, and what could be the possible drivers for this outcome?**

Cash market volumes currently are roughly under half of what the cash market volumes to total market volumes are globally; and also well below the averages that India itself has seen. We feel that as the market sentiment improves, and with slightly better retail participation, we are hoping for the mix of cash as a proportion of the total volumes to improve; however, it is hard to say if that will happen in the next quarter.

**What is the brokerage sharing ratio?**

The sharing ratio is roughly about 60:40.

**So with 60:40 as a rough basis, the ₹1.2 billion would be the net broking revenue?**

The gross broking revenue includes all our business, which is institution plus retail. The sharing would only be on that part of the retail business which is franchise driven. So, you cannot directly apply 60% ratio to total broking revenues.

**Is it safe to assume that 20% of our total franchise will be contributing 80% of our revenue?**

We have a very large and well-spread pan-India franchise base built over the last 20 years. Hence the assumption that 20% of our franchisees would be contributing to 80% would not be right.

**Can we assume that we have maintained our market share in the cash segment; and the loss in market share is coming from the derivatives angle itself?**

Yes, as mentioned in the opening remarks, the cash market share in Q3 and Q2 are same.

## Funds Based Income

### MOFSL STANDALONE FINANCIALS (₹ M)

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Total Revenues	187	90	109	187	161	16	540	531	2	643
EBIDTA	173	73	138	173	152	14	496	507	-2	602
PBT (before E & EOI)	162	73	123	162	129	25	484	461	5	573
PAT (before E & EOI)	109	52	110	109	88	24	374	347	8	424
PAT (after E & EOI)	109	52	110	109	88	24	374	347	8	424

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on December 2010 earnings

**The financing income has seen significant growth this quarter. What proportion of that comes from margin funding, what proportion comes from arbitrage, and anything in terms of IPO funding done during the quarter. Would there be any lumpiness because of that?**

As we had highlighted in the time of our Q2 results, we had a postponement of ₹70 million of income from Q2 to Q3 at the top line level.

**So it means that you roll our position without booking the profit?**

That is correct. In the adjusted fund-based income, the numbers are ₹209 million for Q3 and ₹193 million for Q2, there is 8% growth on a quarter-on-quarter basis and growth in line would be growth in the net worth and the cash balances, etc.

**Was there any IPO funding in the quarter?**

There was some IPO funding, but it was of a very small scale. It is a business we have just entered into. We are building traction in that business, so they would not have caused a significant swing in terms of top line.

**The margin-funding book of ₹2.7 billion, that has been throughout the quarter?**

Yes. It has slightly come down from the last quarter, but it is more or less been at that level.

**What are the other areas that you would be looking to grow your books, is asset financing an area where you could focus in the future. It is not a main thrust area now, but is that an area where you could move into once the scale builds up after a particular point in time, say one or two years down the line?**

Right now the focus is only on the margin funding business, which is also not really pushed very aggressively. Margin funding is actually a subsidiary kind of service for our existing clients. Our whole focus has always been on agency-based business rather than the capital-based business, so we do not think that we will substantially increase the fund-based business because there are different risks associated with those kinds of businesses. However, I think we will keep on looking at some opportunities. As and when if we think that without taking much risk if we can deploy some capital then I think we will be keen on exploring that.

## Investment Banking

### KEY FINANCIALS: INVESTMENT BANKING (₹ M)

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Total Revenues	52	178	-71	52	172	-70	362	422	-14	655
EBIDTA	20	105	-81	20	90	-77	168	226	-26	328
PBT (before E & EOI)	20	105	-81	20	89	-77	167	225	-25	326
PAT (before E & EOI)	14	69	-80	14	63	-78	111	149	-26	217
PAT (after E & EOI)	14	69	-80	14	63	-78	111	149	-26	217

*E & EOI = Exceptional & extraordinary items*

*Source: MOFSL's presentation on December 2010 earnings*

### What is the outlook on the investment banking business? Will we see lumpiness in Q4 and could you give a guide on the number of deal in the pipeline in terms of equity or debt?

We have a very robust pipeline of deals, which are under execution, some of which awaited regulatory approval as of December 31, so we saw postponement of some such large revenue booking from Q3 into Q4. So, we do expect lumpiness in revenues in Q4. We think Q4 revenues will be a good part of the full year revenues for investment banking. We have booked about ₹340 million of revenues in nine months, and we think that Q4 would be substantial in the context of that.

### Looking at full year FY10, would there be a growth on that, because in the beginning of the year you said there would be some growth in IB business because of the pipeline?

The pipeline gives us the confidence that there should be a growth, but some more revenue booking-related issues may result in situation where there may not be a growth. As of now we are uncertain about it, but the revenues will still be material in the context of the nine-month revenue that we already booked. It may well be a growth, if the revenue booking is not hampered by any regulatory approvals of the cross border M&A transactions.

### Are these all equity or debt deals?

They are basically M&A transactions.

## Asset Management

### KEY FINANCIALS: ASSET MANAGEMENT (₹ M)

	Q3 FY11	Q2 FY11	Q3 FY11	Q3 FY10	9M FY11	9M FY10	FY10
Total Revenues	76	5	76	1	83	4	5
EBIDTA	2	(73)	2	(18)	(94)	(34)	(59)
PBT (before E & EOI)	1	(74)	1	(19)	(95)	(34)	(59)
PAT (before E & EOI)	1	(51)	1	(13)	(65)	(23)	(41)
PAT (after E & EOI)	1	(51)	1	(13)	(65)	(23)	(41)

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on December 2010 earnings

### On the mutual fund front, does the loss include the PMS business or is it without the PMS business?

The PMS business was transferred only in the month of October, so if you see the Q3 P&L, you will see that AMC are on breakeven basis. The top line has also increased. The numbers reported prior to that included only the setup cost and the fund launch cost, so only the Q3 includes the PMS, the previous quarters do not include PMS.

## Private Equity

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

	Q3 FY11	Q2 FY11	CHG. QOQ %	Q3 FY11	Q3 FY10	CHG. YOY %	9M FY11	9M FY10	CHG. YOY %	FY10
Total Revenues	31	39	-20	31	56	-44	100	111	-10	154
EBIDTA	9	13	-28	9	17	-44	33	28	20	39
PBT (before E & EOI)	9	13	-29	9	16	-44	33	27	22	37
PAT (before E & EOI)	6	9	-28	6	11	-43	22	18	24	25
PAT (after E & EOI)	6	9	-28	6	11	-43	22	18	24	25

E & EOI = Exceptional & extraordinary items

Source: MOFSL's presentation on December 2010 earnings

## **Overall**

**The employee expenses were down sequentially, a short fall of around ₹60 million quarter-on-quarter, any particular reason for this?**

If you look at the nine-month employee expenses as a proportion of revenues, they are higher on a year-on-year basis; however, you may see some fluctuation on a quarter-on-quarter basis during the current quarter.

**On the employee cost side, does it include the mutual fund cost as well as the provision you typically do for the bonuses?**

Yes, this is fully provided for, in fact this includes the cost of all our subsidiaries consolidated and we booked all our bonuses on a quarterly-to-quarterly basis, so there is no lumpiness on account of that.

**Are there any further areas where you could bring down your expense base or where you think there is leverage for you to cut down on your cost base going ahead to maintain efficiency?**

In terms of the cost efficiency, we think that the business is running with reasonably high degree of efficiency. However, we are investing in some of the businesses and we provide separate financial accounts for some of these new businesses. You may have observed that private equity business is at a break-even stage, and now more or less fully invested the entire growth capital fund and it is not contributing anything to the profits currently, but it is accumulating the carry so that is the one area. The second is the asset management business, its financials are also separately provided and one can observe the nine-month loss is over ₹60 million. The intention is obviously to make profits in that business sooner than later. Thirdly, we have the wealth business where we are investing as well. So there are many such investments that are being made today, which will contribute to profit in the future that are not contributing to profits currently, and we think that can improve the profitability of the overall enterprise.

**What is the debt on the books?**

As of 31st December, the debt on our book is zero.



## INVESTOR UPDATE

### **Motilal Oswal reports a topline of ₹1,653 million and PAT of ₹421 million for Q3 FY11**

**Mumbai, Jan 28, 2011:** Motilal Oswal Financial Services (MOFSL), a leading financial services company, announced its results for quarter ended December 31, 2010 post approval by the Board of Directors at a meeting held in Mumbai on January 28, 2011.

#### **Performance Highlights**

₹Million	Q3 FY11	Comparison (Q2 FY11)	Comparison (Q3 FY10)
<b>Total Revenues</b>	1,653	↑ 5%	↑ 4%
<b>EBIDTA</b>	693	↑ 25%	↑ 8%
<b>PAT (before E&amp;E)</b>	421	↑ 27%	↑ 13%
<b>EPS- ₹(FV Re 1)</b>	2.9		

<sup>^</sup> E & EOI = Exceptional items & Extraordinary items

#### **Performance for the Quarter ended December 31, 2010**

- Revenues for the quarter at ₹1,653 million, up 5% as compared to Q2 FY11 and up 4% as compared to Q3 FY10.
- Reported PAT for Q3 FY11 at ₹421 million, up 27% compared to Q2 FY11 and up 13% compared to Q3 FY10.

To facilitate better comparison of operational performance for Q3 FY11, the following items needs to be considered:

₹Million	Q3 FY11	Q2 FY11	Q3 FY10
<b>PAT (before E&amp; EOI) – Reported</b>	<b>421</b>	<b>331</b>	<b>371</b>
Less : Unrealised gain of previous quarter booked in this quarter (post tax)	47	14	31
Add : Unrealised gain in arbitrage (post tax)	2	47	8
Add : Expenses incurred on launch of M-50 (post tax)	-	30	-
Less: Profit on sale of investments/Fixed assets and change in accounting policy for arbitrage	-	13	-
<b>Adjusted PAT</b>	<b>376</b>	<b>381</b>	<b>349</b>

Adjusted PAT for Q3 FY11 at ₹376 million is down 1% compared to Q2 FY11 and up 8% compared to Q3 FY10.

- Strong balance sheet with net-worth of ₹10,634 million and net cash of ₹2,456 million as on December 31, 2010.

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

*“After reaching new peaks in the first half of the quarter, markets have corrected sharply in the second half due to concerns of high inflation, interest rate, commodity prices and the US recovery pace affecting global allocations of FIIs. This has impacted market sentiments adversely resulting in a slowdown in market activity. Nevertheless, with corporate earnings showing good growth and companies in expansion and acquisition mode, the Indian growth outlook is fundamentally strong and will provide good investment opportunities from a medium to long term perspective. We continue to invest into all of our businesses and we believe that we would be able to benefit from the emerging opportunities in the financial services space. Our endeavor to provide high quality services were recognized at the CNBC TV18 Financial Advisor Awards 2010 where we won the Best Performing Equity Broker (National) Award. Also, the recent launch of our M100 ETF, India’s first mid cap focused ETF, is testimony to our strategy to continuously bring innovative market access products to the investors.”*

**Segment results**

- Broking and related revenues were ₹1,214 million, up 7% compared to Q2 FY11 and up 10% compared to Q3 FY10.
- Fund based income was ₹276 million, up 93% as compared to Q2 FY11 and up 49% compared to Q3 FY10. This includes the unrealized gain of ₹70 million (pre tax). Post these adjustments fund based income in Q3 FY11 at ₹209 million was up 8% over Q2 FY11 and up 37% over Q3 FY10.
- Asset Management fees were ₹108 million, up 3% compared to Q2 FY11 and up 10% compared to Q3 FY10.
- Investment banking fees were ₹50 million, down 70% compared to Q2 FY11 and down 71% compared to Q3 FY10. The drop in this quarter’s revenue is attributable to revenue booking on few deals in advanced stages of execution getting postponed to subsequent quarters. The deal pipeline remains robust and we continue to remain optimistic about the growth prospects in FY11.
- Other income was ₹5 million, down 84% compared to Q2 FY11 and down 77% compared to Q3 FY10.

**Business highlights for Q3 FY 2011**

- Retail Broking and Distribution business increased its customer base to 693,978 in December 2010 and distribution expanded to 1,568 outlets across 595 cities.
- Total Assets under Management for the Group were ~₹23 billion, which includes assets under portfolio management, mutual fund and also assets under advice in private equity business.
- M50 ETF, India’s first fundamentally weighted ETF based on Nifty, has seen active investor interest and is the 3rd most traded Equity ETF listed in India. As of December 2010, with an AUM of ₹2.8 billion, it is ranked 2nd in terms of AUM amongst Equity ETFs listed in India.
- Wealth Management business - “Purple Client Group” managed assets of ~₹12 billion.
- Motilal Oswal Securities Ltd. (MOSL) was adjudged as the Best Performing Equity Broker (National) at the CNBC TV18 Financial Advisors Awards – 2010.
- MOAMC launched its second fund - MOST Shares Midcap 100 ETF on 10th January, 2010. This is India’s First Midcap ETF and is based on the CNX Midcap Index.
- 15th Wealth Creation Study was released with a theme of ‘Unknown and Unknowable Investing’ (UU Investing) on 15th December, 2010 at BSE.
- MOSL launched a new web service called “My Motilal Oswal” using a unique widget-based framework that allows users choose what information they want to see, where they want to see and how they want to see.
- MOAMC has also filed a draft scheme information document with SEBI for another fund - Motilal Oswal Most Shares NASDAQ – 100 ETF (Most Shares N100).

## About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. (NSE :MOTILALLOFS, 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 1,568 business locations spread across 595 cities and the online channel to over 693,978 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 the Asia Money Brokerage Polls for India. In the StarMine India Broker Rankings 2009 from Thomson Reuters, we won awards in 3 out of 4 categories and also bagged the No. 1 Broker Award in the ET Now – StarMine Analyst Awards 2009. We were also adjudged as the 'Best Performing Equity Broker (National)' at the CNBC TV18 Financial Advisors Awards – 2010.

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**CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31ST DECEMBER 2010**

**(₹ in Lakhs)**

Particulars	Quarter Ended		Nine Month Ended		Year Ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.03.2010
1. (a) Income from Operations	16,184	15,174	45,529	45,313	60,731
(b) Other Operating Income	302	437	1,018	1,381	1,777
<b>Total</b>	<b>16,486</b>	<b>15,611</b>	<b>46,547</b>	<b>46,694</b>	<b>62,508</b>
2. Expenditure					
a. Operating Cost	4,142	4,166	11,372	12,564	16,296
b. Employees cost	3,312	3,290	11,117	10,071	13,666
c. Depreciation	337	372	988	1,060	1,419
d. Other expenditure	2,148	1,941	6,346	5,149	6,872
Total	9,939	9,769	29,823	28,844	38,253
<b>3. Profit from Operations before Other Income, Interest &amp; Exceptional Items (1-2)</b>	<b>6,547</b>	<b>5,842</b>	<b>16,724</b>	<b>17,850</b>	<b>24,255</b>
4. Other Income	47	215	889	1,176	2,024
5. Profit before Interest & Exceptional Items (3+4)	6,594	6,057	17,613	19,026	26,279
6. Interest	207	503	478	1,077	962
7. Profit after Interest but before Exceptional Items (5-6)	6,387	5,554	17,135	17,949	25,317
8. Exceptional Items - Expense/(Income)	-	-	-	166	(6)
<b>9. Profit / (Loss) from Ordinary Activities before tax (7-8)</b>	<b>6,387</b>	<b>5,554</b>	<b>17,135</b>	<b>17,783</b>	<b>25,323</b>
10. Tax expense	2,144	1,753	5,637	5,670	7,881
11. Net Profit / (Loss) from Ordinary Activities after tax but before minority interests (9-10)	4,243	3,801	11,498	12,113	17,442
12. Share of minority interests in (profits)/ loss	(29)	(91)	(217)	(258)	(397)
<b>13. Net Profit from Ordinary Activities after tax and Minority Interests (11-12)</b>	<b>4,214</b>	<b>3,710</b>	<b>11,281</b>	<b>11,855</b>	<b>17,045</b>
14. Paid-up equity share capital (Face Value of Re. 1/- Per Share )	1,443	1,431	1,443	1,431	1,432
15. Reserves excluding Revaluation Reserves					93,161
<b>16. Earnings Per Share (EPS)</b>					
a) Basic EPS	2.92	2.59	7.85	8.32	11.91
b) Diluted EPS	2.92	2.59	7.84	8.31	11.90
17. Dividend Per Share (Face Value Re. 1 each)					1.20
18. Public shareholding					
- Number of shares	44,440,379	43,135,937	44,440,379	43,135,937	43,268,016
- Percentage of shareholding	30.79%	30.15%	30.79%	30.15%	30.22%
19. Promoters and promoter group Shareholding					
a) Pledged/Encumbered					
- Number of shares	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	8.51%	8.51%	8.51%	8.51%	8.51%
- Percentage of shares (as a % of the total share capital of the company)	5.89%	5.94%	5.89%	5.94%	5.94%
b) Non-encumbered					
- Number of shares	91,376,300	91,430,704	91,376,300	91,430,704	91,404,200
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	91.49%	91.49%	91.49%	91.49%	91.49%
- Percentage of shares (as a % of the total share capital of the company)	63.32%	63.91%	63.32%	63.91%	63.84%

**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 Friday, 28th January, 2011. The results for the quarter and nine months ended 31st December, 2010 have been reviewed by the Statutory Auditors of the Company in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India.

2) The consolidated results of the Company include the results of the subsidiaries – Motilal Oswal Securities Limited (99.95%), Motilal Oswal Investment Advisors Private Limited (87.50%), Motilal Oswal Private Equity Advisors Private Limited (85%), Motilal Oswal Commodities Broker Private Limited (97.55%), Motilal Oswal Capital Markets Private Limited (99.95%), Antop Traders Private Limited (99.95%), Motilal Oswal Insurance Brokers Private Limited (99%), Motilal Oswal Asset Management Company Limited (99.95%) and Motilal Oswal Trustee Company Limited (99.95%)

3) During the current quarter 'ESOP Committee' of the Board of Directors of the Company at its meeting held on 1st November, 2010 has allotted 61,850 equity shares of the face value of Re. 1 each fully paid-up to the Employees on exercise of the Stock Options granted in accordance with the provisions of the 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - III.

4) The Board of Directors, today appointed Mr. Vivek Paranjpe as an independent additional Director of the company with immediate effect. He will hold office upto the date of the Annual General Meeting, when his appointment as a director will be placed for the approval of the shareholders.

5) In order to rationalize the operations and bring the asset management business under one umbrella, Motilal Oswal Securities Ltd (MOSL), a subsidiary of the Company had made an application to SEBI for transfer of Portfolio Management Services (PMS) business by way of slump sale to its wholly owned subsidiary Motilal Oswal Asset Management Company Ltd (MOAMC), a subsidiary of the company. SEBI while granting approval for transfer of PMS business, has endorsed the original certificate of registration of portfolio management services in favour of Motilal Oswal Asset Management Company Ltd during the quarter with effect from October 21, 2010.

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

7) Standalone financial results are summarised below and also available on the Company's website: [www.motilaloswal.com](http://www.motilaloswal.com).

Particulars	Quarter Ended		Nine Month Ended		Year Ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.03.2010
Gross Revenue	1,874	1,611	5,402	5,314	6,426
Profit Before Tax	1,619	1,295	4,841	4,606	5,729
Profit After Tax	1,092	882	3,738	3,465	4,238

8) Information on investor complaints pursuant to Clause 41 of the Listing Agreement for the quarter ended 31st December, 2010

	Opening balance	Additions	Disposal	Closing balance
Number of complaints	NIL	4	3	1

9) CONSOLIDATED UNAUDITED SEGMENT RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER 2010

(₹ in Lakhs)

Particulars	Quarter Ended		Nine Month Ended		Year Ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.03.2010
<b>1. Segment Revenue</b>					
(a) Equity Broking & Other related activities	13,241	11,990	38,518	37,516	50,130
(b) Financing & Other activities	1,874	1,611	4,061	4,477	5,590
(c) Investment Banking	499	1,706	3,515	4,192	6,503
(d) Unallocated	1,544	907	3,131	2,410	3,797
<b>Total</b>	<b>17,158</b>	<b>16,214</b>	<b>49,225</b>	<b>48,595</b>	<b>66,020</b>
Less: Inter Segment Revenue	625	388	1,789	725	1,487
<b>Income From Operations, Other Operating income &amp; Other Income</b>	<b>16,533</b>	<b>15,826</b>	<b>47,436</b>	<b>47,870</b>	<b>64,533</b>
<b>2. Segment Results Profit / (Loss) before tax and interest from Each segment)</b>					
(a) Equity Broking & Other related activities	4,338	3,480	12,343	11,772	16,450
(b) Financing & Other activities	1,619	1,295	3,502	3,770	4,895
(c) Investment Banking	177	882	1,574	2,217	3,217
(d) Unallocated	401	176	171	839	1,472
<b>Total</b>	<b>6,535</b>	<b>5,833</b>	<b>17,590</b>	<b>18,598</b>	<b>26,034</b>
Less: Interest	149	279	455	649	717
<b>Profit/(Loss ) from Ordinary Activities before Exceptional Items &amp; Tax</b>	<b>6,386</b>	<b>5,554</b>	<b>17,135</b>	<b>17,949</b>	<b>25,317</b>
<b>3. Capital Employed</b>					
<b>(Segment assets – Segment Liabilities)</b>					
(a) Equity Broking & Other related activities	41,798	19,574	41,798	19,574	47,879
(b) Financing & Other activities	53,441	48,772	53,441	48,772	49,417
(c) Investment Banking	954	661	954	661	799
(d) Unallocated	10,654	22,921	10,654	22,921	(3,087)
<b>Total</b>	<b>106,847</b>	<b>91,928</b>	<b>106,847</b>	<b>91,928</b>	<b>95,008</b>

**Notes:**

1. 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 other related activities, financing and other activities, Investment banking, Private Equity, Asset Management & Commodities broking. In accordance with Accounting Standard -17 on segment reporting and Company (Accounting Standards) Rules, 2006, the Company has Equity broking and other related activities, Financing and other activities & Investment banking as reportable segments. The balance is shown as unallocated items.

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

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

Motilal Oswal  
Chairman & Managing Director

Mumbai, 28th January, 2011  
investors@motilaloswal.com.



MOTILAL OSWAL

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