


NIFTY 9,979.10


152.95 (1.56%)

02-Jun-2020 | EOD

SENSEX 33,825.53


522.01 (1.57%)

02-Jun-2020 | EOD

MOFSL 550.20


24.20 (4.60%)

02-Jun-2020 | EOD

Menu

[Home](#) > [Media Room](#) > [Press Release](#) > [Details](#)

Motilal Oswal Financial Services reports Q3FY18 PAT of Rs 148 crores, +66% YoY

Mumbai 24-Jan-2018

Press Release

Motilal Oswal Financial Services reports Q3FY18 PAT of Rs 148 crores, +66% YoY

Mumbai, January 24, 2018: Motilal Oswal Financial Services Ltd. announced its results for the quarter ended December 31, 2017 post approval by the Board of Directors at a meeting held in Mumbai on January 24, 2018.

Performance Highlights

Rs Million Q3FY18 Q3FY17 YoY Chg Q2FY18 QoQ Chg

Revenues 736 456 ?62% 714 ?3%

PBT 215 123 ?75% 231 ?7%

PAT 148 89 ?66% 144 ?3%

EPS (Rs) 106 10

Interim dividend declared of Rs.4 per share (FV Re 1 per share)

Performance for the quarter ended December 31, 2017

- Consolidated revenues were Rs 736 crores in Q3FY18, +62% YoY.
- Asset & Wealth Management business top-line was +120% YoY, Capital Market business was +87% YoY and Fund based business was +40% YoY. In Q3FY18, 51% of revenue came from linear sources like Asset & Wealth Management and Housing Finance. Capital Markets share in revenue has improved during the quarter to 42% led by market tailwinds coupled with operating leverage. Broking business has clocked its highest ever quarterly revenues, its distribution arm clocked 112% YoY growth in AUM and Investment banking profits and pipeline continued to grow strongly. Notwithstanding this strong performance in Capital Markets, the share of annuity revenue streams went up, led by AMC's AUM growth of 126% YoY and Housing Finance business reporting a loan book growth of 48% YoY.
- Consolidated PBT was up by 75% YoY at Rs 215 crores. Consolidated PAT was Rs 148 crores in Q3FY18, +66% YoY, despite 3 factors – Rs 12.3 crores impact of MAT credit provisioning, Rs 6.3 crores impact of change in ESOP accounting policy and accelerated provision in AHFCL. All these 3 charges to income statement were at the discretion of the management. This incremental PAT growth was contributed by Asset & wealth management business, +277% YoY and Capital Market business, +92% YoY. PAT Ex-Aspire is up 101%.
- Significant investments have been made in manpower. Ad expenses are +74% YoY in Asset Management. In case of Housing Finance, branches are up by 39% YoY. The full impact of operating leverage from these sizeable investments is yet to unfold in our businesses

• Consolidated net worth stood at Rs 2,156 crores, gross (including Aspire). Excluding Aspire, gross and

[Explore](#)

Rs 5,813 crores and net borrowing was Rs 5,408

crores (including Aspire) and Rs 1,421 crores respectively.

and this is less than the market value of quoted investments at ~Rs 1,470 crores. Overall gearing remains conservative at 2.7x; ex-Aspire it is at 0.9x and considering market value quoted investments, we are effectively net cash balance sheet

- RoE for Q3FY18 was 28% on the reported PAT. However, this does not include unrealized gains in our quoted investments at Rs 705 crores as of Dec-17. Had this been included, RoE in Q3FY18 would have been ~40%.
- Board has declared interim dividend of Rs 4 per share (FV Re 1/share). Dividend payout policy is 25-35% of PAT.

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

“Our strategy to diversify our business model towards linear sources of earnings like Asset Management and Housing Finance continues to show results, with over half of the revenue pie now coming from these new businesses. Each of these businesses offers significant headroom for growth and operating leverage as they scale up. Even our traditional businesses also saw strong uptick during the quarter by registering record revenues. With this strategy, we have achieved highest ever quarterly revenue and profit during Q3FY18 and 9MFY18. Our brand is now being recognized in each of our businesses”.

Performance of Business Segments for the quarter ended December 31, 2017

•Capital markets Businesses (Broking & Investment banking)

oCapital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues were Rs 312 crores in Q3FY18, +87% YoY for this segment and contributed ~42% of Consolidated revenues. Profits grew much faster at 92% YoY and contributed ~38% of PAT.

oIn Retail Broking & Distribution, our market share in high-yield cash segment continued to rise QoQ and overall market share improved to 2.1% in Q3FY18.

oOur strategy to bring in linearity through the trail-based distribution business is showing results. Distribution Net Sales were Rs 959 crores in Q3FY18, +170% YoY, and AUM was Rs 7,466 crores, +112% YoY. With only 9% of the near million client base tapped, Distribution income is already at 17% of retail broking gross revenues. We expect a meaningful increase in AUM and fee income as number of clients to whom we have cross sold and number of products per client cross sold rises.

oIn Institutional Broking, rankings with existing clients improved, domestic institutions contribution improved and new client additions were encouraging. Every aspect of the business, research, sales, sales trading and corporate access is being strengthened. Tailwinds for local firms remain strong.

oInvestment Banking revenues grew strongly by 108% YoY to Rs 92 crores in 9MFY18 while profits grew much faster. We have completed 11 ECM transactions in 9MFY18. Some significant transactions have been closed in Q3FY18 and the overall transaction pipeline remains quite encouraging.

•Asset Management businesses are nearing critical mass

oAsset Management business across MF, PMS & AIF reached the mark of Rs 35,015 crores AUM, +126% YoY this year, comprising of Rs 1,729 crores MF AUM, Rs 1,566 crores PMS AUM and Rs 1,985 crores of AIF AUM. Our AMC now ranks among the Top-10 players by total equity assets, PMS ranks #1 while AIF is growing rapidly. Net Sales were Rs 9,704 crores in 9MFY18, +156% YoY and compares with Rs 6,200 crores in all of FY17. Net yield was ~0.9% in Q3FY18. Revenues were Rs 169 crores in Q3FY18, +93% YoY and PAT is Rs 30.3 crores, +109% YoY despite significant investments in brand building. The asset management business offers the highest scalability and operating leverage among all our businesses.

oOur Equity MF AUM of Rs 1,729 crores is just 1.9% of the Industry Equity AUM of Rs 8,00,000 crores. However, our market share in Equity MF Net Sales has scaled up to ~4% in Q3FY18. Our endeavor would be sharpen the QGLP philosophy to sustain alpha generation, to increase our share of Net Sales as funds form part of performance league tables and there is stronger distribution pull. This will aid closing the gap between our share in AUM and Net Sales while improving our share in Net Sales. Ad & marketing spends were Rs 70.7 crores in Q3FY18, +74% YoY, forming 9% of net revenue. Our ongoing ad campaign “Think Equity Think Motilal Oswal” is reiterating our positioning as equity specialist. Separately, our pricing power in MF is improving and the direct net sales contribution is rising – up from 13% in Q3FY17 to 31% in Q3FY18. This will help improve net yields.

oOur share of Alternate assets, comprising of PMS & AIF, is the highest among AMC's at 50% and continues to grow very strongly. Yields and profitability of Alternates is higher. As of Dec 2017, ~17% of Alternates AUM is performance-fee linked, and our target is to increase this further.

oPrivate Equity manages an AUM of Rs 4,694 crores across 3 growth capital PE funds & 3 real estate funds. This business has delivered on profitability and scalability fronts. The 1st growth fund (IBEF 1) has delivered an XIRR of 27%, and alpha of 10% and is expected to return nearly 5x MoC (Multiple of Cost). Till date, 3.3x MoC has been returned for INR investors and 2.2x for USD investors. Strong performance and positioning has also aided new fund raise. We launched IBEF-3 this year and received phenomenal response by garnering Rs 1500 crores and are expecting to close FY18 with corpus of Rs 2,000 crores.

oWealth Management business AUM grew by 67% Yc

Explore res with highest-ever Net adds at Rs 1,039 crores,

RM count of this business has reached 106 from 78 in Mar-17, +36% YoY. Investments in strong RM addition suppressed reported profitability of past years. As the ratio of new adds to opening RM's falls and the vintage of RM's improve, both productivity and profitability of the business will scale up.

oOverall Asset and Wealth Management revenues were Rs 220 crores in Q3FY18, +120% YoY and contributed 30% of consolidated revenues. Profits grew by 277% YoY and this segment now contributes 40% of consolidated profits, with highest scalability and with least capital employed among our portfolio of businesses.

•Housing finance business

oAspire Home Finance's loan book grew by +48% YoY at Rs 4,936 crores. NII of AHFCL grew by 40% YoY. However, NII declined QoQ due to lower disbursements and higher interest reversals led by increase in NPA.

oIn Q3FY18, profit of the company declined on account of accelerated provisioning.

oDuring the quarter, AHFCL made accelerated provisions of Rs 6.6 crores over the regulatory requirements. PCR increased marginally to 31% from 29% in Q2FY18. We plan to take PCR higher in coming quarters.

oStrong distribution ramp up in FY17 & collection ramp up in FY18 has driven 44% YoY growth in manpower and 39% growth in branches. Collection headcount increased by 68% QoQ to ~130.

oDisbursements in Q3FY18 were Rs 294 crores versus Rs 631 crores in Q2FY18 and Rs 332 crores in Q3FY17.

Disbursements are calibrated as asset quality continued to be higher than expected levels.

oGNPA increased from 2.8% in Q2FY18 to 4.6% in Q3FY18 on account of seasoning of book coupled with delay in setting up collection organisation. Further, prolonged impact of external shocks in economy also affected asset quality. Impact of collection organisation yet to be reflected in asset quality.

oMargins stood at 3.85% in 9MFY18 vs 3.35% in 9MFY17. However, sequentially it has impacted on account of decline in yield led by interest reversals.

oBranch expansion is being pursued in the new states where we commenced operations year ago. New branches added in new states in FY17 have contributed 25%+ of total disbursements in 9MFY18.

oGearing remains conservative, with the Debt/Equity ratio at 5.1x.

•Fund based business includes sponsor commitments to our AMC & PE funds, equity investments and NBFC LAS book.

oFund Based activities like commitments to our asset management products, not only helped seed these new businesses by investing in highly scalable opportunities, but they also represent liquid resources for future opportunities.

oInvestments in quoted equity investments stood at Rs 770 crores at cost, while the unrealised gain on these investments as of Dec-17 stood at Rs 705 crores. These gains are not reflected in the reported PAT. The post-tax cumulative XIRR of these investments is ~30%, which is the see-through RoE vs reported RoE of just 12%. As per IND-AS, these gains will form a part of reported earnings from FY19.

oInvestment in seeding our PE funds is Rs 269 crores at cost. IBEF-1 is expected to deliver a 5x MoC. NBFC LAS book is Rs 196 crores as of Dec-17, which is now run as a spread business.

About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. is a financial services company. Its offerings include capital markets businesses (Retail broking, Institutional broking & Investment banking), Asset & Wealth Management (Asset Management, Private Equity & Wealth Management), Housing Finance & Equity based treasury investments. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards for the 6th time. It was ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services & Best Roadshows/Company Visits & amongst the Top-3 in Best Local Brokerage, Best Execution & Sales Trading Visits at the Asia Money Awards 2015. Motilal Oswal Private Equity won the 'Best Growth Capital Investor-2012' award at the Awards for PE Excellence 2013. Motilal Oswal Private Wealth Management won at the UTI-MF CNBC Financial Advisor Award in HNI Wealth Management category for 2015. Aspire Housing Finance was awarded 'India's Most Admired & Valuable Housing Finance Company' at India Leadership Conclave 2015.

For further details contact:

Mrs. Rohini Kute

(Head of Corporate Communication)

Motilal Oswal Financial Services

Ph- +91-22-30102340,

Mob- +91-9820196838

Explore

Motilal Oswal Financial Services

Ph- +91-22-39825500

Mob- +91-9819060032

Mr. Alpesh Nakrani

Paradigm Shift Public Relations

Ph- +91-22 22813797

Mob- +91-9892343828 / +91-9869121167

[Explore](#)